

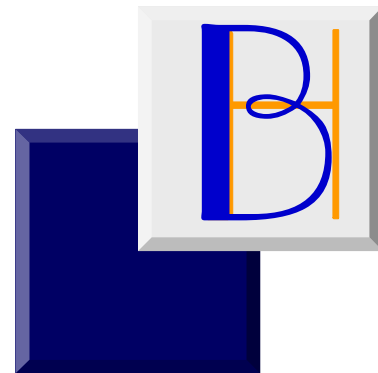
# **Prevention & Detection of Money Laundering**

## ***Applied to St. Helena***

**John Turner**

**Director, Burgh House Limited**

**Burgh House Limited**  
**[www.burghhouse.com](http://www.burghhouse.com)**



# Introduction

- ☐ Why me?
- ☐ What this presentation will cover
- ☐ What this presentation will not cover
- ☐ Agenda





# Introduction

Why me?

- ☐ 30 years in the banking industry
- ☐ Formally trained in money laundering detection and prevention by one of the world's leading banks
- ☐ Former Manager of Bank of St. Helena, so used to adapting global financial practice to St. Helena

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# Introduction

What this presentation will cover

- ❑ What businesses and government departments need to do to prevent and detect attempts at money laundering
- ❑ What 'management' within these organisations needs to do
- ❑ How not to end up in jail



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# Introduction

What this presentation will not cover

- ☐ Specifics for your individual organisation  
(that's down to you)
- ☐ What the authorities will actually do to investigate a  
report of possible money laundering  
(that's confidential)
- ☐ Banks and other specialist financial services  
organisations  
(that's too complex for today)
- ☐ Where Osama Bin Laden is hiding

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# Introduction

## Agenda

- ❑ **Is it me?** Who gets the blame?
- ❑ **Response.** What to do and how to do it
- ❑ **Attention!** Things to watch out for
- ❑ **Questions?**

*But first a little game . . . It's called "**Spot the terrorist**"*

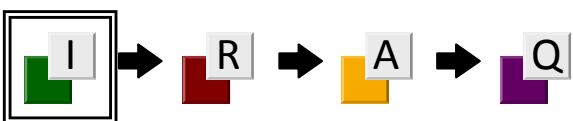
# Is it me?

## Who gets the blame?

- ❑ It's a **personal** responsibility
- ❑ You don't just get sacked – you get fined or locked up
- ❑ It's not just whether **you** think you comply – it's whether the **court** decides you complied
- ❑ If it happens in your organisation, you must show you had taken **appropriate steps**



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# Response: What you need to do

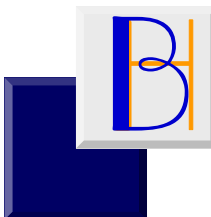
In summary:

- 1 Identify and assess the risk of money laundering and terrorist financing that the organisation faces
- 2 Design, implement and monitor controls for these assessed risks, making improvements where required
- 3 Record all that has been done and why
- 4 Appoint a Money Laundering Control Officer

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# To Do, Part 1: Risk Assessment

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# Risk Assessment: Assess customer risk

Be wary of

- ☐ New customers carrying out large one-off cash transactions
- ☐ Short-stay visitors
- ☐ Individuals in a public position that carries a higher exposure to the possibility of corruption  
("politically exposed persons" – discussed later)
- ☐ Complex business ownership structures with the potential for concealing beneficiaries

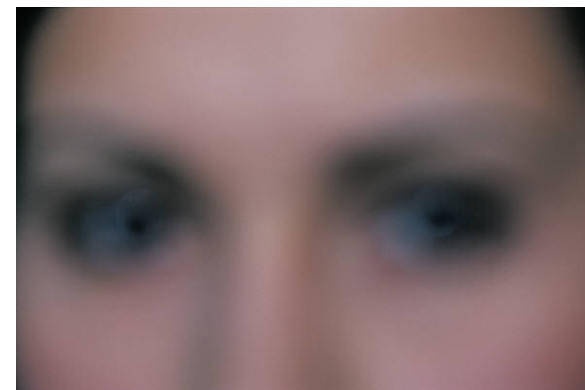


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# Risk Assessment: Assess customer behaviour

- ☐ Reluctance to provide identification or the evidence produced is unsatisfactory
- ☐ Customer appears to be acting on behalf of another
- ☐ Person and is unwilling to give details of those they represent
- ☐ Transactions that do not appear to make commercial sense

