

UNISYS

Prague Conference

13th June 2000

Rowan Bosworth-Davies

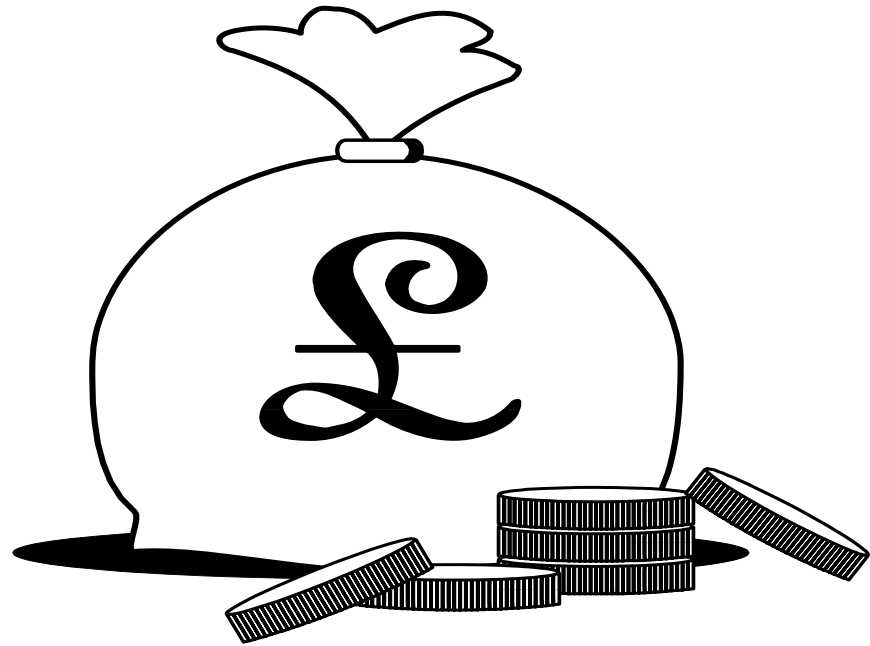
Principal Consultant

Financial Compliance Group

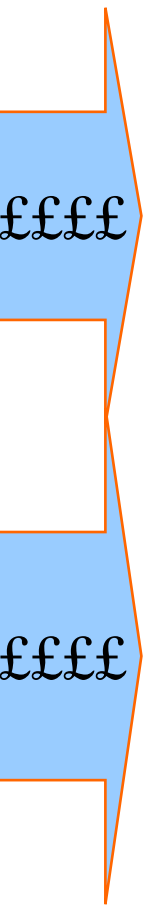
Money Laundering

The question every business manager is asking...

What Is
Money
Laundering?



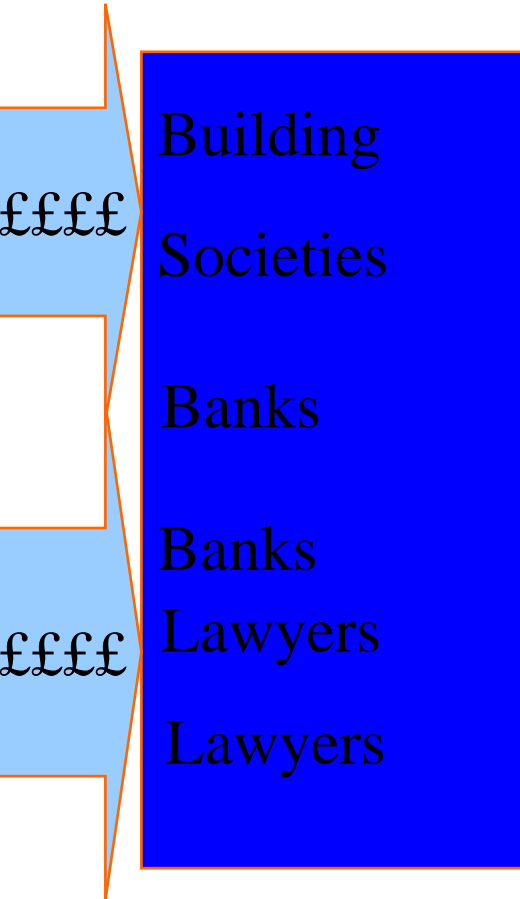
Money Laundering...



