



Insights on AML and Compliance – for the FSI in Kenya

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Agenda

- Overview of Financial Crime
- A practitioners' perspective
- Trends in AML, Fraud and Risk.
- Compliance expectations for FSI's

Finished files are the result of
years of scientific study
combined with the experience
of years.



7 minutes

43,000 Staff

\$321B

Hypotheses:

- Financial Crime is a global and growing problem
- Criminals are in it for the money and depend on (witting & unwitting) professional facilitators, including auditors, bankers and lawyers.
- One of the best ways to combat global crime is to disrupt financial crime – follow the money!
- Putting K back into KYC can make a difference.



A collage of crumpled and torn banknotes from various countries, including the United States and the Eurozone. The text "Crime doesn't pay" is overlaid in orange. The background is a dense, chaotic pile of money, with a prominent one-dollar bill in the center. The text is written in a bold, sans-serif font, with a slight shadow effect. The overall image conveys a message about the futility of crime in the context of money.

“Crime doesn't pay”

Counterfeiting \$923 billion to \$1.13 trillion

Drug trafficking \$426 to \$652 billion

Human slavery & trafficking \$150.2 billion

Illegal logging \$52 – \$157 billion

Illegal fishing \$15.5 – \$36.4 billion

Illegal mining \$12 – \$48 billion

Crude oil theft \$5.2 – \$11.9 billion

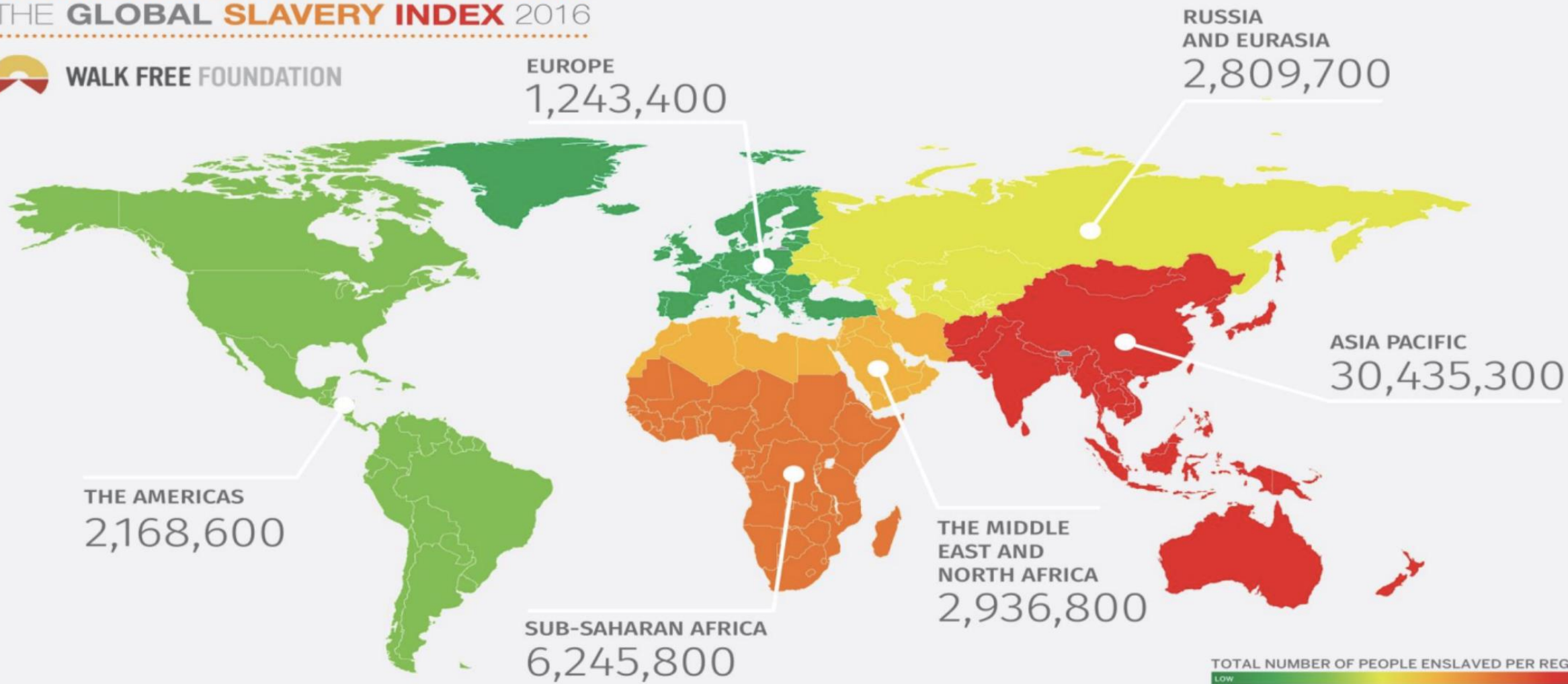
Illegal wildlife trade \$5 – \$23 billion

\$1.6 to \$2.2 trillion



Meet Francis...

