DECEMBER 2021

2021

AML ANNUAL REPORT

Check out all about Anti Money Laundering in 2021

SANCTION SCANNER

Contents

Foreword

Regulatory pressure continued for institutions at risk of money laundering in 2021.

2021 has been an active year in the prevention of money laundering, with many countries enacting new or updating their regulations on AML. In 2021, countries took regulatory steps, especially on crypto, and awareness of this issue increased.

In this report, we highlight the AML industry's top compliance challenges, regulatory focus, and crime trends in 2021. Keep reading to learn more.

Top 5 AML Fines in 2021

ABN AMRO

Fine: $574,000,000

ABN Amro has agreed to pay $574 million as part of a settlement with Dutch prosecutors for serious shortcomings in AML. Customers engaged in criminal activities abused their bank accounts.

BANK JULİUS BAER

Fine: $79,000,000

Julius Baer, a Swiss bank, has admitted to conspiring to launder over $36 million in bribes to FIFA officials through the United States. The bank signed a deferred prosecution agreement and was ordered to pay a fine of $79 million for its role in the FIFA money laundering scandal.

DNB ASA

Fine: $48,000,000

DNB ASA, the largest financial services group in Norway, was denounced for money laundering faults and fined $48.1 million. The Norwegian regulator said a routine regulatory review revealed serious violations in AML compliance.

RİETUMU BANK

Fine: $6,900,000

Rietumu Banka was fined $6.9 million for AML and anti-terrorism violations. Irregularities and deficiencies were identified and it was determined that the bank underestimated the risks of payment service providers.

SWEDBANK AB

Fine: $5,500,000

Nasdaq Stockholm disciplinary committee has ordered Swedbank AB to pay $5.5 million for AML failures and violations of rules on disclosure and classification of insider information.

DEUTSCHE BANK AG

Fine: $1,960,000

The Reserve Bank of South Africa (SARB) imposed an administrative penalty after the supervisory authority found weaknesses in Deutsche Bank's AML internal controls following a 2019 review.

AML Challanges and Trends

TIGHTENING UBO LAWS

Under AMLA, the Financial Crimes Enforcement Network (FinCEN) requires certain companies to provide information about the beneficial owner of the reporting company, along with the identity of the person applying to form or register the company. This is part of the trend to collect more information about your customers. Customer due diligence is now a more complex and lengthy process to gather the right types of information. This goes hand in hand with the Corporate Transparency Act (CTA), which requires financial institutions to verify customer information against FinCEN's Ultimate Business Owner (UBO) records. Verifying UBO information can be costly and time-consuming, and especially since most countries do not publish public property records.

BETTER SOFTWARE, BETTER TECHNOLOGY

Regulators are forcing banks to use better software and incorporate emerging technologies. As financial scammers get smarter with their approach, the only way banks can combat is a technology that fits these capabilities and can adapt to new threats.

The benefit of better software is that most compliance processes can be automated, which helps keep costs down.

TRADE-BASED MONEY LAUNDERING ON THE RİSE

Trade-based money laundering refers to the process of moving funds through business transactions with the aim of concealing its source and reintroducing money into the legitimate financial system. In March, the Financial Action Task Force (FATF) and the Egmont group released a new report on the risk indicators of Trade-Based Money Laundering. The report was published to assist the private and public sectors in recognizing suspicious activity in overseas trade.

> *Trade-based money laundering (TBML) will continue to be a major topic. FATF as well as jurisdictions near and continue to talk about TBML as indicated by FATF's latest paper on the subject, released on December 9, 2020, along with the Egmont Group of FIUs. But just as in the past, this paper does not propose anything concrete in terms of TBML, just more handwringing about what a serious and complex problem it is, and how countries need to include TBML in their National Risk Assessments. (Yawn).*
>
> *-Ross Delston, Attorney + Expert Witness*

Reference from the Expected AML Trends in 2021 Report

CRYPTO REGULATION

To prevent the misuse of cryptocurrencies for money laundering and terrorist financing, the Financial Action Task Force implemented the Travel Rule in June 2019. However, by June 2021, only 58 of the 128 reporting jurisdictions had implemented the revised FATF standards.

In the first half of 2021, Ireland took drastic measures to regulate crypto-based firms by forcing all Irish VASPs (Virtual Asset Service Providers) to register with the country's Central Bank within a three-month period. South Korea's Financial Intelligence Unit (KoFiu) has also imposed similar registration requirements on all crypto providers, stating that "any local crypto platform that does not comply with the new rule will be completely banned from operating in South Korea." In September, Ukraine formally passed the Draft Law on Virtual Assets.

