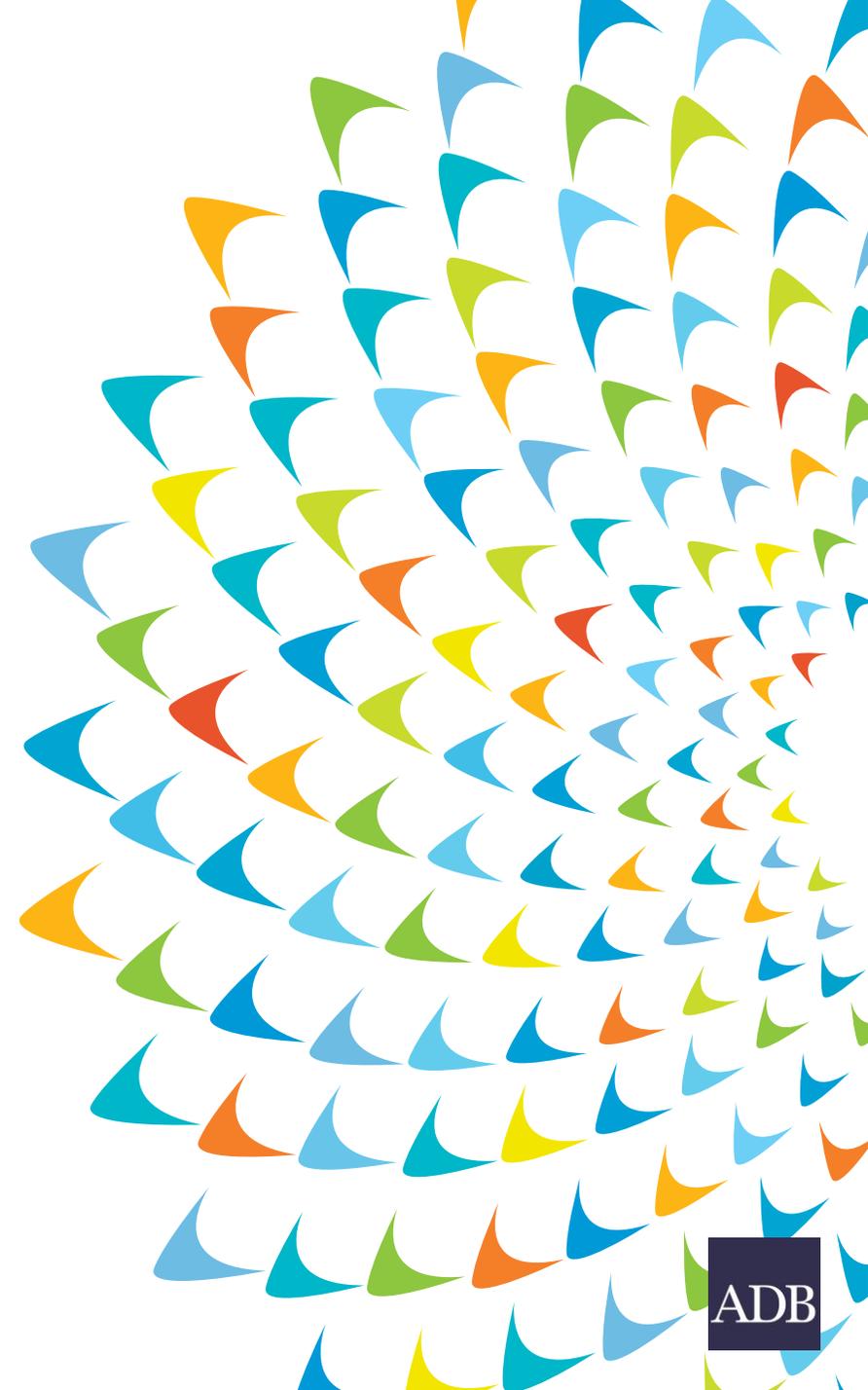


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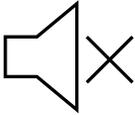
Anti Bribery and Corruption

April 2024





Administration

- Please mute your microphones when not speaking 
- Have your mobile phone handy
- Use the group chat if you wish to comment or ask questions
- Raise your hand if you have questions, and unmute yourself
- Parking Lot
- Co-creation of Content
- Participate actively
- Have fun
- Participation Certificate



Have Burning Questions?



