

CONTENTS

.....

<i>About the author</i>	xiii
<i>Introduction</i>	xv
1 WHAT IS MONEY LAUNDERING?	1
The initial concerns	2
What is money laundering?	2
The process of money laundering	4
The primary offences	5
Due diligence	6
The evasion of taxation	6
Suspicion and reporting	8
The local service provider	9
Licence payments	9
The process of money laundering	10
2 INTERNATIONAL MONEY LAUNDERING REGULATION – THE ROLE OF THE FINANCIAL ACTION TASK FORCE	15
Who are the Financial Action Task Force?	16
History of FATF	16
The 40 FATF Recommendations	17
The 9 Special Recommendations	38

.....

3	EUROPE – THE THIRD MONEY LAUNDERING DIRECTIVE	43
	Background to the Directive	44
	Aims of the Directive	44
	The UK implementation of the Directive	45
	Key provisions of the Directive	45
	Overview of the Directive	46
4	THE UK REGULATORY FRAMEWORK	61
	Background	62
	The Financial Services and Markets Act 2000	62
	Fit and Proper Person Rules	63
	FSA Regulation and Money Laundering Deterrence	64
	The Proceeds of Crime Act 2002	65
	The Terrorism Act 2000 and the Anti-Terrorism Crime and Security Act 2001	66
	The Money Laundering Regulations 2007	67
5	HOW RULES ARE APPLIED IN THE UK – THE JOINT MONEY LAUNDERING STEERING GROUP	69
	Membership	70
	The risk-based approach	71
	The regulatory framework	72
6	THE WOLFSBERG PRINCIPLES	75
	The Wolfsberg Group	76
	What is the real significance of the Principles?	76

	The Wolfsberg Principles, Statements and Guidelines	77
	The Statement against Corruption	77
	The Statement on Private Banking (May 2002)	81
	Principles on correspondent banking	85
7	THE US REGULATORY FRAMEWORK	89
	The US Patriot Act	90
	The other key US regulations	90
	Key issues in the US Patriot Act	91
	The Bank Secrecy Act 1970	97
8	FINANCIAL SANCTIONS	103
	What are financial sanctions?	104
	Failing to comply	104
	Sanctions lists	105
	Compliance with financial sanctions	107
	Financial sanctions as part of normal money laundering deterrence procedures	108
	Difficulties faced by firms when monitoring financial sanctions	109
9	THE ROLE OF THE MONEY LAUNDERING REPORTING OFFICER	111
	What is a Money Laundering Reporting Officer?	112
	Who can be appointed as an MLRO?	112
	The role of the MLRO	113
	The safe harbour and its limitations	114
	Matrix management	114
	What is an MLRO's internal reporting procedure?	116

.....

What is contained in the MLRO's Annual Report?	117
10 MONEY LAUNDERING TRAINING	123
The importance of staff awareness and training	124
The core obligations of training	124
Legal and regulatory obligations	125
Staff responsibilities	126
Internal training procedures	128
Training methods and assessment	129
11 KNOW YOUR CUSTOMER	131
What is Know Your Customer?	132
Why should firms carry out KYC requirements?	133
What does KYC involve?	134
What are the general issues?	134
Reliance on third parties	138
The Third EC Directive – KYC requirements	139
The UK KYC requirements	140
12 RETAIL CUSTOMER IDENTIFICATION	145
Who are retail customers?	146
Basic retail identification evidence	146
Documentary verification	147
Customer exclusion	149
Electronic verification	150
Impersonation fraud	150
Family members	151

Transaction monitoring	152
Source of funds	152
13 CORPORATE CUSTOMER IDENTIFICATION	155
Who is a corporate customer?	156
Risks associated with corporate customers	157
Beneficial owners	158
Standard evidence for corporate entities	158
Private and unlisted companies	160
Enhanced due diligence	161
Charities and trusts	162
14 POLITICALLY EXPOSED PERSONS	165
What is a politically exposed person?	166
The definition of a politically exposed person (PEP)	167
At what level is someone a PEP?	168
Prominent public functions	170
The immediate family rules	171
The associate rules	172
What is the risk-based approach?	174
The risk-based approach to determining PEPs	174
Transparency International	176
15 NON FACE-TO-FACE CUSTOMERS	179
Who are non face-to-face customers?	180
Additional measures for non face-to-face customers	181

	Risk-based approach to non face-to-face customers	182
16	SUSPICIOUS CONDUCT AND TRANSACTIONS	185
	Introduction	186
	What is a suspicious transaction?	186
	Activity inconsistent with the customer's business	187
	Avoiding a national reporting or record-keeping requirement	189
	Wire or fund transfers	190
	Insufficient or suspicious information by customer	192
	Other suspicious customer activity	193
17	UNUSUAL TRANSACTIONS	197
	The identification of unusual transactions	198
	The development of policy	198
	The types of events that might cause suspicion	201
	The problems of customer identification	202
	What might highlight terrorist activity?	203
18	INVESTIGATING SUSPICIONS	205
	The investigation process	206
	Making a report	206
	Internal reporting	207
	External referrals	210
	What is meant by "knowledge" and "suspicion"?	211
	What is meant by "reasonable grounds" to know or suspect?	212

The investigation by the nominated officer	213
Reporting in the UK	214
Sanctions and penalties for failing to comply	215
19 ONGOING MONITORING	217
The importance of ongoing monitoring	218
The link to customer relationship management	219
What does ongoing monitoring involve?	219
Enhanced ongoing monitoring	220
The risk of dormant accounts	222
What type of enhanced monitoring is required?	223
Automated vs. manual systems of monitoring	223
Issues to consider when implementing a monitoring system	224
Staff training	224
20 TIPPING OFF	227
Introduction	228
Letting the customer know	228
The problems in practice	229
Penalties for tipping off	230
Communications with customers under investigation	230
21 RECORD KEEPING	231
The purpose of record keeping	232
What records have to be kept?	232

.....	
In what form should records be kept?	234
Failure to keep records	235
22 RISK MANAGEMENT	237
The relationship between money laundering deterrence and terrorist financing programmes and risk management	238
The risk of money laundering and terrorist financing	238
Money laundering and terrorist financing risk	241
23 MONEY LAUNDERING DETERRENCE SOFTWARE	243
What is money laundering deterrence software?	244
The effectiveness of money laundering deterrence software	245
Transaction monitoring	246
What type of actions will be monitored by the software?	247
The benefits of anti-money laundering (AML) software	248
What type of software is currently on the market?	248
Selecting your software	250
What about the smaller firm?	251
ANNEX	253
<i>Index</i>	259