Prior to that, Cuba passed a law to recognize and regulate cryptocurrencies, Panama is currently in the planning stages for new cryptocurrency regulations. Other countries that support crypto-related AML regulations include the UK, UAE, France, Switzerland, Germany, Netherlands, Thailand, Japan, and Australia.

INNOVATION AND SAR REFORM

The Federal Deposit Insurance Corporation ("FDIC") and the Office of the Currency Controller ("OCC") have finalized parallel Proposed Rule Formation Notices ("NPRMs") entitled Exemptions for Doubtful Activity Report Requirements. Regulators have proposed amended regulations that, if finalized, would allow financial institutions to grant broader exemptions to SAR filing requirements in conjunction with innovative compliance approaches.

While FinCEN and federal banking institutions have supported innovation over the past few years, the previous action has not resulted in any tangible regulatory change to meet these goals. The NDAA and NPRMs provide a pathway to a clear regime that will give financial institutions confidence that well-intentioned efforts to test and advance the use of technology in financial crime compliance will not themselves produce adverse regulatory consequences.

AML Regulatory and Regulations

UNITED ARAB EMIRATES

Dubai has set up a special court to tackle money laundering challenges, while the National Committee to Combat Money Laundering and Terrorism and Financing of Illegal Organizations (NAMLCFTC) introduced new regulatory requirements for virtual asset providers in September 2021. In addition, all virtual currency providers, including cryptocurrencies, are required to comply with the travel rule of the FATF under the AML framework.

HONG KONG

As part of Hong Kong's biennial roadmap to promote the adoption of Regtech in banking, the Hong Kong Monetary Authority (HKMA) issued new anti-money laundering guidelines in April highlights the benefits of combining data from internal and external sources, proactive data analysis.

PHILIPPINE

In January, the Philippine government expanded the scope of the Anti-Money Laundering Act (AMLA) to include overseas gaming operators, real estate developers, and brokers within the AML framework. Later in February, the country's central bank revised the AML/CFT risk assessment framework and introduced a four-point rating scale to make it easier for companies to assess risks and the quality of their anti-money laundering and counter-terrorism financing programs.

EUROPEAN UNION

Legislation designed to strengthen the EU's AML rules and harmonize enforcement among EU member states was announced by the European Commission in July. The legislation includes: (1) the establishment of a new EU money laundering authority; (2) a new EU rulebook for AML regulations specifically to make consistent EU regulations, including client due diligence and beneficial ownership; (3) the sixth directive on AML, replacing the fourth AML directive; and (4) the revision of the 2015 regulation on fund transfers to monitor cryptocurrency transfers. The new EU Anti-Money Laundering Authority will be a central EU authority, coordinating with national authorities to ensure that the private sector applies EU rules consistently. The new authority will also directly oversee some high-risk financial institutions operating in more than one EU country. The new authority will also directly oversee some high-risk financial institutions operating in more than one EU country.

IRISH

Irish Crypto Companies Are Now Subject to AML/KYC Rules. The Central Bank of Ireland announced that as of April 23, Virtual Asset Service Providers (VASPs) must register with the Central Bank and comply with AML and Counter-Terrorism Financing (CFT) obligations. VASPs have three months to comply with the requirements or face criminal prosecution if they continue to operate in Ireland. The new requirements will remove the ability for Irish users to buy, sell or trade cryptocurrency anonymously.

UNITED STATE

FINCEN SETS FIRST NATIONAL PRIORITIES IN ANTI-MONEY LAUNDERING

In June, FinCEN, the U.S. Department of the Treasury's Office of Foreign Asset Control (OFAC), and other regulators outlined national priorities for combating money laundering and terrorist financing.The priorities are to guide financial institutions to focus their AML programs on the most relevant threats to the US financial system and national security. Priorities include Corruption, Cybercrime, Financing of terrorism, both domestic and international, Fraud, Transnational criminal organizations, Drug trafficking organization activity, Human trafficking and smuggling, and arms financing.

FINCEN WARNS ART AND ANTIQUITIES TRADERS OF NEW AML MEASURES

In March, FinCEN issued a statement requiring the term "financial institution" to cover individuals who trade antiquities, thus requiring the art and antique market to submit suspicious activity reports (SARs) for certain transactions. The notice provided a summary of the information that can be expected regarding SARs for antique dealers.