<https://app.sli.do/event/nwHepNauLaitYPshhW7vsP>

Join at slido.com: #3286357

(live until 19 April 2024)





Correspondent Banking and the Practical Approach to AML/CFT

Module 1 - Correspondent Banking – An Introduction

Module 2 – Fundamentals of Customer Due Diligence

Module 3 – Sanctions and Terrorist Financing

Module 4 – Enterprise-Wide Risk Assessment

Module 5 – Transaction Monitoring

Module 6 – Anti-Bribery and Corruption

Module 7 – Suspicious Transaction Investigation and Reporting



Recap of Module 5



Importance of transaction monitoring

- Transaction monitoring (TM) is a key control in financial institutions' (FIs) AML/CFT policies and procedures
- An effective TM system enables FIs to detect and assess whether customers' transactions pose suspicion when considered against their respective backgrounds and profiles
- TM systems also facilitate holistic reviews of customer transactions over periods of time, in order to monitor for any unusual or suspicious trends, patterns or activities that may take place



Transaction monitoring process chain

- Risk assessment
- Customer due diligence

- Parameter, threshold and scenario setting
- Back testing
- Data integrity

- Pre-transaction checks
- Alert handling
- Documentation

- STR filing
- Post STR practices
- Quality assurance and system refinements



Examples of scenarios to monitor transactions

The number of alerts generated within each bank varies based on several factors, including the number of transactions running through the monitoring system, as well as the rules and thresholds the bank employs within the system to generate the alerts. Banks typically score alerts based on elements contained in the alert, which determines the alert's priority.

Some typical scenarios:

- Large or complex transactions with no visible/apparent economic reasons
- Deposit or transfer of funds without any specific justification
- Frequent cross-border flow of transactions, especially with high-risk countries/geographies
- Aggregated frequent and small transactions
- Unusual patterns of physical cash deposits or withdrawals, which are large when aggregated over a period
- Transaction inconsistent with customer's business profile
- Payment received in account, not matched with goods shipped
- Significant deviations from past account activity
- The sudden large deposit in the dormant accounts
- Detection of activities or behaviors consistent with certain predicate offences (e.g., possible tax evasion or avoidance, corruption nexus, or terrorism financing)



On Online Exploitation of Children

When the payments stop, so will the abuse ...

Eric Favila
Founder & CEO
AMLakas Corporation



Effective transaction monitoring system

An effective TM system is comprised of the following elements.

- A well-calibrated framework
- Robust risk awareness
- Meaningful integration
- Active oversight



Artificial Intelligence (“AI”) and Machine Learning (“ML”)

- Ability to analyze vast amounts of data quickly and accurately
- Can identify patterns and anomalies that may go unnoticed by manual processes
- By utilizing natural language processing, machine learning, and pattern recognition, AI-powered systems can train models on huge volumes of consumer behavior data they generate to learn fraud patterns and to then detect fraudulent behavior, transactional patterns and financial networks
- Allows compliance teams to focus their efforts on analyzing high-risk cases, rather than sifting through vast amounts of data manually
- Ensures a consistent and standardized approach to AML compliance



Challenges and considerations of using AI/ML

The need to ensure data integrity, privacy, and regulatory compliance throughout the process

- Data quality and integrity - AI models heavily rely on accurate and reliable data
- Data privacy and maintaining explainability in AI algorithms - ensure compliance with data protection regulations and maintain transparency in their AI models to gain trust from regulators and stakeholders
- Ongoing monitoring and validation of AI models to ensure their effectiveness and accuracy



On Fraud and Scams

**Unity is the ultimate key to combat fraud – Jackie Cheng, GASA
Director of Board and Gogolook Chair**



Compliance does not stop Financial Crime, People do



From the Last Parking Lot

Finding efficient and effective ways to perform compliance. Wanting to see if this can be customer drive process to facilitate (kyc,kyb process, particularly if resources are small for start up company.



Key Elements of Customer Due Diligence Process

Who:

- Legal Entities
- Individuals



3 Processes

What:

- Onboarding – [KYC/B] *New Customers

Collect, screen, verify info	Customer risk score	EDD for high risk	Approve
<ul style="list-style-type: none"> • General info and profile • E.g. Workplace / Wealth / Trust and Beneficiary 		<ul style="list-style-type: none"> • Politically exposed persons • Criminals • Terrorists • Sanctioned individual / entity • On watchlist 	<ul style="list-style-type: none"> • Your existing customers 

- Periodic Screening / Monitoring for *Existing Customers. Based on Trigger Events.
 - ✓ Ensure update on Information
 - ✓ Check for suspicious transaction reports, trend analysis, investigation outcome

- Ongoing screening / Monitoring for *Existing Customers

Extract report from database	Analyse report	Highlight potential redflags
<ul style="list-style-type: none"> • To check internal database with Data Providers e.g. <u>Worldcheck</u> / <u>Dow Jones</u> 	Pattern analysis <ul style="list-style-type: none"> • No. of submission • Content of submission 	<ul style="list-style-type: none"> • Frequent loans • Unusual withdrawal activity 



