

REPORT FROM ASIA: IT'S A SMALL WORLD AFTER ALL

AML issues truly are global—and so are solutions

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Despite being the most annoying song that any parent has ever had to endure while in a Disney park, my recent trip to Asia tells me it sums up anti-money laundering obligations and challenges worldwide.

In my work, as EVP of ACAMS, I have tremendous opportunities to work with government and private-sector AML officials at seminars, meetings, and conferences. While cultures and economies clearly differ, the AML private-sector professional still grapples with risk assessments, program development, and training and senior management resistance to resource enhancement. On the government side, there is global debate on providing feedback to institutions on suspicious transaction reporting; balancing privacy and data mining; and dealing with conflicting jurisdictional pressures.

My organization partnered with a local firm in Tokyo and offered an AML seminar and in Shanghai we sponsored a three-day program that highlighted government officials, AML academics, and global experts. While many of the sessions could have been held in a U.S. city with community and large bank representatives, these programs both emphasized areas of common concern in the AML community, along with some interesting distinctions or, at least, different approaches to age-old problems.

Different approaches to FATF evaluation and guidance

While one must always be careful to generalize about an AML regime based on brief conversations with compliance officials or government representatives, I was somewhat taken aback by the Japanese audience and their "soft" opposition to the recommendations and evaluations of the Financial Action Task Force (FATF).

Several speakers did reference FATF and its October 2008 mutual evaluation of Japan's AML system and how it ranked ninth (below China and Russia). But there was clear criticism that FATF did not quite grasp how Japan was unique in its banking structure. For example, there was a robust conversation regarding customer due diligence (CDD), an area in which Japan was listed as "non-compliant." The local speakers pointed out that compliance was a rather difficult proposition, due to both Japan's privacy laws and the requirement that everyone there has a right to a bank account.

On the other side, while I was in Shanghai, speakers from local banks touted the need for strong customer identification processes. Furthermore, they showed the audience charts demonstrating voluminous filing of suspicious activity reports. (Note: Of course, it is understood that the different government approaches make comparisons of AML compliance across different nations a naturally difficult proposition).

I was particularly interested in a speaker from Korea. He updated the audience on AML developments in his country since Korea became a full FATF member. He used the phrase "blocking the water supply" to emphasize how stopping money flows can stop criminals from moving illicit proceeds.

The audience included AML professionals from around the Asia-Pacific region, and it was clear to me during a workshop I ran on developing AML programs, that these representatives were sophisticated in running or overseeing the programs and had many suggestions that would be useful anywhere in the world.

What are the current challenges?

In Japan, speakers complained about the difficulties of implementing the "risk-based approach." They described the challenges as:

The lack, in some banks, of skills in money laundering risk analysis.

The need for investment in IT and skilled personnel.

The challenge of risk-based analysis, in its very nature. Because risk-based analysis requires judgment, it is harder to deliver than a checklist approach. (This is true. Yet in the U.S. we certainly have professionals lined up on both sides of this debate.)

The ongoing questioning of whether the risk-based AML control system can guarantee detection of money laundering.

What intrigued me was the active debate on risk-based analysis on the points above, not the view held by some in the U.S. that the challenge is RBA "second-guessing" by regulators.

Of course, it would not be an AML program without U.S. representatives outlining current issues, and, in Shanghai, we heard from the Department of Justice on the current state of tax oversight, in the wake of the UBS case. The speakers encouraged the AML professional to stay engaged with the tax compliance staff and highlighted a recent US law ("The Foreign Court Tax Compliance Act" or FCTCA) as worthy of immediate review, particularly given a Jan. 1, 2013, implementation date. They added that the US. Department of Justice is still very interested in making tax evasion a money laundering predicate offense. They predicted some serious congressional attention to that issue.

AML going forward

Overall, my Asia trip emphasized that money-laundering challenges face us all. There were active debates surrounding "political exposed persons" or PEPs, targeted training, transaction monitoring and the sharing of information on emerging trends in corruption, fraud, and sanctions.

The AML community may be large but the issues are similar and it really seems to be a small world.

And I apologize if you now cannot get that horrible song out of your head!

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

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