The Monthly Wrap: August 2022
Your Anti-Money Laundering News

DigiPli

What's Been Happening?

The month of August saw additional fines and penalties levied against two prominent FinTechs, a trend we expect to increase given the clear signs of regulators' increasing scrutiny. Within the cryptocurrency space, volatility persisted and OFAC took action against a crypto mixer. Lastly, one bank learned expectations don't always match reality, and paid a price for it.

OFAC Daily Screenings: Are Your Vendors Up-To-Date?

OFAC says there's no "one size fits all" approach to screening accounts and transactions for potential sanctions violations. However, the Finding of Violation (FOV) issued to MidFirst Bank calls that into question. OFAC issued the FOV because MidFirst maintained and processed 34 transactions for individuals added to OFAC's SDN List shortly after the individuals were added. MidFirst used a third-party vendor to handle its sanction screenings. The FOV stated that an "aggravating factor" was that MidFirst "should've known" their vendor screened existing customers every 30 days. As OFAC updates the sanction lists on a daily basis, it concluded that "by allowing the accounts to operate for two weeks post-designation, there was … potential for significant harm."

The bottom line? Unless you're performing daily sanction screening of existing customers, you're running a major regulatory risk.

Robinhood's Crypto Unit Fined for AML Issues

The New York State Department of Financial Services ("NYSDFS") fined Robinhood's crypto trading unit $30 million. The NYDFS concluded that the firm's failures arose from shortcomings in the management and oversight of its compliance programs. These included failing to foster and maintain a compliance culture, and allocate adequate resources to compliance. In particular, the NYDFS found that Robinhood didn't adequately staff its BSA/AML program, failed to timely transition from a manual transaction monitoring system to an automated system more appropriate to its size, customer profiles, and transaction volumes, and didn't devote sufficient resources to address BSA/AML risks.

The bottom line? This presents a dual lesson - that cryptocurrency oversight is heating up from a regulatory perspective, and focus of regulators is shifting from traditional banks to FinTechs.

Wise Fined $360K for AML Violations

Money transfer company Wise was fined $360K by Abu Dhabi regulators for violating the country's AML laws. The country's financial governing agency, Financial Services Regulatory Authority (FSRA), found the company "did not establish nor maintain adequate AML systems and controls to ensure full compliance with its AML obligations" and failed to follow its own chain of command protocols. Of note, the FSRA did not discover actual instances of money laundering stemming from Wise's lack of AML controls.

Read the full summary, and potential forthcoming implications for US money transmitters here. And keep in mind that when operating a remittance business, focusing only on US regulatory requirements is insufficient.

OFAC Sanctioned Crypto Mixer for Laundering Stolen Crypto

The US Treasury's Office of Foreign Assets Control (OFAC) sanctioned crypto mixer, Tornado Cash, adding 38 Ethereum wallet addresses to the Specially Designated Nationals (SDN List). Crypto mixers are programs that mix various cryptocurrencies in private pools before transferring it to designated receivers. OFAC found that Tornado Cash laundered over $455 million of stolen cryptocurrency by the North Korea-affiliated hacking organization, Lazarus Group. Tornado Cash also laundered cash from two separate hacks that involved Harmony Bridge and Nomad Bridge. Tornado Cash is the second cryptocurrency mixer sanctioned by OFAC, following Blender.io, which also laundered stolen funds by Lazarus Group.

Another BitMEX Employee Pleads Guilty to Money-Laundering Charges

Gregory Dwyer, Head of Business Development at BitMEX, pleaded guilty to failing to implement an anti-money laundering program at the cryptocurrency exchange. Earlier in the year, the founding officers of the company also pleaded guilty to violations of U.S. laws. According to New York State prosecutors, in 2015 the Seychelles-incorporated exchange announced a withdrawal from the U.S. market but made minimal efforts to stop US-based customers from enrolling in BitMEX. The company's inaction allowed thousands of US-based customers to use the service when they were supposed to be blocked. More alarming, the courts found the AML controls the company had put in place to be a facade.

Free 'Know Your Wallet' Tool

One of the most challenging aspects of the on/off ramp between crypto and fiat is validating customers' wallets. DigiPli provides a **free tool** to check whether a wallet address was sanctioned by OFAC.

We're empowering FinTechs and other digital financial institutions to rapidly deploy or upgrade AML infrastructure

Want to chat?