
TOO MUCH INFORMATION OR TOO LITTLE?

We need to decide what we need.

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In this age of acronyms, due to the growth of texting and Twitter (two "inventions" that continue our rapid decline to poor communication), the feeling of "TMI," or "too much information" is common. Whether it is some celebrity's acknowledgement of personal problems, or simply the access to volumes of data on the Internet, all of us have examples of Too Much Information. (Readers of this blog probably thought I was making a reference to a 1980s Duran Duran song.)

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So the question should be, is there ever too much information in the anti-money-laundering world or at least, information without either context or direction? There can be. And sometimes there can be too much, and too little, simultaneously.

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Finding fault with FATF

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I have been a strong supporter of the resources provided by the Financial Action Task Force (FATF) in the form of typologies, reports, mutual evaluations, and other related information.

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A recent series of announcements does raise the question of what to do with important information as we grapple with day-day compliance responsibilities. In mid-February, FATF released several reports on jurisdiction that either lack strong AML oversight or continue to have difficulties addressing known deficiencies.

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According to the public statement released after the Feb. 15 plenary:

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"The Financial Action Task Force (FATF) is the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from ML/FT risks and to encourage greater compliance with the AML/CFT standards, the FATF identified jurisdictions that have strategic deficiencies and, along with the FATF-style regional bodies (FSRBs), works with them to address those deficiencies that pose a risk to the international financial system. The FATF and the relevant FSRBs will continue to work with the jurisdictions below and report on their progress in addressing the identified deficiencies."

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All well and good. The question: What is the private sector supposed to do in response to the list of countries announced by FATF? Cease business operations? Increase due diligence? How will the regulators react to our decision-making?

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FATF provided more solid guidance regarding Iran, when it said:

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"The FATF reaffirms its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions."

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FATF also listed a number of countries in the report, with direction on what needs to be fixed. For example, in Ecuador:

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- "FATF

has identified Ecuador as having strategic AML/CFT deficiencies. Ecuador has engaged with the FATF and GAFISUD but has not delivered a clear high-level political commitment to address these deficiencies. Ecuador should work with the FATF and GAFISUD to address these deficiencies, including by: (1) adequately criminalising money laundering and terrorist financing (Recommendation 1 and Special Recommendation II); (2) establishing and implementing adequate procedures to identify and freeze terrorist assets (Special Recommendation III); implementing adequate procedures for the confiscation of funds related to money laundering (Recommendation 3); (3) Reinforcing and improving coordination of financial sector supervision." (GAFISUD stands for Grupo de Acción Financiera de Sudamérica.)

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And what do we do with this, exactly?

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We need more information in order for the value of FATF resources to be practical.

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Review the documents here.

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An example of "just right" information

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The Financial Crimes Enforcement Network (FinCEN), knowing of the problems associated with trade-based money laundering, took the advice of many and produced guidance that, among other things, points out:

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"In particular, any of the following red flags seen in conjunction with shipments of high dollar merchandise (such as electronics, auto parts and precious metals and gems) to duty free trade zones, such as in the Colon Free Trade Zone in Panama, could be an indication of a trade-based money laundering or black market peso exchange activity:

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• Third party payments for goods or services made by an intermediary (either an individual or an entity) apparently unrelated to the seller or purchaser of goods. This may be done to obscure the true origin of the funds.

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• Amended letters of credit without reasonable justification.

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• A customer's inability to produce appropriate documentation (i.e., invoices) to support a requested transaction.

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• Significant discrepancies between the descriptions of the goods on the transport document (i.e., bill of lading), the invoice, or other documents (i.e., certificate of origin, packing list, etc.)."

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Valuable examples like these can never be considered "TMI." Let's continue to work between the private and public sectors to ensure that all information remains valuable.

Please send me your thoughts and comments, or post them below.

About John Byrne, CAMS

Byrne is Executive Vice-President of the Association of Certified Anti-Money Laundering Specialists (ACAMS). He has written extensively on AML issues for 25 years and has appeared on television and testified before many congressional committees on AML-related policy issues. Prior to joining ACAMS, John was the Global Regulatory Relations Executive at Bank of America. Previous to that, he worked for the American Bankers Association for 22 years and was responsible for ABA's lobbying, regulatory, and educational efforts on money laundering, and other compliance issues. He received the ABA's Distinguished Services Award and was also the first private sector recipient of the "Director's Medal for Exceptional Service" from the Treasury Department's Financial Crimes Enforcement Network (FinCEN). Byrne can be e-mailed at jbyrne@acams.org.