Cash comes into the financial system from the proceeds of drug trafficking terrorism, or other criminal activity, including tax evasion

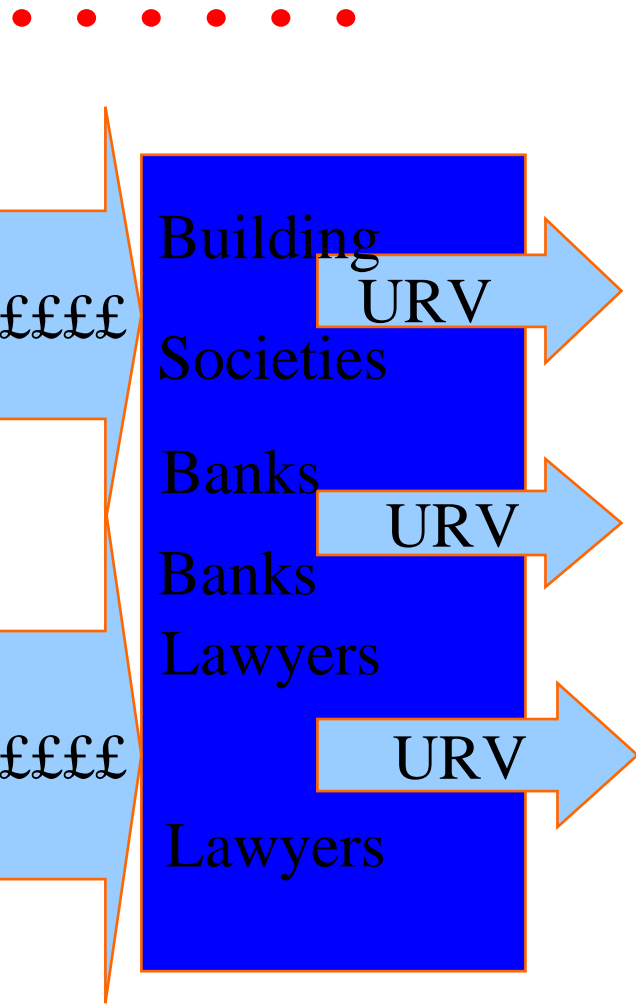


Money Laundering...



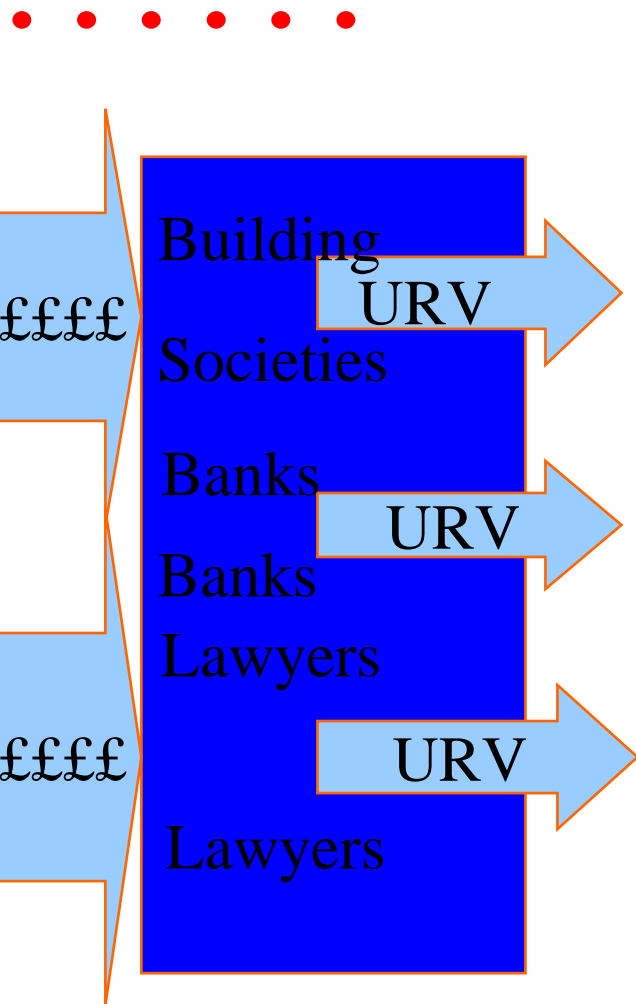
It passes through a wide variety of forms of intermediation before moving into the electronic environment