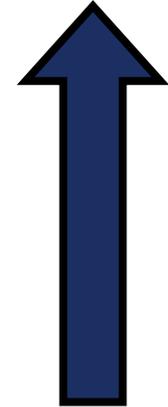
From the Last Parking Lot

Is risk based CDD important only for international transactions or for every customer and transaction

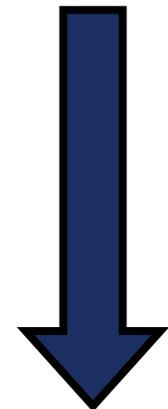


Customer Risk Assessment

Client Risk	<ul style="list-style-type: none">• Type of Client (Individual, Corporate, State Owned, Public Listed, Private, Trust, Foundation)• Verified Sources of Wealth/Funds• Regulation status• Years in Operation
Industry Risk	<ul style="list-style-type: none">• Industry type (Primary)• Industry type (Secondary)
Jurisdiction Risk	<ul style="list-style-type: none">• Country of Incorporation• Country of Operation
Delivery Channel Risk	<ul style="list-style-type: none">• Channels of Delivery
Products Risk	<ul style="list-style-type: none">• Screening at onboarding• Approval at senior level• Existing customer – continuing approval• Enhanced on-going monitoring

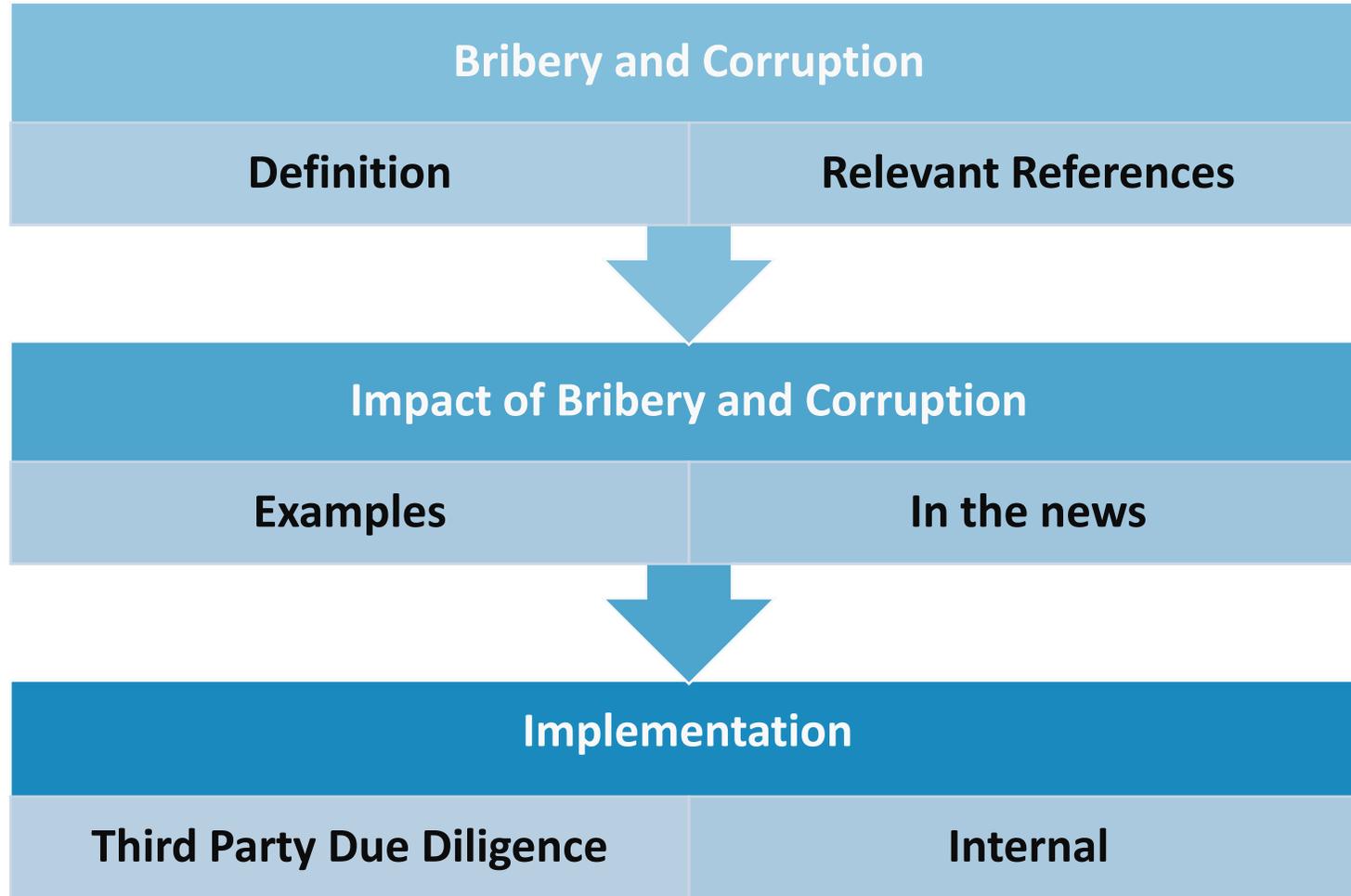


**PEP/Sanctions/
Adverse Media**





Learning Objectives of this module



Exposing corruption and holding the corrupt to account can only happen if we understand the way corruption works and the systems that enable it

Transparency International



Some Global References



Based in Berlin, its non profit and non-governmental purpose is to take action to combat global corruption with civil societal anti-corruption measures and to prevent criminal activities arising from corruption.