FINCEN SEEKS COMMENT ON AML RULE FOR DIGITAL ASSET TRANSACTIONS

In January, FinCEN extended the comment period for the newly proposed rulemaking regarding convertible virtual currency (CVC) and digital assets (LTDA) transactions with legal tender status. Under the proposed FinCEN regulations, both banks and money services businesses will be required to report record, and verify the identities of customers involved in transactions above certain value thresholds. These regulations will only apply to CVC or LTDA wallets that are not hosted or associated with financial institutions. The proposed rule requires banks and cryptocurrency exchanges to institute advanced know-your-customer (KYC) and record-keeping processes for any transactions involving over $3,000 un-hosted wallets. Banks and exchanges will also be required to report any transaction exceeding $10,000 to FinCEN within 15 days.

OFAC HAS RELEASED THE SANCTIONS COMPLIANCE GUIDE FOR THE VIRTUAL CURRENCY INDUSTRY

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has released the Sanctions Compliance Manual for the Virtual Currency Industry to assist the virtual currency industry in mitigating these risks. OFAC compliance obligations apply equally to transactions involving virtual currencies and transactions involving traditional fiat currencies.

Members of the virtual currency industry are responsible for ensuring that they do not engage, directly or indirectly, in transactions prohibited by OFAC sanctions, such as dealings with blocked persons or property, or prohibited trade or investment-related transactions.

FATF Trends Publications in 2021

TRADE-BASED MONEY LAUNDERİNG: RİSK INDICATORS

Trade-based money laundering is one of the most complex and widely used methods of money laundering. Criminals use legitimate trading transactions or networks to hide and move the proceeds of crime around the world. FATF and Egmont Group FIUs have published a report on trade-based money laundering - trends and developments The report provided detailed information on emerging risks. It also outlined a set of best practices to help authorities mitigate this money laundering threat.

UPDATED GUIDANCE FOR A RISK-BASED APPROACH TO VIRTUAL ASSETS AND VIRTUAL ASSET SERVICE PROVIDERS

In October 2021, the FATF updated its 2019 Guidelines for the Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers (VASPs). This updated Guidance forms part of FATF's ongoing monitoring of virtual assets and the VASP industry. VASPs are subject to the same relevant FATF measures that apply to financial institutions.

This guide will help countries and VASPs understand their money laundering and counter-terrorist financing obligations and effectively implement the FATF requirements as they apply to this sector.

MONEY LAUNDERING FROM ENVIRONMENTAL CRIME

This FATF Report describes the methods criminals use to launder the proceeds of environmental crime, as well as the tools that governments and the private sector can implement to curb this activity. When properly implemented, the FATF Recommendations provide effective tools for pursuing these illicit financial flows. Environmental crime is a 'low risk, high reward' crime.

In many countries, light sanctions for environmental crimes, as well as limited efforts to track and eliminate profits, make it a lucrative but safe source of income for criminals. Therefore, the FATF conducted this work to increase understanding of the scale and nature of money laundering threats from environmental crimes and to strengthen the response between the public and private sectors.

PANDORA PAPERS

Pandora Papers, reporting the financial transactions of world-famous leaders and politicians, has emerged.

The Pandora Documents leak contains 2.9 Terabytes of information released by the International Consortium of Investigative Journalists (ICIJ) effective October 3, 2021. Nearly 12 million documents, examined by more than 600 journalists from 117 countries, also revealed the secrets of many state leaders.

Described as the most comprehensive financial privacy disclosure ever, the Pandora Documents features pictures, charts, documents, and emails from 14 different financial services companies.

In Pandora Paper Ukrainian President Volodymyr Zelenskiy, Lebanese Prime Minister Najib Mikati, Kenyan President Uhuru Kenyatta, Ecuadorian President Guillermo Lasso Mendoza, Czech Prime Minister Babis, King Abdullah of Jordan, Child of Chilean President Sebastián Piñera, and former British Prime Minister Tony Blair, Pandora It's in your papers. In addition to politicians, many famous names such as Shakira, Claudia Schiffer, Julio Iglesias, Ringo Starr, Elton John accompany the politicians.

About Us

Sanction Scanner is an artificial intelligence-supported compliance software that offers solutions to prevent black money and terrorist financing in the field of Regulatory Technologies (RegTech). Sanction Scanner has 3000+ sanction lists of 220+ countries, monitors and analyzes this data instantly, and presents it as a report to its users. Also with Transaction Monitoring tool monitors customer transactions in real-time to detect high-risk and suspicious transactions.

Today, we play an active role in the fight against financial crimes of nearly 300 companies in +40 countries and provide software services, our aim is to fight financial crimes. Join us and let's fight financial crimes together.

Get in Touch

27 Old Gloucester Street, London,
United Kingdom, WC1N 3AX
+44 20 4577 0427

Yıldız Technical University - Yıldız Technopark
C1 - No:106-2, Istanbul, Turkey
+90 (212) 963 01 84

info@sanctionscanner.com