

Creating Public-Private Synergy for Accountability of Politically Exposed Persons

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Public-Private Synergy Recommendations

✓ Create a PEP Reporting System and Database

- Similar objective as in Beneficial Ownership bills coming FinCEN Beneficial Ownership guidelines
- Valuable information is currently collected and maintained by Financial Institutions (FI) through Know Your Customer (KYC) and associated Customer Identification Programs (CIP)

✓ Improve information sharing

- Financial Institutions lack access to government data for improved KYC and CIP risk assessments
- Adopt an information sharing program similar to the UKs Joint Money Laundering Intelligence Taskforce (JMLIT)

Senior Foreign Political Figure, aka, Politically Exposed Person (PEP)

- Current or Former senior official of a **foreign** government or of a major foreign political party
- Current or Former Senior Executive of:
 - a foreign government-owned commercial enterprise
 - a corporation, business, or other entity that has been formed by, or for the benefit of, any such individual
- The immediate family members of any such individual
- Widely and publicly, or actually, known close associates of any such individual

Guidance to Financial Institutions on Filing Suspicious Activity Reports regarding the Proceeds of Foreign Corruption, Financial Criminal Enforcement Network, Guidance FIN-2008-G005 4/17/2008

Federal Financial Examiner Institutions Council BSA/AML Examination Manual, p.127

Data Collection Structure is Already in Place

- “Enhanced Scrutiny,” and “Enhanced Due Diligence”
 - Risk Based Approach and designed to “detect and report transactions that may involve the proceeds of foreign corruption”
- “Reasonable Steps”
 - Consulting **publicly available information** regarding the home country of the client to obtain additional information about the client and political environment
 - Conduct greater scrutiny of client’s employment history and sources of income
 - Customer Due Diligence (CDD) must include enhanced scrutiny that is reasonably designed to detect and report transactions that may involve the proceeds of foreign corruption

FinCEN Issues Final Beneficial Owner Identification Rule (effective May 11, 2018)

Under the Rule, covered financial institutions (FI) must establish procedures to determine the following for a “legal covered entity”

- Ownership Prong: Natural person that directly or indirectly owns 25% or more of the equity interests
- Control Prong: Identify one natural person with “significant responsibility to control, manage, or direct” a legal entity customer
- Verify the identities of those persons according to risk-based procedures
- Maintain due diligence and transaction monitoring



Recommendation: Create a PEP Reporting System and Database

Consistent with Bank Secrecy Act objectives

- We already collect extensive information from FIs through “Know Your Customer” and “Customer Identification Programs”
- Currency Transaction Reports and Suspicious Activity Reports, Over \$10,000 Received in a Trade or Business

Consistent with intent of current Beneficial Ownership bills

- ✓ Create a reporting system and database to collect data about potential business and individual activity of kleptocrat financial activities for government analysis

Recommendation: Adopt a more effective Information-Sharing Program

Improve information access

- FI's are no longer the only ones with the best view of their customers
- Information that is gathered and assessed by the government is very limited in distribution to FIs
 - *314(a) Blasts (with limited use)*
 - *OFAC/Commerce lists*
 - *Informal Contacts*
- ✓ Adopt an information sharing program similar to the Joint Money Laundering Intelligence Taskforce (JMLIT) and bring together financial institutions, business and law enforcement to improve exchange of information to augment communication and cooperation

Example: JMLIT, a current effort to improve Information-Sharing

- Vision: Provide an environment for the financial sector and government to exchange and analyse intelligence to detect, prevent and disrupt money laundering and wider economic crime threats against the UK
- Operations Group
 - Officers from various local and national police services and Intelligence services
 - Vetted staff from Barclays, BNP Paribas, Citigroup, Deutsche Bank, JP Morgan, HSBC, Lloyds, Metro Bank, Nationwide, Post Office, RBS, Santander and Standard Chartered. Investigators attend this group to brief members on their investigations and requests
- “Corruption is at the heart of so many of the world’s problems”

Key Outputs of Anti-corruption Summit, London 2016 – Communique, May 12, 2016

