

Contents

Acknowledgements	vii
How to use this book	viii
Introduction	ix
1 Fundamental Concepts	1
Background and definitions	2
Key processes in money laundering and terrorist financing	5
Money laundering	6
Terrorist financing	9
Further differences between terrorist financing and classical money laundering	11
Suspicion recognition	12
2 The International AML and CFT Framework	15
Key components of the international institutional and legal framework	16
A developing framework to combat tax evasion	23
A developing framework to combat proliferation financing	24
The Financial Action Task Force (FATF)	25
FATF regional style bodies and associate members	34
Other relevant international bodies	35
Key requirements for financial institutions	37
Key components of a national AML/CFT framework	39
3 The Role, Structure and Positioning of the AML/CFT Compliance Function	43
Structure and culture	44
AML/CFT best practice	60
Best practice in higher-risk products and services	70
IT systems	79
Training and communication	83
A ‘pro-business’ approach	92
Management of internal suspicion reporting	94

4	KYC and the Risk-Based Approach	97
	Background to the Risk-Based Approach	98
	Components of the Risk-Based Approach	100
	Mitigating controls	102
	Regulatory environment	104
	Special categories: PEPs	105
	Constructing a Risk-Based Approach for your organisation	106
	The core components of CDD	114
	CDD processes and tools	118
	Example risk assessment frameworks	129
	Constructing a CDD framework for financial institutions	142
	Constructing a CDD framework for retail/consumer banking business	153
	Constructing a CDD framework for private banking	157
5	Reputational Risk	163
	Managing reputational risk	164
	When banks go wrong: cases of punishment and penalties	165
	Managing reputational risk: the experience of the Multilateral Development Banks MDBs	180
	The integrity 'red flags' checklist and the due diligence investigation tools	188
	Practical application	191
6	Suspicion Recognition	203
	Background and general principles	204
	Money laundering typologies	208
	Terrorist financing typologies	231
	Account analysis examples	239
	'Accumulation of evidence' cases	255
7	International Cooperation	261
	Background	262
	Modern structures of organised crime and terrorism	264
	Mechanisms and tools of international cooperation	268
	International cooperative bodies	270
8	Modern Money Laundering and Terrorist Financing: Two Case Studies	273
	Introduction	274
	<i>Smoke and Mirrors: AlnaBank and the Messengers of God</i>	274
	<i>Too Good to be True: AlnaBank and the laundering of the Kransky millions</i>	286
	Index	297