



**COMPLIANCE
NEWS NOW**



NAVIGATING *THE ROUGH SEAS OF* COMPLIANCE

Today's Corporate
Compliance Culture

Keeping Up with New
Regulatory Requirements

Meeting the Challenges of
New Compliance Requirements

Getting to Know Global RADAR®



Welcome to **COMPLIANCE NEWS NOW**, an e-magazine dedicated to providing compliance professionals in the financial services sector with the latest news and tools for compliance risk management. As Founder and CEO of Global RADAR®, it has been one of my goals to create an e-magazine that would contribute to the continued education and success of compliance professionals globally.

In 2010, we launched the BSA News Now e-blast (now called Compliance News Now), a leading source of news on compliance issues that impact your world published in over 350,000 news outlets globally. We are proud to have more than 10,000 subscribers to our daily news blast as we celebrate our 15th Anniversary. With such a positive response from our subscriber's, we are expanding our educational outreach program to create awareness of continued challenges faced by our industry through our publication of the COMPLIANCE NEWS NOW powered by Global RADAR®.

Our mission is to provide readers with access to industry leading experts, information on industry best practices, comprehensive training webinars as well as technology options. We will continue to provide our daily news updates and monthly newsletters filled with relevant articles written by regulatory compliance specialists; all related to compliance and risk management.

We sincerely hope that we can contribute to your success and your professional growth with these tools.

Warmest Regards,

Dominic Suszek

Founder and CEO



Editor: Ernie Perez
Publisher: Dominic Suszek
Publisher: Gaston Durand



Global RADAR®

Headquarters:
201 South Biscayne Blvd.
28th Floor
Miami, FL 33131

US: + 1 877 265 7475

© 2021 Global RADAR®. All Rights Reserved.

No part of this publication may be copied, reproduced, transmitted or held in a retrievable system without the written person of the publisher. Whilst every effort is made to ensure the accuracy of all material published, the publisher accepts no responsibility for any errors or omissions, nor for any claims made as a result of such errors or omissions. Views expressed by contributors are not necessarily those of the publisher. Any statement expressed by professionals in this publication are understood to be general opinions and should not be relied upon as legal or financial advice. Opinions expressed herein do not necessarily represent the views of the author's firms or clients.

Global RADAR solution reserves full rights of international use of all published of all published materials and all material is protected by copyright. Global RADAR Solutions retains the right to reprint any or all editorial material for promotional or non-profit use, with credit given.

www.GlobalRADAR.com

CONTENTS

4

THE CULTURE OF COMPLIANCE

How to create corporate compliance culture in today's environment.

9

THE COST OF COMPLIANCE

The cost of keeping up with expanding regulatory expectations.

15

WHAT'S NEW ON THE AML LANDSCAPE?

New compliance requirements and what they mean to you.

18

GETTING TO KNOW GLOBAL RADAR®

An interview with Dominic Suszek.

THE CULTURE OF COMPLIANCE

Global RADAR Research Department

Flaws in corporate culture in recent corporate and institutional scandals have been drawing the public's attention to corporations and other large entities. The concept of "corporate compliance culture" has come under increasing scrutiny by the public and other parties due to these incidents. Regulators are treating it as a high priority, and boards of directors are increasingly pushing for a sound corporate culture in their organizations. The increased attention on "compliance culture" is impacting our companies every day.

Everyone working in the financial services industry is well aware of the term "compliance", whether it be applied to deposit and lending products, operations or even financial reporting. Even with our familiarity with the term, compliance is frequently misunderstood. But what is "compliance"? An all-encompassing definition of "compliance" could be summarized as "following the rules". While these rules usually originate from external sources, "compliance" also involves following the organization's internal rules, policies, and procedures, and acting in accordance with ethical practices.

There were some legal requirements for corporations to maintain compliance programs on multiple federal and state laws prior to 1980. However, the term "corporate compliance culture" became popular during the late 1980s due to widespread misconduct occurring at some of the nation's largest corporations that was perpetrated by high-level individuals and that occurred despite the existence of corporate compliance programs. Congress' frustration with such corporate scandals led to the passing of the Sentencing Reform Act of 1984. With this law, Congress curtailed the federal judges' discretion in sentencing convicted organizations and individuals by creating the United States Sentencing Commission as an independent agent within the federal judiciary system. In 1987, the Commission promulgated guidelines for sentencing individuals. In 1991, the Commission promulgated guidelines for sentencing organizations. Both sets of the Guidelines are contained in the same manual

which is updated by the Commission annually and are accessible in the Commission's website (www.ussc.gov).