The USA Foreign Corrupt Practice Act

It covers U.S. citizens and companies bribing foreign officials, but also foreign nationals if they commit part of the offense of bribery on U.S. territory



OECD Working Group on Bribery in International Business Transactions (Working Group) is responsible for monitoring the implementation and enforcement of the OECD Anti-Bribery Convention. This peer-review monitoring system is conducted in successive phases and is considered by Transparency International to be the 'gold standard' of monitoring.



The UK Bribery Act

Extends not only to UK firms operating in the UK and abroad, but also to non-UK firms carrying on business or part of a business in the UK, even if the bribery has no direct connection to the UK



Recommendation 24: Transparency and beneficial ownership of legal persons

Recommendation 25: Transparency and beneficial ownership of legal arrangements

November 2023: Misuse of Citizenship and Residency by Investment Programmes



Su Wenqiang

Nationality: Originally from China, holds a Cambodian passport

Su Haijin

Nationality: Originally from China, holds Cyprus and Vanuatu passports

Wang Baosen

Nationality: Originally from China, holds Vanuatu passport

Jho Low

Nationality: Originally from Malaysia, held St Kitts & Nevis and Cyprus passports



Anti-Bribery, Corruption and Conflict of Interest



Bribery



Transparency International: the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of money, gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours etc.)

Key Controllers of an Organization



Government Officials



Position of Power

Anything of Value





Kick Backs

Illegal payments made to / accept an individual or organisation in exchange for business favour or advantage



Facilitation Payments

Small and unofficial payments to a Public official or other individual to secure or expedite a routine government action.





Corruption

Transparency International: Corruption is the abuse of entrusted power for private gain. Corruption erodes trust, weakens democracy, hampers economic development and further exacerbates inequality, poverty, social division and the environmental crisis.

The Cost of Corruption:

- Political – freedom and rule of law
- Social – erosion of trust in the government
- Environmental – our chance for a healthy environment and sustainable future
- Economical – our opportunity to build and grow wealth