Money Laundering...



Once in the electronic medium, the cash has now been transposed into **‘Units of Redeemable Value’** and can be invested in a wide variety of financial products

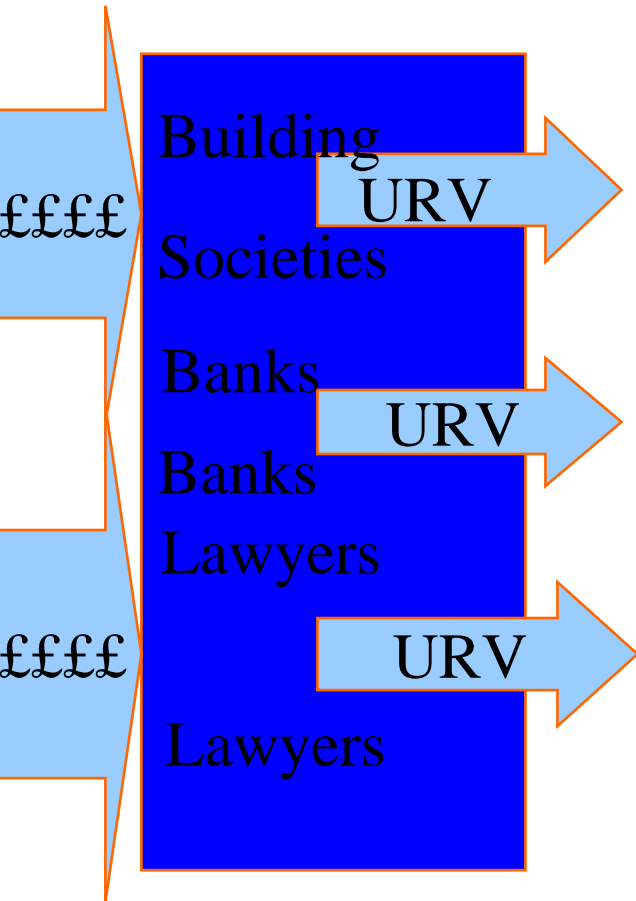
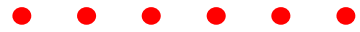
Money Laundering...



Layering

The Units of Redeemable Value are now 'layered' by being placed in various forms of financial product before being taken out again, and 're-layered' in another product.

Money Laundering...