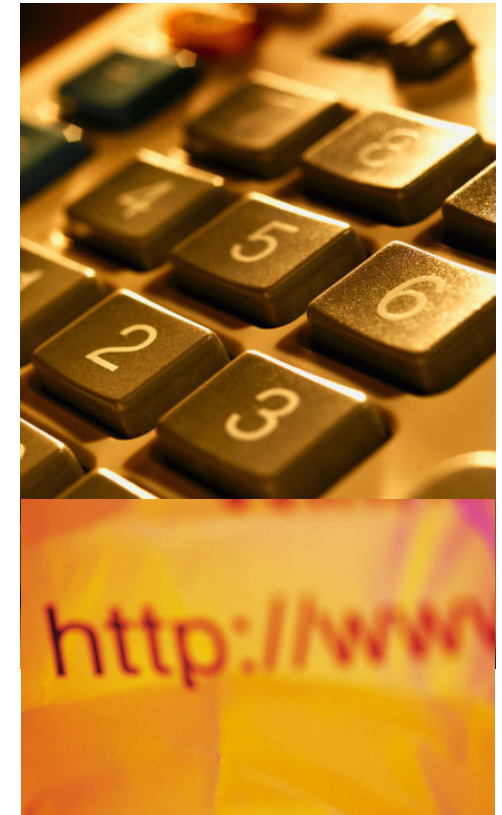


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# Risk Assessment: Assess delivery methods

- ☐ Non-face to face customers, especially if you only communicate with them via email
- ☐ Occasional transactions as opposed to ongoing business relationships

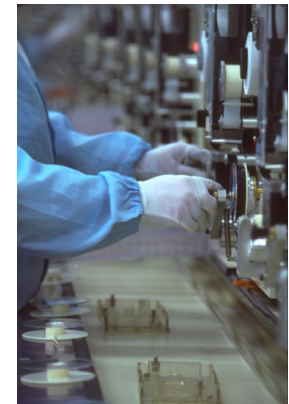


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# Risk Assessment: Assess products / services

- ☐ Could inappropriate assets be placed with, or move from or through the organisation?
- ☐ Does the product allow payment to third parties?



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# Risk Assessment:

## Assess geographical locations

- ☐ Do you have operations overseas in countries that do not have adequate legislation on money laundering and terrorist financing?
- ☐ Do you do business with customers in any such locations?



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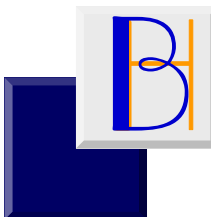


# To Do, Part 2: Controls

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# Controls must be

- ☐ Specific to the business area / transaction type / customer type
- ☐ Based on and justified using the risk assessment (show how control mitigates the risk)
- ☐ Properly documented (you may need them in evidence)
- ☐ Regularly checked and updated
- ☐ Make sure all the affected staff are trained, and that their training is evidenced (you may need this in your defence)

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# Controls must cover

- ☐ Customer due diligence measures and ongoing monitoring
- ☐ Reporting
- ☐ Record keeping
- ☐ Internal control
- ☐ Risk assessment and management

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# Customer verification

## *(“know your customer”)*

- ☐ Additional identity evidence in higher risk situations
- ☐ Identify the beneficial owner and take adequate measures on a risk sensitive basis to verify their identity
- ☐ Establish the purpose and intended nature of the business relationship
- ☐ Ongoing monitoring to ensure transactions are consistent with knowledge of the customer and risk profile
- ☐ Maintain records of the checks

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# Be especially careful

- ☐ Where the customer has not been physically present for identification (non-face to face customers)
- ☐ Where the customer is a politically exposed person or an immediate family member or close associate thereof
- ☐ In situations which by their nature can present a higher risk of money laundering or terrorist financing

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# Trusted customers?

You can be *more trusting* of a customer that:

- ☐ is a financial institution that is subject to regulation
- ☐ is in a territory that has equivalent money laundering regulation (e.g. the UK)
- ☐ is a governmental or public authority in the UK or an EU state



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# Identifying customers

Two part process:

- ☐ Obtain a range of information such as names, addresses, date of birth
- ☐ Verify this information through the use of reliable independent source documents, data or information



Or by personal knowledge (but still recorded)

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# Politically Exposed Persons

*(PEPs)*

An individual who has or has recently

- ❑ had a high political profile
- ❑ held public office here or overseas

and their immediate family and known close associates

e.g. Heads of state, heads of government, ministers, members of parliaments, members of supreme or constitutional courts or other high level judicial bodies, ambassadors and high ranking officers in the armed forces



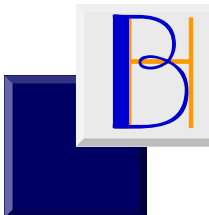
Governors? Chief Secretaries? Councillors?