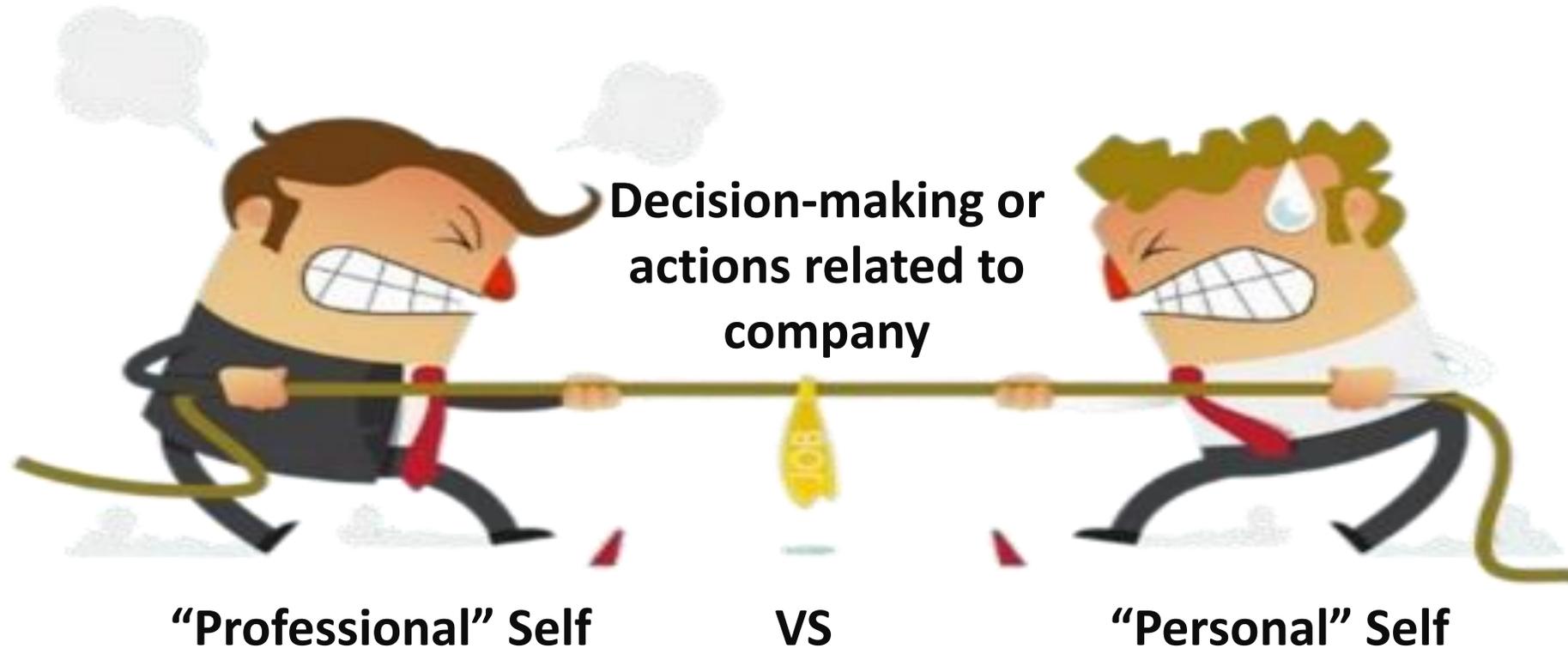




Conflict of Interest

**I need to discharge
my professional
duties!**

**I need to satisfy
my own
interests!**





MP Tin Pei Ling moves to new role at Grab after conflict of interest concerns over public affairs post



Ms Tin Pei Ling will not be involved in public affairs and policy work in Singapore in her new role. PHOTOS: MCI, LIANHE ZAOBAO



Anjali Raguraman
Correspondent

UPDATED FEB 10, 2023, 8:44 PM SGT



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Finance



Aa

UK watchdog fines hedge fund BlueCrest \$55 mln over staff fund failings

By Carolyn Cohn

December 22, 2021 8:48 PM GMT+8 - Updated a year ago



A general view of the Canary Wharf financial district in London, Britain April 25, 2021. Picture taken April 25 with a drone. REUTERS/Kevin Coombs

The case with Central Bank of Angola and Correspondent Banking



2018: How a teller at an HSBC branch stopped a USD500 million bank heist

A convoluted tale that involves Angolan political and financial authorities, missed SWIFT signals, forged paperwork, a get-rich-quick scheme and a small cast of international characters

Political and Charitable Contributions, Sponsorships



Political Donations

Sep 2018: Najib shows 'proof' money in his account was Saudi royal donation



Charitable Contributions

October 2023: At least five of the 10 accused in the S\$2.8 billion money laundering case have allegedly donated to various charitable organizations and social service agencies in the past three years

Some notable cases – World Cup and 1MDB

Qatar lavished British MPs with gifts ahead of World Cup

MPs who received gifts later appeared to speak favourably about Qatar in parliamentary debates



 A banner of England captain Harry Kane on a building in Doha, Qatar, in the run-up to next month's World Cup. Photograph: Giuseppe Cacace/AFP/Getty Images

FINANCE

1MDB: Ex-Goldman banker gets 10 years in prison for corruption case

Roger Ng was convicted last year of defrauding Malaysian wealth fund



Former Goldman Sachs banker Roger Ng has been convicted for his role in the 1MDB global embezzlement scandal. © Reuters

JACK STONE TRUITT, Nikkei staff writer

March 10, 2023 03:30 JST  Updated on March 10, 2023 05:26 JST



Tycoon's death penalty in \$12.5 billion fraud case highlights Vietnam's corruption crisis



What do you think?

What would be the impact on Qatar and Malaysia?



Year	TICPI ranking
2020	30
2021	31
2022	40
2023	40

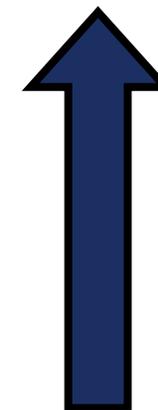


Year	TICPI ranking
2020	57
2021	62
2022	61
2023	57

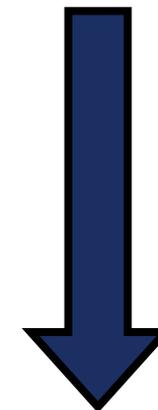


Third Party Due Diligence

Third Risk	<ul style="list-style-type: none">• Type of Vendor/Client (Individual, Corporate, State Owned, Public Listed, Private, Trust, Foundation)• Verified Sources of Wealth/Funds• Regulation status• Years in Operation
Industry Risk	<ul style="list-style-type: none">• Industry type (Primary)• Industry type (Secondary)
Jurisdiction Risk	<ul style="list-style-type: none">• Country of Incorporation• Country of Operation
Delivery Channel Risk	<ul style="list-style-type: none">• Channels of Delivery
Products Risk	<ul style="list-style-type: none">• Screening at onboarding• Approval at senior level• Existing vendor/customer – continuing approval• Enhanced on-going monitoring