Chapter 8 of the Federal Sentencing Guidelines provide a detailed blueprint regarding the requirements a corporate compliance program must meet before qualifying the organization for a potential fine reduction in the event of being accused of organizational misconduct. This Chapter has been used by the federal banking regulatory agencies in their examination manuals and these basic principles are also used as reference to evaluate the compliance functions at the institutions they supervise.

Federal banking regulatory agencies also adopted The Uniform Financial Institutions Rating System (UFIRS) since 1979 as an internal supervisory tool for evaluating the soundness of financial institutions on a uniform basis and for identifying those institutions requiring special attention or concern. Composite and component ratings are assigned to financial institutions based on a 1 to 5 numerical scale. A 1 indicates the highest rating, strongest performance and risk management practices, and least degree of supervisory concern, while a 5 indicates the lowest rating, weakest performance, inadequate risk management practices and, therefore, the highest degree of supervisory concern.

One of the components evaluated at every financial institution is "Management" and is defined as "the capability of the board of directors and management, in their respective roles, to identify, measure, monitor, and control the risks of an institution's activities and to ensure a financial institution's safe, sound, and efficient operation in compliance with applicable laws and regulations". Generally, directors need not be actively involved in day-to-day operations; however, they must provide clear guidance regarding acceptable risk exposure levels and ensure that appropriate policies, procedures, and practices have been established. Senior management is responsible for developing and implementing policies, procedures, and practices that translate the board's goals, objectives, and risk limits into prudent operating standards.

The "compliance culture" of the institutions is measured and rated under the "Management" component. According to the federal banking agencies, a strong "compliance culture" will be rated "One" defined as follows: An institution in this category is in a strong compliance position. Management is capable of and staff is sufficient for effectuating compliance. An effective compliance program, including an efficient system of internal procedures and controls, has been established. Changes in consumer statutes and regulations are promptly reflected in the institution's policies, procedures and compliance

training. The institution provides adequate training for its employees. If any violations are noted they relate to relatively minor deficiencies in forms or practices that are easily corrected. There is no evidence of discriminatory acts or practices, reimbursable violations, or practices resulting in repeat violations. Violations and deficiencies are promptly corrected by management. As a result, the institution gives no cause for supervisory concern."

Federally regulated institutions then need to consider their "Compliance Management" practices as a top priority. "Compliance Management" is the means by which organizations can assure compliance in accordance with the rules, regulations, laws, and other requirements to which the organization is subject. A Compliance Management system is how an institution (a) learns about its compliance responsibilities; (b) ensures that employees understand these responsibilities; (c) ensures that requirements are incorporated into business processes; (d) reviews operations to ensure responsibilities are carried out and requirements are met; and (e) takes corrective action and updates materials, as necessary.

The complexity of the Compliance Management system will depend on the size and complexity of each institution. The type of oversight needed for a Compliance Management program can also vary considerably depending upon the scope and complexity of the organization's activities, the geographic reach of the organization, and other inherent risk factors.



**"Quality means
doing it right when
no one is looking."
- Henry Ford**

So, how is a strong “compliance culture” created?

Common elements of a strong “compliance culture” include top level involvement and example, effective communication and continuous education, assessment and correction. These common factors should be incorporated in the institution’s strategic vision and aligned to their strategic goals.

A Board and Management Alignment and Supervision

Regulators expect that the compliance culture must be managed as an integral part of any financial institution’s business strategy. To be able to do so, Boards of Directors and Senior Management need to take a hard look at their organization’s corporate culture and how determine business activities flow in their organizations. Questions like “What messages are being sent, not just through words but through actions?” “What is acceptable behavior in the institution?” “How do managers and team leaders respond to employees or customers’ concerns?” Without a fundamental change in the way people in the institutions, and in particular, its leaders, behave, companies cannot build a legal, ethical culture, regardless of the sorts of issues that they face. Effective leadership is the single most important element in building a culture of honesty and integrity.