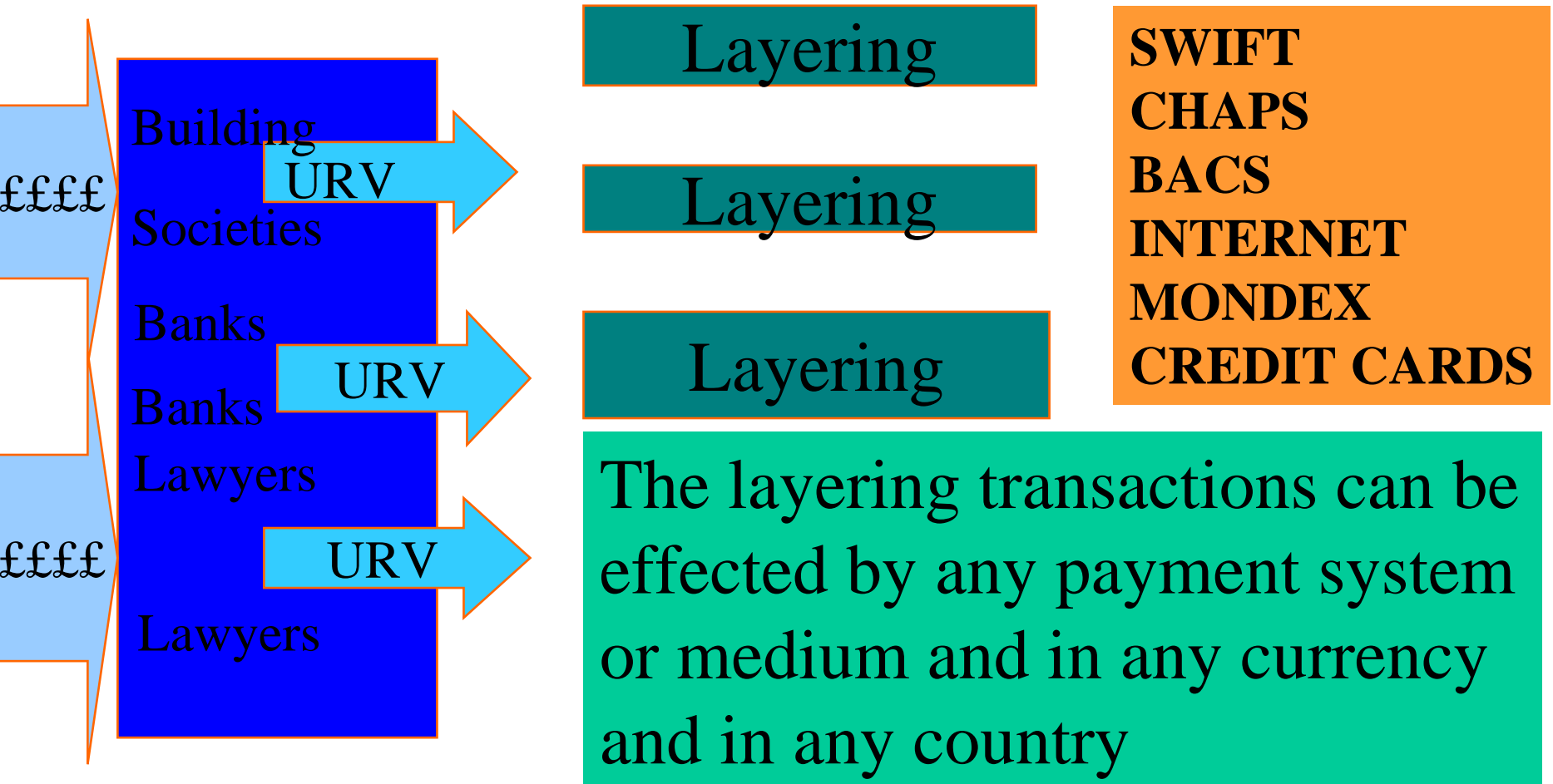
Layering

Layering

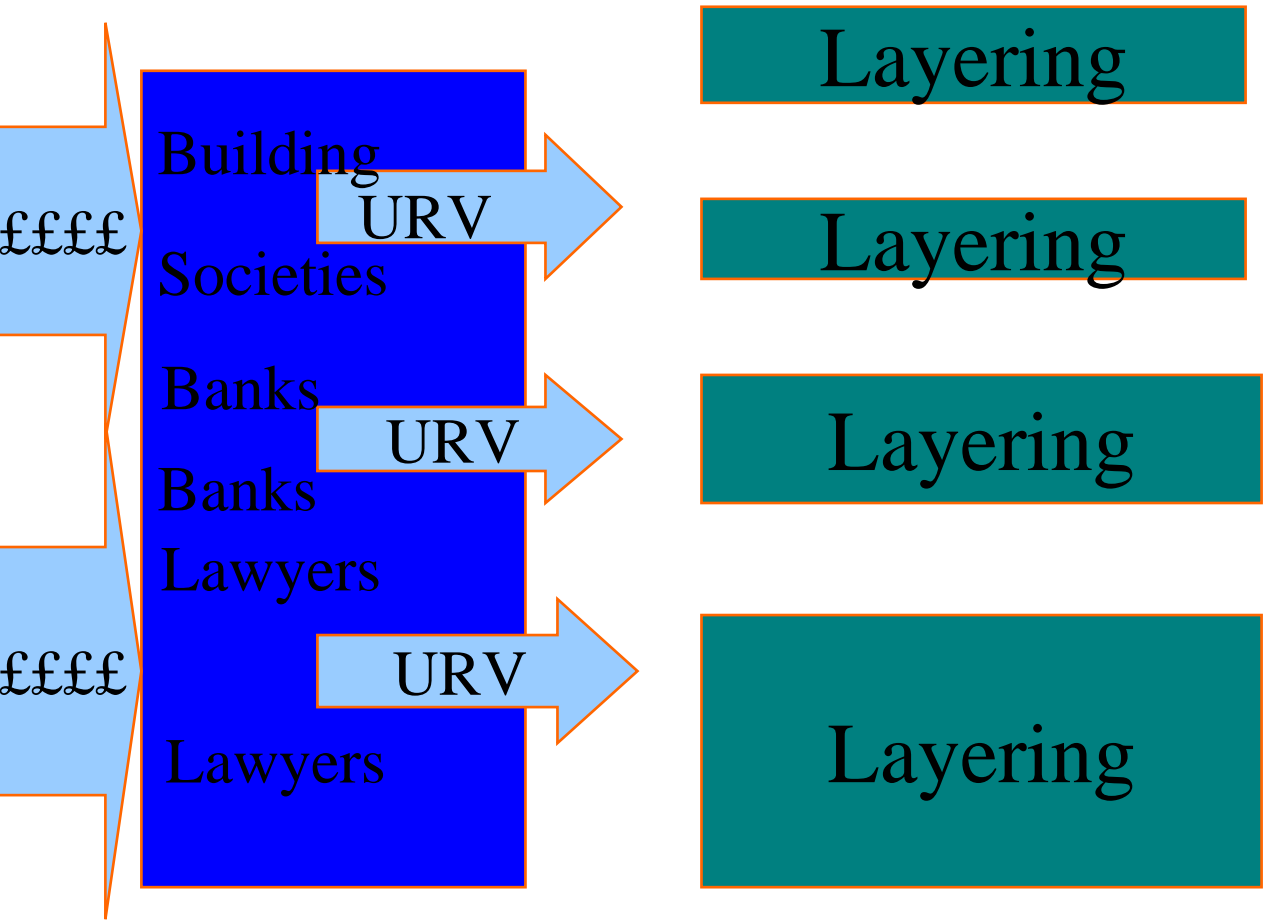
The aim is to put as many layers as possible into the transaction process, thus disguising the original provenance



Money Laundering...