THE GLOBAL SLAVERY INDEX 2016



COUNTRIES WITH THE HIGHEST PROPORTION OF THE POPULATION ENSLAVED



* PAKISTAN
DEMOCRATIC REPUBLIC OF THE CONGO
SUDAN
IRAQ
AFGHANISTAN
YEMEN
SYRIA
SOUTH SUDAN
SOMALIA
LIBYA
CENTRAL AFRICAN REPUBLIC

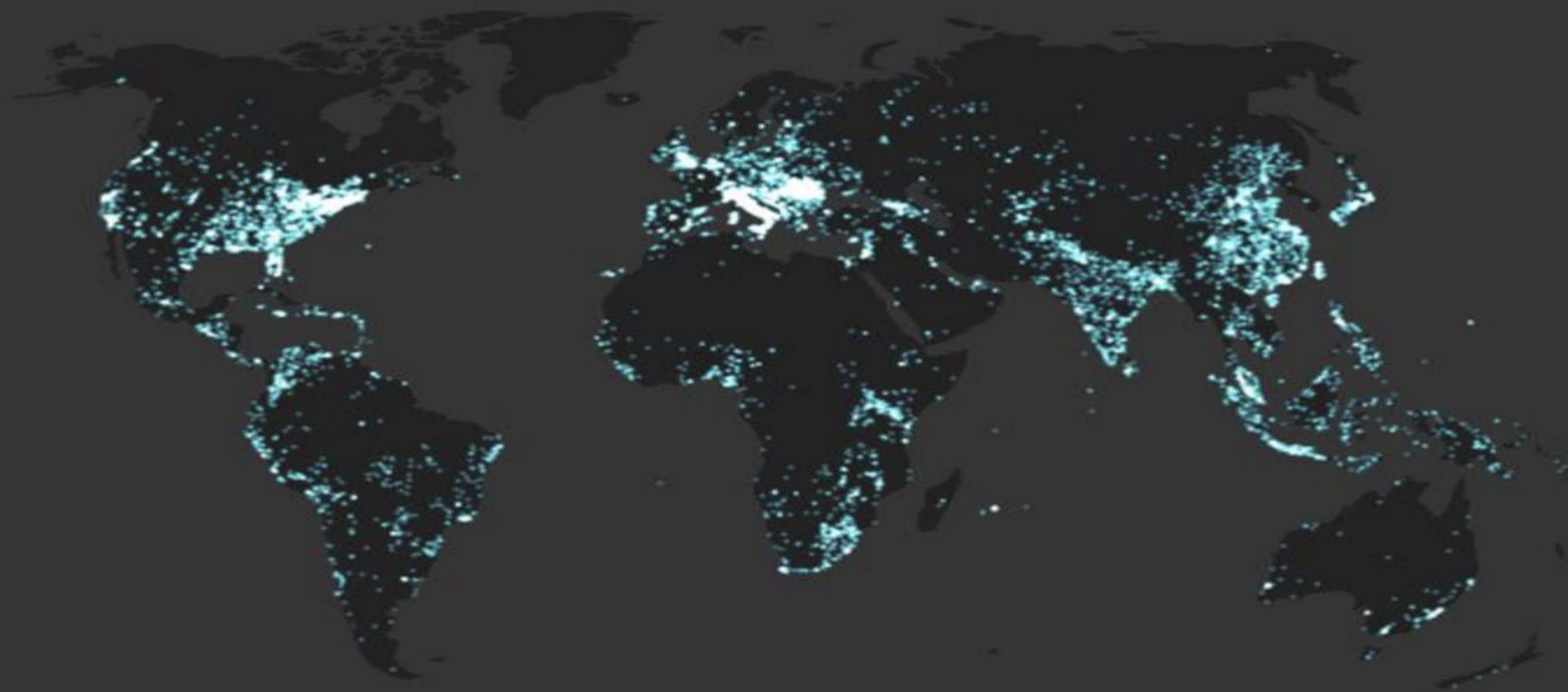
Money Laundering by Location

This map shows the global locations of individuals and entities, contained in the Thomson Reuters World-Check risk intelligence database, identified as connected to money laundering. Where connections have been identified, lines demonstrate the link.



Bribery and Corruption by Location

This map shows 13,310 unique locations of individuals and entities in Thomson Reuters World-Check identified as connected with bribery and corruption.





A practitioners' perspective.



A practitioner's perspective

FSI's are, quite rightly, required to monitor the transactions they facilitate, and the customers they serve, for suspicious activity.

Then

- Transactions took days to process
- You knew your clients (often personally)
- You anticipated their requests and needs.