**PEP/Sanctions/
Adverse Media**





PEP – Enhanced Due Diligence

Criteria	<ul style="list-style-type: none">• Prominent public function - foreign country• Domestic
Functions	<ul style="list-style-type: none">• Heads of Govt., Senior politicians, Party officials• Senior Govt., Public sector officers• Cover also: Entities (BO's), Relatives, Associates
EDD	<ul style="list-style-type: none">• Sufficient info. – also a/c of family, relatives• Info on associates• Search public domain• Sources: funds, wealth
Procedure	<ul style="list-style-type: none">• Screening at onboarding• Approval at senior level• Existing vendor/customer – continuing approval• Enhanced on-going monitoring



Internal – Example of Gifts and Hospitality Policy



Gifts	<p>a) No gifts received or given are allowed to occur more than 3 times a year with the same person or organisation; and</p> <p>b) Declare gifts received or given exceeding XXX per individual Headcount (or equivalent currency)</p>
Hospitality	Entertainment involving Meals (per individual Headcount) not exceeding XXX (or equivalent currency).

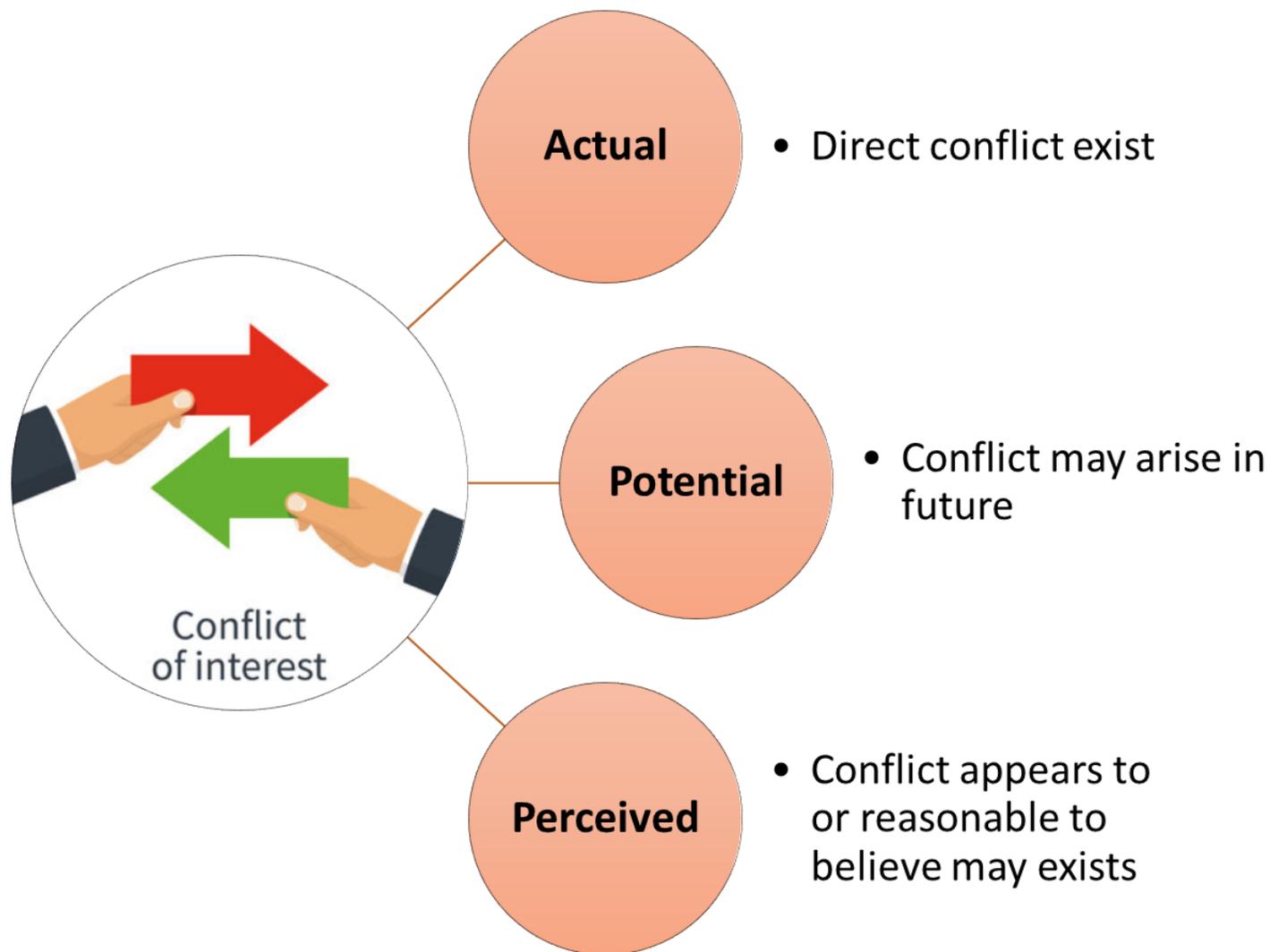


- Declaration and Approval of Gifts and Hospitality by **Head of Department and Compliance Team** if above monetary thresholds values **has exceeded**
- Accepting and offering of lavish gifts and hospitality is **strictly prohibited**
- Accepting and offering gifts and hospitality are permissible for customary practices and strengthening of business relationships. Declaration and approval is not required if monetary thresholds value has not exceed.
- Offering gifts and hospitality to Public official is **strictly prohibited**
- Receiving from Public official is subjected to monetary thresholds value





Types of Conflict of Interest



**Declare to
Authorised
Function
immediately!**



Internal – Example of Outside Business Interest Policy



Guidelines:

- ❌ Does not create any actual or potential conflict of interest
- ❌ Does not affect the employee's ability to discharge duties for the Company during employment
- ❌ Employee does not engage in outside business interests that competes with the Company
- ❌ Employee does not use Company's name, facilities or resources to conduct outside business interests

Exceptions:

- ✅ Internal directorship, member of industry committee, professional organisation or ownerships interest
- ✅ Ownership interests in an organisation that do not hold position or actively participate in decision-making



Internal – Know your responsibilities

Any doubts?

- ☑ Declare when gifts and hospitality accepted or offered **exceeds** monetary threshold value
 - ☑ Declare when you **face** any actual or potential or perceived conflict of interest
 - ☑ Report when you encounter any bribery and corruption related activities, whether **suspected or known**
- ! **Obligated to report** to Relevant department



Purpose of payment?

Proper documentation?

Uncertainty?

When to declare?

What are the penalties?

Suspicious?

When to report?

Hiring Decisions

Your CEO is my close friend.. Hire my son or face the sack!

Hire my son and I'll reduce the contract pricing!

Hiring Manager / Director

Do Not Hire

Third Party



What is Influenced Hiring?