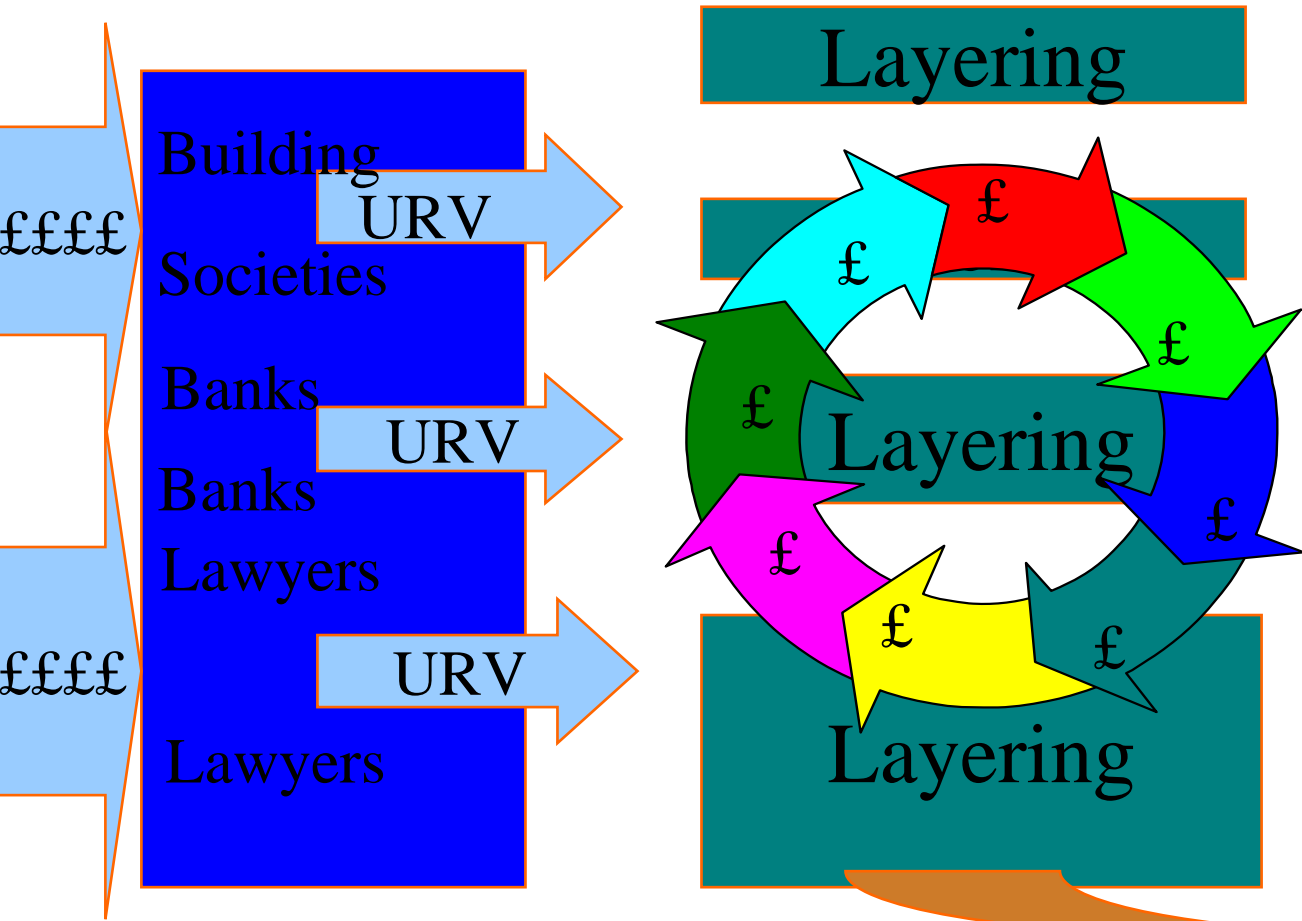
Money Laundering...



Unit Trusts,
Life Insurance,
jewels, gold,
real property,
investment
trusts, stocks,
shares, fine art,
Govt. bonds,
secured loans,
commodities,
futures, swaps
derivatives,
hedge funds,
managed assets



