Effective Anti Money Laundering / Countering the Financing of Terrorism System
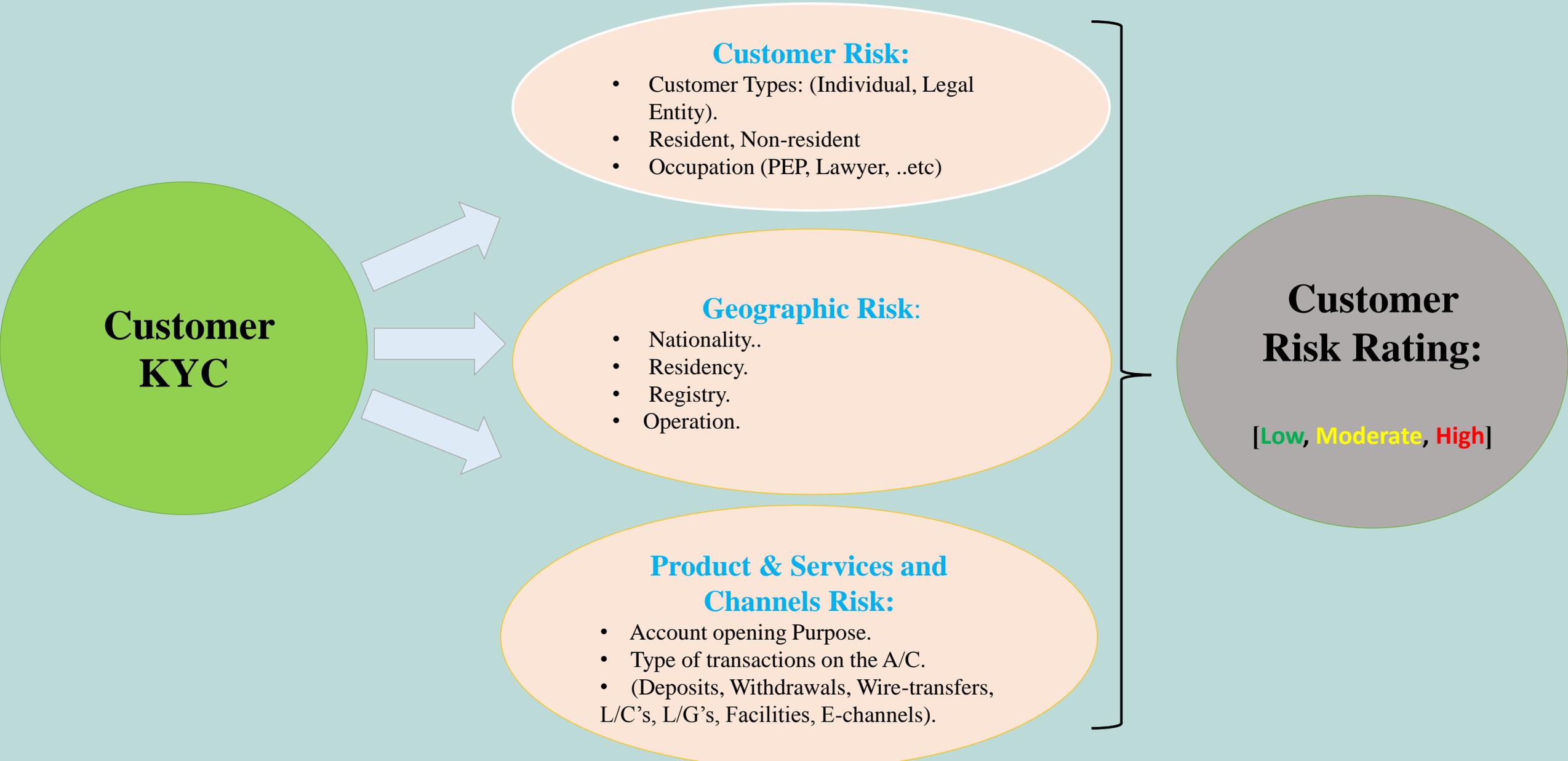
AML/CFT Supervision Department

Walid Al-Tamimi

Contents:

Anti-money laundering Countering the Financing of Terrorism System(AML/CFT) system:

AML/CFT system: is a technical tool designed to help Financial institutions to meet regulatory requirements to combat financial crimes; particularly money laundering, terrorist financing and proliferation of weapons of mass destruction.

CUSTOMER RISK CLASSIFICATION SYSTEM:

Customer KYC

Customer Risk:
- Customer Types: (Individual, Legal Entity).
- Resident, Non-resident
- Occupation (PEP, Lawyer, ..etc)

Geographic Risk:
- Nationality..
- Residency.
- Registry.
- Operation.

Product & Services and Channels Risk:
- Account opening Purpose.
- Type of transactions on the A/C.
- (Deposits, Withdrawals, Wire-transfers, L/C's, L/G's, Facilities, E-channels).

Customer Risk Rating:

[**Low**, **Moderate**, **High**]

TRANSACTION MONITORING SYSTEM (TMS):

An Effective Transaction Monitoring (TMS) System:

- Strong Governance and role of board of directors

- Updated Scenarios to reflect any new behaviors/patterns of customer.