- Do not accept “Anything of Value” for personal benefits, commercial transaction reasons or future business opportunities in exchange for influenced hiring



- Ensure fair and transparent hiring process
- Approval and oversight required by Compliance and Senior Management when close family members or associates of Public officials are involved
- Report to Compliance Department if you face adverse actions or being offered benefits



Conflict of Interest Declaration Form

Conflict of Interest Declaration Form
Clause 1: Conflict of Interest
<p>1.1. All Employees shall avoid all situations that may (a) give rise to conflicts between personal interests and the interests of the Company, and (b) affect one's judgement or impartiality during the course of executing duties and responsibilities.</p> <p>1.2 All Employees with actual, potential or perceived conflict of interests must disclose and declare all obligations, commitments, relationships or interests via the Declaration form.</p> <p>1.3 Failure to declare any actual, potential or perceived conflict of interests is a direct violation of the Anti-Bribery and Corruption Policy, and may be subjected to legal and / or internal disciplinary measures.</p>
Clause 2: Declaration of Interests
<p>2.1 All Employees are required to declare and disclose any actual, potential or perceived conflict of interest prior to entering into any contractual agreement or carrying out any transactions.</p> <p>2.2 Transactions with parties whom conflict of interests may exist shall only be undertaken if following conditions have been fulfilled and complied:</p> <ul style="list-style-type: none"> a) The details of actual, potential or perceived conflict shall declared in full to the respective HODs; b) An Employee facing a conflict of interest shall be excluded from matters relating to contracts or transactions in question (such as discussion, negotiations, tender, voting and / or approval); and c) The approving parties (i.e., HOD and Senior Management) must be satisfied with the materiality impact of the COI such that the approval of such contract or transaction is accepted in the best interest of the Company. <p>2.3 All Employees shall file an updated Declaration. If at any time following the filing of his or her Declaration, there occurs to be any material change in the information contained in the Declaration submitted earlier, either by way of addition or deletion, a supplementary Declaration shall be filed describing such change, as soon as reasonably possible.</p>

I have read and understood the above clauses regarding the declaration of Conflict of Interest.

Declaration as at _____ (date)

Please tick 1 box appropriately:

I, hereby declare, to the best of my knowledge and belief, that there are no circumstances I am aware of that may be construed as a direct or indirect conflict of interest.

I, hereby declare that I have a conflict of interest (actual, potential or perceived). A comprehensive written submission of the complete nature of the conflict is detailed in Schedule A.

Name, Title or Position: _____

Signature: _____ Date: _____

Schedule A: Details of Declaration (If Applicable)			
Type of Interest & Relationship (e.g., shares, employment, affiliation, personal gain) [Please State].	Name of Commercial Entity [Please State].	Current interest? (or year ceased)	Any other details?