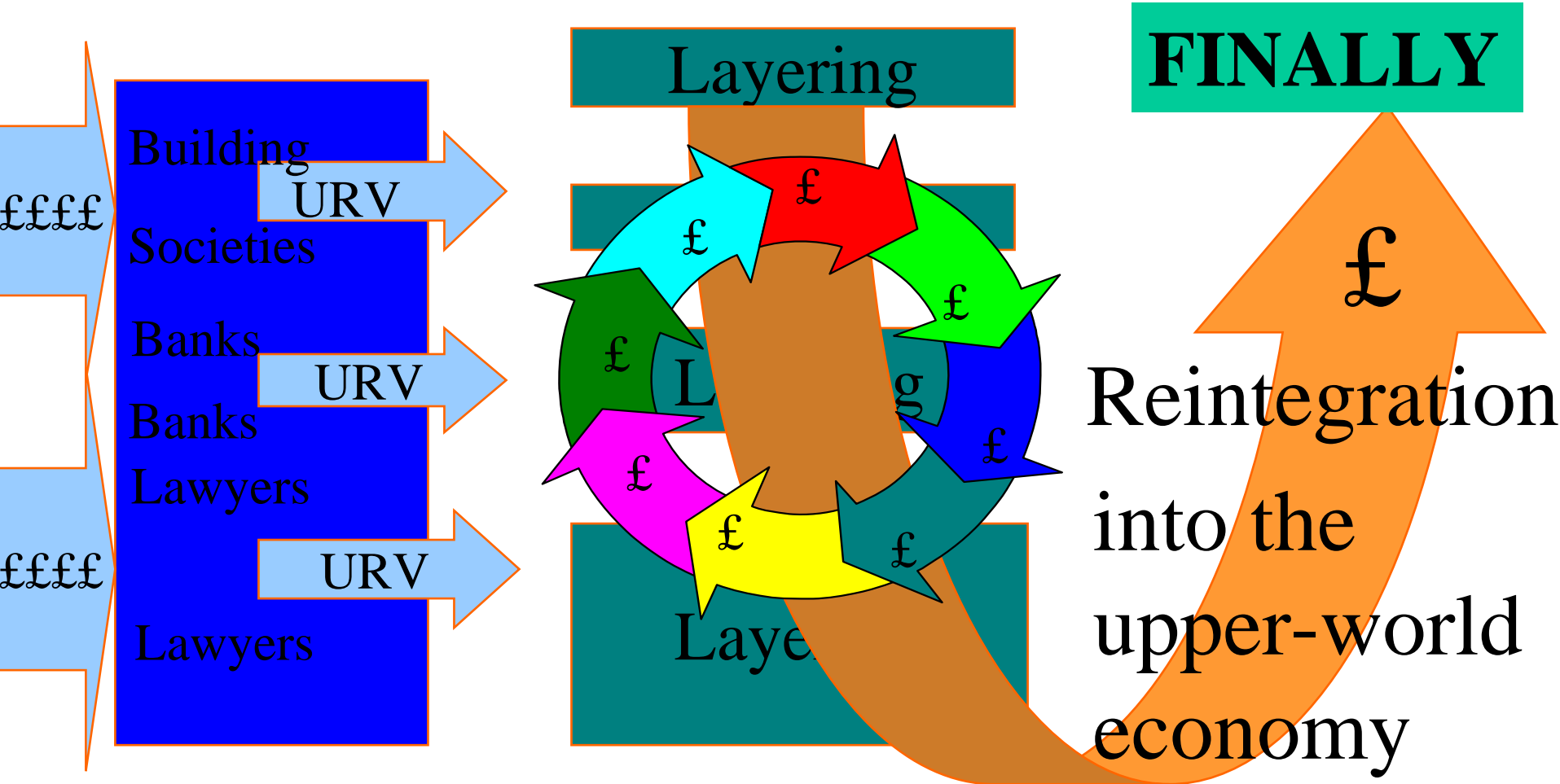
Money Laundering...



Transactions can be repeated many times to disguise their origin



Money Laundering...



Money Laundering...

Historical Landmarks

- The UK Drug Trafficking Offences Act 1986
- The Vienna Convention 1988
- The Basle Accords 1988
- G7 Paris 1989, FATF formed
- The POTA 1989
- The Council of Europe 1990
- The European Directive 1991
- The Criminal Justice Act 1993
- The Drug Trafficking Act 1994



What is a Suspicious Transaction ?

