



# ML/TF Priorities for Banks during the Covid-19 Pandemic

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# The Impact of Covid-19 on ML/TF

- Vulnerabilities due to online transactions and business
- Disrupted supply chains
- Changes in travel and trade rules
- Relief and humanitarian aid priorities
- Government support to underprivileged populations

The FATF first published a report on Covid-19 related ML and TF in May 2020, and an update in December 2020





# Key AML/CFT Trends in 2020-21

- Regulatory pressure continues
  - Revised legislation in many countries
  - Better and more continuous risk assessments
  - Role of technology
  - Collaborative approach to combating ML/TF
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# Anti-Corruption

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## UN Secretary General Antonio Guterres

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“Corruption is criminal, immoral and the ultimate betrayal of public trust.

It is even more damaging in times of crisis – as the world is experiencing now with the COVID-19 pandemic.”





# Stopping the movement of corruption proceeds

- Beneficial ownership registries & more transparency
  - Crackdown on shell companies
  - Stricter enforcements
  - Monitoring of professional service providers
  - Supporting AML laws
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# Tools available with banks

- KYC and Due Diligence
  - PEPs, family members and associates
  - Influential persons
  - High-net worth individuals
- Identify beneficial owners, going beyond regulatory requirements if needed
- Build in red flag indicators and AML monitoring scenarios for corruption and bribery



# Red Flag Indicators for Banks (Indicative)

- Deposits in bank accounts of public officials with checks issued by construction companies, individuals or non-governmental entities that previously benefited from public works contracts.
  - Checks issued in favour of public officials and come from accounts of people who benefited from public procurements/funds, without an evident justification.
  - Checks issued by a public entity, being cashed out and subsequently deposited to bank accounts of public officials or persons/entities related to public officials.
  - Public officials, especially those having a role in government contract management or public procurement of high-value assets, receive international funds transfer instructions (IFTIs) from business and/or personal accounts, where these funds appear to be excessive in value.
  - . Transactions, which take place in accounts of PEP, his/her family members or close associates, or other officials, involving cash deposits or withdrawals in unusual frequency and amounts.
  - “Money mules” (especially in the remittance sector) can be used to obfuscate the beneficial ownership of the assets by involving PEPs’ or other officials’ employees i.e. cleaner/ gardener/driver. Usually, the funds received on the bank accounts of such money mules significantly exceed their legitimate employment income.
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# Financial Sanctions

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# Recent Sanctions Trends

- Number and complexity increasing
  - US sanctions under Biden administration
  - UK Sanctions intensifying after Brexit
  - EU Sanctions
- Co-ordinated action
  - Myanmar, Belarus
- Specific issues targeted
  - Trade
  - Corruption
  - Human rights abuses
- Secondary sanctions risk

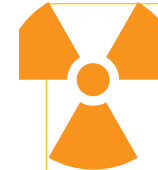
# Tools available with banks



Continuous assessment  
of sanctions risks



Surveillance of trade  
transactions beyond  
watch-list screening



Understanding of  
secondary sanctions



Well trained team with  
sanctions experts



Get external expert  
advice where required

# Financial Inclusion

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# Unintended Consequences of FATF Standards

- According to a 2021 study, the proportion of unbanked population in Asia is 24%
- AML and anti-financial crime measures are making it difficult for certain sections of the population to comply, leading to their exclusion from the formal financial system.
- De-risking of banks in developing economies by correspondent banks exacerbating financial exclusion
- As this unintended consequence came to the fore, the FATF took note via a formal recognition of financial exclusion as an ML/TF risk in 2012
- Introduced risk-based approach that advised proportionality in AML/CFT measures.



# Impact of Financial Inclusion

- Decrease in shadow economy / gray market for financial services
  - Increased reach and effectiveness of AML/CFT measures
  - Opportunity presented by digital financial services for banks/ FIs
  - Importance of reaching the unbanked population during the Covid-19 pandemic for relief work and to provide government benefits
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# Tools available with Banks

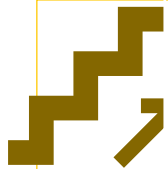
- Better risk assessment so as not to penalize poorer sections of the population
- Appropriate due diligence
- Proportionate application of AML/CFT measures
- Potential for new products targeted towards low-risk segments

# Takeaways

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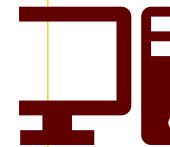
# Overall Recommendations for Banks



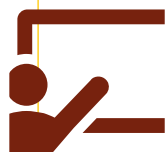
Stay on top of the  
dynamic risk  
environment



Identify and mitigate  
the most critical areas  
of risk



Use technology, but  
with caution



Continuous training and  
knowledge updatation



Senior management  
buy-in



Thank You

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