- High Quality of Data to combat ML/TF

- Users Training and Awareness.

Transaction Monitoring System (TMS) Process:

- Core System:
  (Customer Transaction Data, KYC)

- TMS:
  Rules Engine / Scenarios

- Alerts /Workflow

- Analysis & Investigations

- Decision Making
  (Filing SAR, Follow-up, Closed)

RULES AND SCENARIO TYPES:

Transaction monitoring system (**TMS**) uses **Rule-based, Risk–based, profiling (AI)** monitoring methods.

Rule-based
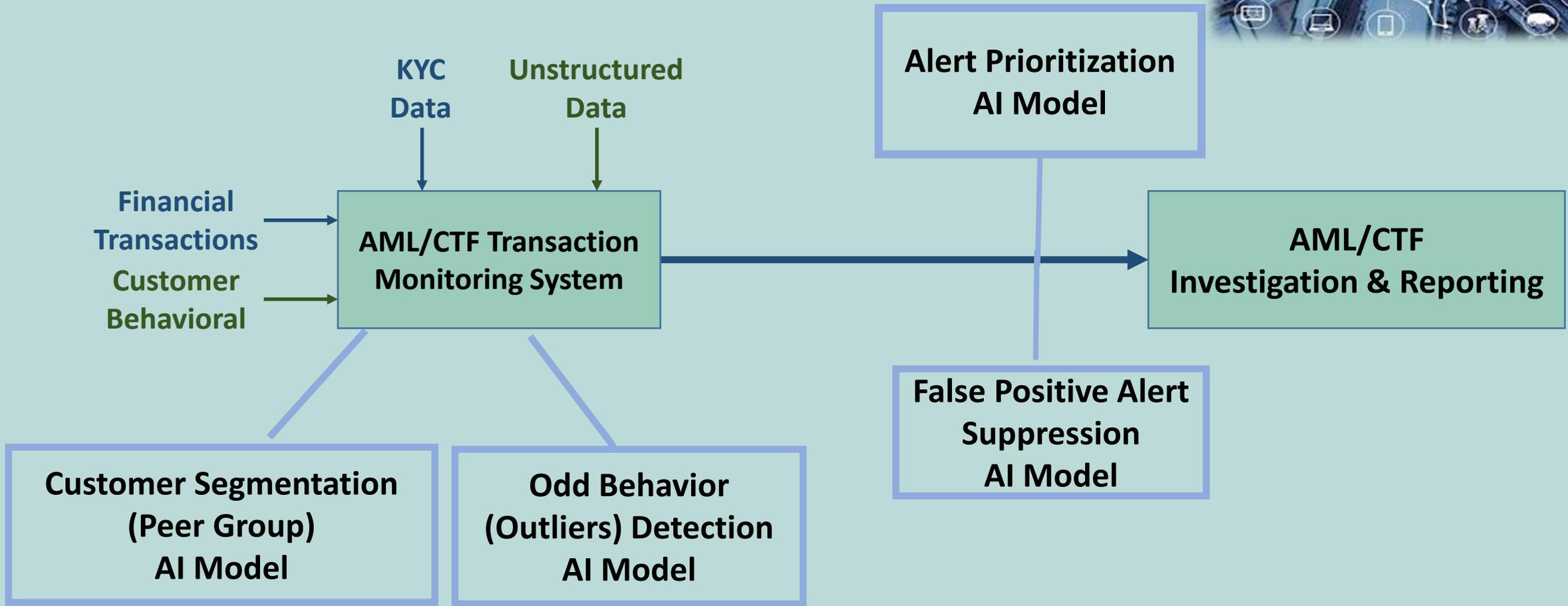- Compares customer activity/transaction to **fixed pre-set thresholds,** for example (20K JOD).

Risk-based
- Compares customer activity/transaction depending on customer classification (**high, moderate, low**) risk level.

Profiling (AI)
- These compare current patterns of activity to **historical activity / transaction** for that customer or peer group.

AI IMPLEMENTATION IN TMS:

KYC Data

Unstructured Data

Alert Prioritization AI Model

Financial Transactions

Customer Behavioral

AML/CTF Transaction Monitoring System

AML/CTF Investigation & Reporting

False Positive Alert Suppression AI Model

Customer Segmentation (Peer Group) AI Model

Odd Behavior (Outliers) Detection AI Model

SANCTIONS SCREENING TYPES, & SYSTEM PROSESS:

NAME SCREENING:

- It is the process of matching an internal record (customer, counterparty, related account party) against a official sanctions lists and internal countries list.

PAYMENT SCREENING:

- focuses on screening payment messages (SWIFT).

