The Monthly Wrap: October 2021

Developments & Trends In Anti-Money Laundering Compliance

What's Been Happening?

Bombshell findings in the Pandora Papers shook the compliance industry. Various U.S. regulators issued new guidance, including OFAC's guidance to the virtual currency industry regarding sanction screening, and a FINRA Notice to Members regarding incorporating FinCEN's AML/CFT priorities into AML programs. Plus, the DOJ announced the creation of a cryptocurrency task force, and international regulator FAFT also updated its guidance for the virtual asset industry. This month's spotlight on AML fines is also noteworthy, with one UK bank reeling after a single customer was found to have laundered $546 million over four years.

Pandora Paper leak reveals a vast amount of hidden wealth for billionaires

The **Pandora Papers leak** from earlier this month was much larger in scope than what was leaked in the Panama Papers and involved the release of millions of documents. It revealed details as to hidden wealth, tax avoidance and money laundering. The files expose how some of the most powerful people in the world, including more than 330 politicians from 90 countries, use offshore companies to hide their wealth. Lakshmi Kumar from US think-tank Global Financial Integrity explained these people "are able to funnel and siphon money away and hide it," often using anonymous companies. More to come as this investigation continues to evolve.

AML Tip of the Month

Reinforcing the need to implement strong AML controls, FINRA issued a **Notice to Members** encouraging firms to begin incorporating FinCEN's recently issued **AML/CFT Priorities** into their AML programs. FINRA also encouraged firms to

OFAC issues virtual currency guidance

OFAC

On October 15, the Treasury Department's Office of Foreign Assets Control (OFAC) published **guidance** for the cryptocurrency industry. The guidance is designed to assist those in the virtual currency industry in:

- Evaluating sanctions-related risks in their lines of business;
- Building a risk-based sanctions compliance program;
- Protecting their business from sanctions violations and intentional misuse of virtual currencies by malicious actors; and
- Understanding OFAC's recordkeeping, reporting, licensing, and enforcement processes.

One key take-away for Chief Compliance Officers, is OFAC's statement that firms should subject higher risk customers to consider any technological changes needed to incorporate the AML/CFT Priorities. However, CCOs should be very diligent in evaluating potential vendor products. Many of the most popular AML tools lack the functionality needed to implement FinCEN's priorities.

enhanced due diligence (EDD). Many FinTechs have yet to develop a risk scoring methodology capable of implementing an EDD process, which should be a priority in the coming months.

NatWest fined by the FCA for failing to prevent money laundering

NatWest

NatWest **pleads guilty** for the failure to prevent the laundering of over $544 million by one customer, and is the first bank in Britain to admit to such a criminal offense. Fowler Oldfield Ltd, a jeweler, laundered the money between 2012 and 2016, of which $360 million was in cash deposits to the bank. The jeweler was depositing more than $2 million daily at the peak. The Financial Conduct Authority (FCA) has yet to announce the amount of the fine, although NatWest could face a potential penalty of around $450 million under sentencing guidelines.

DOJ Creates Cryptocurrency Task Force

On October 6, the US Department of Justice (DOJ) **announced** the creation of the National Cryptocurrency Enforcement Team (NCET). The NCET will add greater structure and coordination to the DOJ's investigative capabilities concerning illicit uses of cryptocurrency, and as per Deputy Attorney General Lisa Monaco it will "tackle complex investigations and prosecutions of criminal misuses of cryptocurrency, particularly crimes committed by virtual currency exchanges...."

FATF updates guidance for VASPs

FATF

The Financial Action Task Force (FATF) updated its prior guidance for Virtual Assets and Virtual Asset Service Providers (VASPs). FATF requires countries to assess and mitigate the risks associated with VASPs, and to subject them to the same standards applied to financial institutions. The **new FATF Guidance** focuses on six key areas:

1. Clarification of the definitions of virtual assets and VASPs;
2. Guidance on how the FATF Standards apply to stablecoins;
3. Additional guidance on the risks and tools available to address the money laundering and terrorist financing risks for peer-to-peer transactions;
4. Updated guidance on the licensing and registration of VASPs;
5. Additional guidance on the implementation of the "travel rule;" and
6. Principles of information sharing and cooperation amongst VASP Supervisors.

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