• • • • •
"A suspicious transaction is a transaction that may be indicative of fraudulent activity and / or money laundering"

Why may be?

Because the activity on the account may actually be genuine ...

...The only way you be able to tell, is if you know your customer

What are your responsibilities:

• • • • •
How do you achieve this ?

"By adopting a willingness to recognise the responsibilities placed upon you by law and by implementing these requirements to the full, taking care to implement an honest balance between the needs of law enforcement and commercial success"

What are your responsibilities:

Commercial Requirements

- From a commercial point of view, you need to be able to ...
 - pro-actively identify unusual transactions at an early stage
 - investigate them effectively and without outside pressure
 - maintain full control of the conduct of the investigation internally
 - be in complete command of the decision making process at all times
 - determine the parameters of what needs to be disclosed and what does not

What are your responsibilities:

Compliance Requirements

- In order to satisfy the compliance requirements, you need to be able to show that you have ...
 - taken all reasonable precautions to demonstrate 'Best Practice Compliance'
 - acted in a bona-fide manner and in good faith
 - adopted all necessary procedures to enable a proper clarification of the economic background and purpose of a transaction to be made
 - kept adequate records of all investigations

The problem in identifying a suspicious transaction

• • • • •

The main problems involved in identifying suspicious transactions are:

- ⇒ the large volumes of transactions to be reviewed
- ⇒ interpretation of the rules affecting such transactions
- ⇒ application of these rules to the large volume of transactions
- ⇒ the effect on your business systems that implementing a system may have

Where does that leave you ?

• • • • •
You need to implement a system that can:

- ⇒ automatically identify accounts that may have suspicious activity
- ⇒ alert the compliance group of anything that looks suspicious
- ⇒ automatically review the failures in order that the compliance department is not overwhelmed
- ⇒ support the tracking of the review process of any suspicious accounts
- ⇒ support the ability to quickly reflect changes in legislation
- ⇒ have the facility to quickly tune the system according to the latest knowledge
- ⇒ that does not interfere with your day-to-day business systems

How UNISYS can help:

- • • • •
- System Design Consultancy

- Unisys has designed a fully functioning system (*called UAML*) that implements our experts knowledge & experience
- ⇒ The designers of this system can help *you* design and implement *your own* system, to suit *your own* requirements
- ⇒ If required, UAML can be used as a prototype/framework for *your own* system design

or

you can take the fully functioning system as it is and implement it today

Sample Compliance System: UAML

- • • • •
- What is it ?
 - A simple easy to use GUI based system
 - Free-standing fed by a simple extract program; no interference with normal business activity
 - Rule-based system that implements 'Best Practice Compliance'
 - It deals with transactions and transaction history
 - Bench-marked using real case studies
 - It is scalable
 - The end user is in control throughout
 - UAML decides what it feels is suspicious ...
... but you decide if this is really the case

UAML

- The Technical Stuff
 - GUI based client runs on Windows 95 / 98 / NT / 2000
 - Written using Visual Basic (and C++)
 - Integrated web access
 - Implemented using Microsoft ADO and COM technologies
 - By default uses Microsoft SQL Server 7
(can easily run on any ANSI SQL compliant database)
 - Supported by web-based service to ensure up-to-date 'Best Practice Compliance'
 - Fully user configurable

Money Laundering



Provides ‘Best Practice’ in achieving a fully integrated, anti-money laundering compliance solution for all sectors of the financial services industry

Money Laundering...

IT solution capability

- Rules based system
- Based on the 40 FATF recommendations
- Capable of monitoring huge volumes of data
- 'Pushes' potential 'suspicious' transactions at compliance team.



Money Laundering...

- Designed from the cultural perspective of the banker
- Leaves the bank in total control of the process
- Does not require them to act like detectives
- Maintains a constant audit trail of decisions
- Facilitates the 'know your customer interface



UNISYS

Financial Compliance Group