- Customer Name:
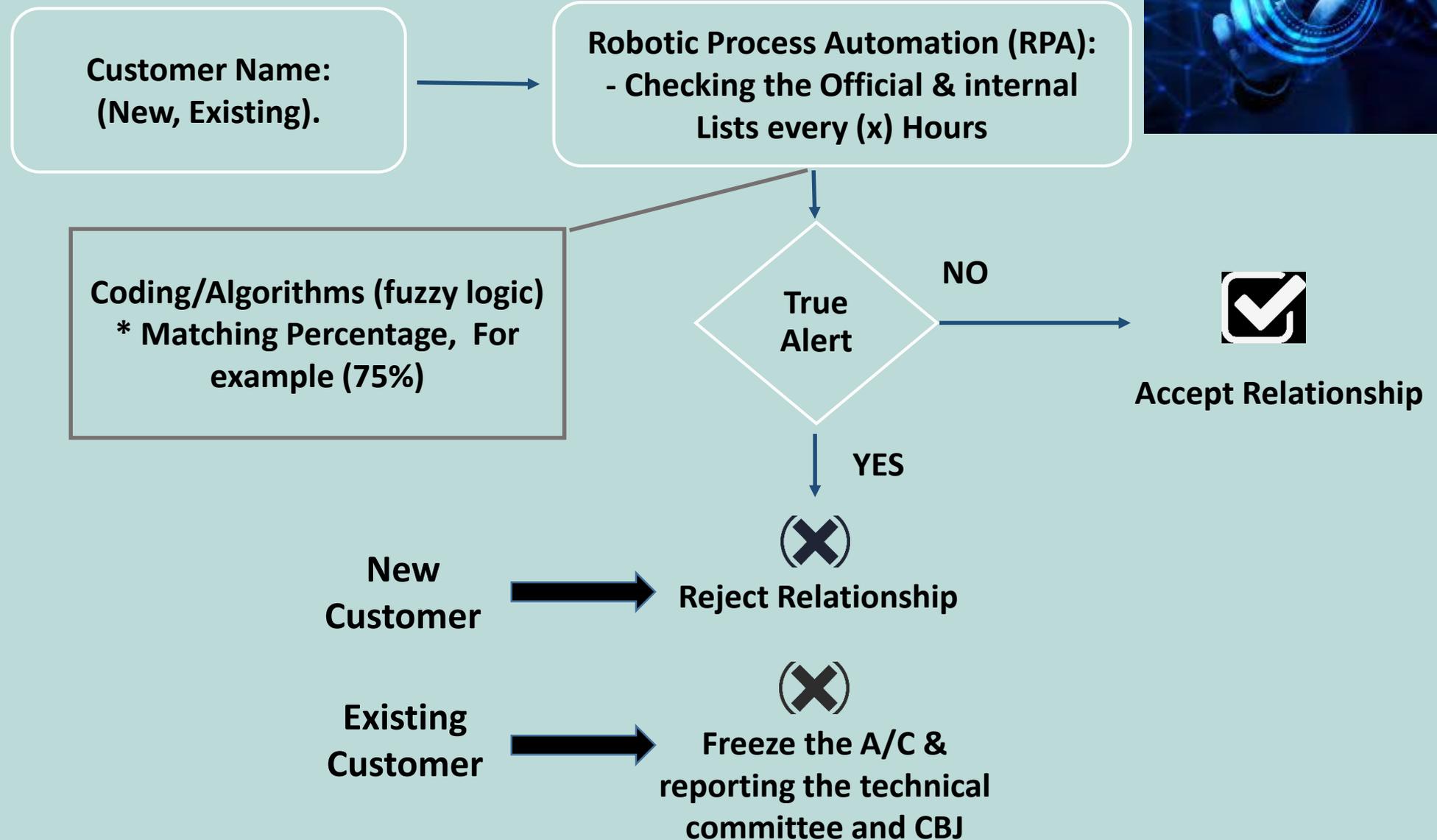- Payment Messages (Swift).

Automated Screening Tool (AST) depending on:
- Coding/Algorithms.
- Matching percentage.

Screening Results:
- True Match.
- False Positive (decrease matching percentage).
- False Negative (Increase matching percentage).

AI IMPLEMENTATION IN SANCTIONS:

Customer Name: (New, Existing).

→

Robotic Process Automation (RPA):
- Checking the Official & internal Lists every (x) Hours

Coding/Algorithms (fuzzy logic)
***** Matching Percentage, For example (75%)**

True Alert

NO → ☑

Accept Relationship

YES ↓

✖

New Customer → **Reject Relationship**

Existing Customer → ✖

Freeze the A/C & reporting the technical committee and CBJ

Risks of Inadequate AML/CFT System:

- Failure to classify the risk level of customers.

- Failure to identify suspicious activity and filing / submitting a SAR/STR.

- Excessive false positives alerts.

- Expensive remediation.

- Reputational risk.

- Regulatory penalties.

Recommendations:

Ensuring that the regulated financial institutions have AML/CFT system to reflect the risks they face.

Preparing guidance to all regulated financial institutions by sectors to ensure they have robust and sound AML/CFT system.

Conducting thematic inspections to identify the soundness / weakness of the AML/CFT system.

Preparing guidance to AML/CFT department examiners how to check the AML/CFT system.

Raising awareness to AML/CFT department examiners about advanced IT solutions (regtech, AI, machine learning, robotic process automation).

Conducting workshops in collaboration with compliance solution providers to regulated financial institutions to raise their awareness in the advanced techniques and solutions.

Thank You All