I, hereby declare the following disclosed information are free from errors and furnished to the best of my knowledge. I also undertake to inform the Compliance Department of any change in these circumstances as stated in 2.3 of Clause 2.

SAMPLE



Gift and Hospitality Declaration Form

Gifts and Hospitality Declaration Form	
Section A: Basic Information of Declaring Individual	
Date of Declaration:	
Name and Designation:	
Name of Organisation and Department:	
Section B: Details of the Gift or Hospitality	
Date of Offer:	
Description of the Gift or Hospitality:	
Estimated or Actual Value (\$):	
Offered by:	
1. (Name)	
2. (Position)	
3. (Organisation)	
Reason (s) for accepting or offering the gift or hospitality and the relationship with the corresponding party:	

SAMPLE

Political and Charitable Contributions, Sponsorships

- Appropriate level of due diligence must be conducted on the organization(s) or individual (s) involved
- Seek approval from Senior Management
- Same process for similar kind of contributions and sponsorships



Charitable
Donations



Charitable
Sponsorship





Preliminary Survey - top questions/main concerns do you have with regards to Financial Crime Compliance and/or Correspondent Banking?

1.	Digital technology	*
2.	How to identify, detect and prevent fraud and scams	*
3.	Applying best practices over conducting due diligence checks and not over checking.	*
4.	What are the types of risks associated with the correspondent banking and how do we mitigate the risks?	*
5.	Sanctions exposure	*
6.	From a correspondent bank's perspective, main concern is on nested payment intermediary (PI) relationship as Banks and PIs may not be subjected to the same level of regulatory scrutiny. Banks will need to scrutinise and monitor more complicated scenarios for nesting involving combination of respondent bank and their Bank customer or PI customers or even another level down.	*
7.	Correspondent banking CDDs will need to factor in more vostro review and understanding the proper application of the MX SWIFT messages to develop proper tools to identify for correspondent banking monitoring. Traditional review of CBDDQ and questionnaire may be rendered inadequate for risk management especially when providing Vostro accounts.	



Preliminary Survey - top questions/main concerns do you have with regards to Financial Crime Compliance and/or Correspondent Banking?

8.	Despite they have policies and procedures, what is the comfort level if they are abiding by it	*
9.	Do we have a robust core banking system, adequate controls and measures for anti-financial crime?	*
10.	How to address the underlying concerns of OFAC, FDIC and FED to create a correspondent banking model that meets the needs of Asian (and African) banks who have been systemically disenfranchised (de-risked) by US Banks - either directly or through their regional counterparties.	*
11.	In our quest to find a solution to the CBR problem and given the complexity of it, how do we break it down into smaller actionable steps for the Pacific Island Countries	
12.	The lack of harmonization of different domestic laws and policies	
13.	What the reason and why derisking of banks in the Pacific.	*
14.	A country's correspondent banking relationships with other jurisdictions	
15.	Compliance is a moving target	*



Preliminary Survey - top questions/main concerns do you have with regards to Financial Crime Compliance and/or Correspondent Banking?

16.	Rising cost of compliance	*
17.	What role can partner Governments' play to improve financial crime compliance and support an ongoing correspondent banking presence in the Pacific	*
18.	What AI tools are available to assist business and agencies dealing with aspects of FCC	*
19.	Trade Base Money Laundering-lack of understanding	*
20.	How do we ensure financial crime is not facilitated through block chain, smart contracts, and distributed ledgers	*
21.	Customer due diligence conducted by correspondent banks	*
22.	Current regulations	
23.	Areas where risk to correspondent banking can be misused by criminals?	*
24.	Exploiting the banking system to layer funds related to money laundering investigations.	



Questions?



Thank you.



Have Burning Questions?



<https://app.sli.do/event/nwHepNauLaitYPshhW7vsP>

Join at slido.com: #3286357
(live until 19 April 2024)





Resources

- Tycoon's death penalty in \$12.5 billion fraud case highlights Vietnam's corruption crisis: <https://edition.cnn.com/2024/04/12/business/truong-my-lan-vietnam-corruption-crisis-hnk-intl/index.html>
- FATF on Corruption: <https://www.fatf-gafi.org/en/topics/corruption.html>
- FATF on Beneficial Ownership: <https://www.fatf-gafi.org/en/topics/beneficial-ownership.html>
- FATF Misuse of Citizenship and Residency by Investment Programmes: <https://www.fatf-gafi.org/en/publications/Methodsand Trends/misuse-CBI-RBI-programmes.html>
- How An HSBC Teller Stopped A \$500 Million Bank Heist: <https://www.pymnts.com/fraud-attack/2018/hsbc-angola-bank-heist-swift/>