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# Politically Exposed Persons (PEPs)

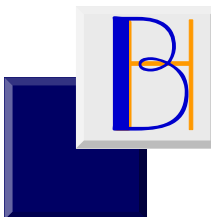
Need to:

- ☐ Identify whether the customer is a PEP
- ☐ Take steps to establish the source of their funds which will be used during the business relationship or transaction
- ☐ Ensure only senior managers approve the establishment of a business relationship with a PEP
- ☐ Undertake enhanced ongoing monitoring of the relationship

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# To Do, Part 3: Records

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# Keep good records

If something goes wrong in your area, you will need to show that you took reasonable steps to assess and control the risk

*If not, you may be liable as well as, or even instead of, the employee who did the transaction*

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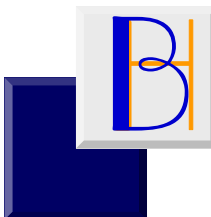


# To Do, Part 4: Money Laundering Control Officer

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# Money Laundering Control Officer

- ☐ Receives internal suspicious transaction reports from within the organisation
- ☐ Decides whether these should be reported to the authorities
- ☐ If appropriate makes such reports to the authorities
- ☐ Keeps aware of threat notices
- ☐ Stays aware of best practice and advises on compliance

*Sole traders are not required to appoint a nominated officer but are still required to make suspicious activity reports; the owner is, by default, the nominated officer*

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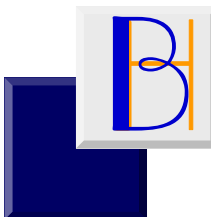
# Attention!

## Things to watch out for

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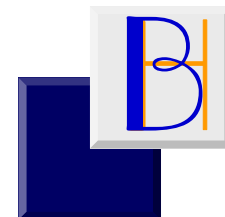
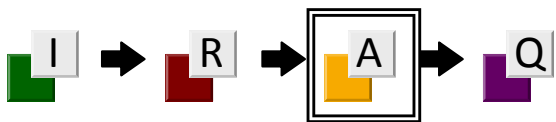


# Watch out for

In the case of new customers:

- ☐ Checking the customer's identity is difficult
- ☐ The customer is reluctant to provide details of their identity
- ☐ The customer is trying to use intermediaries to protect their identity or hide their involvement
- ☐ There appears to be no genuine reason for the customer using the organisation's services

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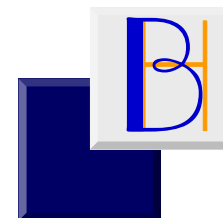
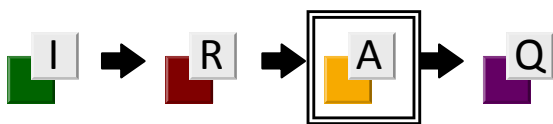


# Watch out for

In the case of regular and existing customers:

- ☐ The transaction is different from the normal business of the customer
- ☐ The size and frequency of the transaction is not consistent with the normal activities of the customer
- ☐ The pattern of transactions has changed since the business relationship was established
- ☐ There has been a significant or unexpected improvement in the customer's financial position and they are unable to give proper explanation of where the money came from

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# Watch out for

For all transactions:

- ☐ Money is paid by a third party who does not appear to be connected with the customer
- ☐ The customer requests payment to a third party who has no apparent connection with the customer
- ☐ A cash transaction is unusually large and the customer will not disclose the source of the funds
- ☐ Anything else that just doesn't look right . . .



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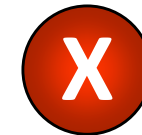
# If you encounter a suspicious transaction

Do you:

☐ Let it go and hope for the best?



☐ Explain to the customer there will be a slight delay while you investigate it?



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# Don't tell the customer!

You cannot tell a customer that:

- ☐ The transaction is being or was delayed because a disclosure has been made
- ☐ Details of their transaction has or will be reported to the authorities
- ☐ S/he is being investigated by law enforcement agencies



**It is a serious offence for anyone to say or do anything that may 'tip off' another person that a disclosure has been made or prejudice an investigation**

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# SUMMARY

- ☐ Put in place controls to anticipate and prevent money laundering or terrorist financing, including procedures to verify the customer's identity before entering into a business relationship or transaction and to obtain information on the purpose or nature of the business relationship
- ☐ Train staff in those procedures and in the law relating to money laundering and terrorist financing
- ☐ Appoint a money laundering reporting officer to receive and consider internal disclosures and to make suspicious activity reports to the authorities
- ☐ Keep records of all that has been done and why

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# When to begin all of this

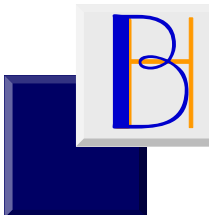
How fast can you get back to the office?



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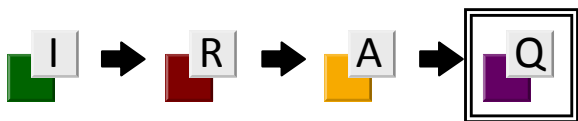


# Any questions



*Please feel free to contact me direct if you have questions specific to your organisation and not suitable for a public forum*

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**Thank you for  
your attention**

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