\$1.9 Bn

HSBC fine in 2012.

Now

- Millions of transactions each month
- Clients are not just people and shops but shell companies in far away off-shore locations – not even local authorities know who they are.
- Even banks rarely open 'branches' anymore.

\$9 Bn

BNP Paribas fine in 2014.

A group of business professionals in a modern, high-tech environment, likely a data center or control room. They are gathered around a large, illuminated digital display table, examining data visualizations. The background is filled with rows of server racks and glowing lights, creating a futuristic and professional atmosphere. The lighting is predominantly blue and white, highlighting the individuals and the data on the screen.

Trends – AML, Fraud, Risk

Trends in AML, Fraud and Risk

Move to ecommerce and eKYC.

FRAUD



- Sharing of devices amongst fraudsters
- Identity theft
- Merchant fraud

STRATEGY



- Focus on non-Face to Face transactions
- Knowledge flight
- Innovation – outsourcing KYC

INTERNAL CONTROLS



- Focus on growth and expansion
- Compliance takes a backseat
- Need to determine Source of Funds / Source of Wealth

Regulators – exploring digital currencies.

Cross-border movement of funds is increasing

Card schemes implementing additional rules for online marketplaces and high brand risk merchants



Compliance expectations

Compliance expectations for FSIs

Annual Compliance Report (ACR) – 31 January 2022

No	Regulation	Reference in Regulations	Description of regulatory requirement
1.	Registration with the Centre	4. (1)	The institution registered with the Centre within one year of the Regulations or such other longer period as the Centre allowed using the form prescribed in the Schedule.
2.	Risk Assessment	6. (1)	The institution has undertaken a Money Laundering Risk Assessment to enable it identify, assess, monitor, manage and mitigate the risks associated with money laundering.
3.	New Technologies	7. (1)	The institution has taken reasonable measures to prevent the use of new technologies for money laundering purposes.
4.	Internal Control Obligations	9. (1)	The institution has formulated, adopted and implemented internal control measures and other procedures to combat money laundering and these measures include:
5.	Money Laundering Reporting Officer	10. (1)	The institution has appointed a Money Laundering Reporting Officer.
6.	Anonymous or Fictitious Accounts	11. (1)	The institution did not open or maintain an anonymous or fictitious account.
7.	Customer Due Diligence	12. (2)	The institution took measures to satisfy itself as to the true identity of any applicant seeking to enter a business relationship with it, or to carry out a transaction or series of transactions with it, by requiring the applicant to produce an official record for the purposes of establishing the true identity of the applicant and for the purpose of verifying that identity.
8.	Enhanced due diligence measures	18	Enhanced due diligence measures were applied to persons and entities that presented a higher risk to the institution through the measures listed in regulation 18 of the Regulations.
9.	Establishment of Ultimate beneficiaries	19. (1)	The institution ensured that it was able to identify and verify the natural persons behind legal persons and arrangements.
10.	Life insurance related business	20. (1)	For life or other investment-related insurance business, the institution, in addition to the customer due diligence measures required for the customer and the beneficial owner, conducted additional customer due diligence measures on the beneficiaries of life insurance and other investment related insurance policies, as soon as the beneficiary or beneficiaries were identified or designated as described in regulation 20 (1) of the Regulations.

Compliance expectations for FSIs

Annual Compliance Report (ACR) – 31 January 2022

No	Regulation	Reference in Regulations	Description of regulatory requirement
11	Politically exposed persons	22. (1)	The institution has appropriate risk management systems to determine whether the customer or beneficial owner is a politically exposed person.
12	Foreign branches or subsidiaries	23. (1)	The institution ensured that its foreign branches and subsidiaries observed anti-money laundering measures consistent with the Act and Regulations.
14	On-going monitoring	29. (1) and (2)	The institution monitored the business or account activity and transactions of customers on a continuous basis. This may have been done on a risk-sensitive basis.
15	Legitimacy of source funds	31. (1)	The institution, for purposes of determining the legitimacy of funds and transactions, considered the information listed in regulation 31 (1).
16	Reporting of suspicious activities by reporting institutions	32. (1)	Where the institution became aware of suspicious activities or transactions which indicated possible money laundering activities, the institution ensured that it was reported to the Centre immediately and within seven days of the date of the transaction or occurrence of the activity that was considered suspicious.
17	Tipping off	35	The institution did not disclose to any unauthorised person information obtained which was suspicious or indicated possible money laundering activity but reported it to the Centre as required by the Regulations.
18	Record keeping	36. (1)	The institution ensured that it maintains and keeps records of all transactions for a minimum period of seven years from the date the relevant business or transaction was completed or following the termination of an account or business relationship.
19	Independent audit	37	The institution adopted an independent audit function to check compliance by the institution with the Act and Regulations.

QUESTIONS?