Leaders set the example for everyone else in the organization to follow. When management cuts corners or do not follow the established rules, employees see it as acceptable business practice. On the other hand, leaders who demonstrate that the values of integrity and honesty are important to them set a powerful example. The institution’s leaders need to live by those values themselves and take prompt, appropriate action when others’ behavior contradicts those values.

In addition to ensuring that their own behavior embodies the institution’s values, leaders also need to verbalize the message effectively to their employees. Managers and employees are often the front line to clients, vendors, and regulators. If they do not fulfill their responsibilities through ethical, legal behavior, the institution will suffer through the loss of customers, regulatory actions, increased scrutiny, negative public image and/or lost sales or revenue. As a result, Boards of Directors and Senior Management need to understand not only what their responsibilities are but how their actions are tied to the bottom line.

To ensure an effective approach to compliance, the Board and Management should make compliance a high priority. The participation of Senior

Management in the development and maintenance of a compliance program is essential.

B Effective Compliance Communication and Education

Once the institution’s leadership is aligned, education and training are required to effectively communicate to employees and other participants the requirements of the corporate compliance program. The message from the top should be in terms that compliance is expected and enforced throughout the organization. Mission statements, policies, corporate values, codes of conduct and ethics, and other guidelines should incorporate the expected compliance standards.

Effective training should be designed around the following questions:

- What are the reasons for delivering this training?
- What are the goals/objectives of the training?
- Is the content and delivery method aligned with the goals/objectives of the training?
- Have indicators been developed for the training to measure knowledge retention and effectiveness?
- Are the skills or information included in the training incorporated into the performance evaluation system of the institution?
- Is there an alternate communication system implemented or available to reinforce the training topics?

Education of the institution’s personnel is essential to maintaining a strong compliance culture. All personnel should be generally familiar with the applicable general laws and standards and should also receive comprehensive education in other laws and regulations directly affecting their jobs. They must also be trained in policies and procedures adopted by the institution to ensure compliance with those requirements. The communication method may vary greatly depending on the size of the institution or unit, time requirements, and the importance and complexity of the subject matter.

Effective compliance training and other communications reduce costs, protect your organization’s brand and reputation and helps avoid potentially crippling legal liability.

C Assessment of the Effectiveness of the Compliance Program

The Federal Sentencing Guidelines require that effective compliance programs be periodically reviewed and evaluated for effectiveness. There are multiple elements that institutions can use to determine whether its compliance program is meeting its objectives. But before attempting to measure effectiveness, the institution must identify its objectives for the compliance program. Once those objectives have been identified, the institution can begin to measure effectiveness against the objectives. Here are some sample steps to consider:

- Identify the objectives (expected goals) for implementing the compliance program: for example, comply with federal regulation; reduce litigation; increase management effectiveness; reduce complaints from clients; increase deposit retention, etc.
- Examine what common practices are currently in use within the institution to support the compliance program: for example, is compliance training completion included in performance evaluations? Does the compliance training program contain a testing element? Are other communication opportunities available to disseminate compliance information? How is feedback from employees and other stakeholders obtained and assessed? How are improvements or changes to the compliance program tracked?
- Determine what potential challenges exist to an effective implementation of the program: The institution needs to anticipate possible problems or limitations that could obstruct progress in the compliance culture environment. For example, some roadblocks to consider include support from all stakeholders involved, commitment to success from appropriate parties, time or budget constraints, interference from other business areas, or gaps in communication and feedback.
- Develop an action plan for improving the compliance program based on the program objectives: Begin with small areas and increase the complexity as changes are implemented and tested. Focus on a few specific desired outcomes to identify clear and measurable results. Identify gaps in knowledge, behavior, skills,

objectives and/or expectations. The action plan should include a process for escalating to appropriate senior management any significant event or exception to expected outcomes. Include mechanisms for reporting the results of corrective actions or resolutions taken and documentation of remediation efforts.

- Evaluate and implement any additional preventive, detective and/or corrective controls necessary to adjust actual results to expected outcomes. Identify the root cause of each problem and ensure that the corrections taken address them. Assessment also involves determining what changes in business objectives, the market, the business environment, technology, and the regulatory and compliance environments signal a need for corrective action at the strategic, tactical and operational levels. All updated measures should be properly documented and communicated to affected units.
- Ensure that the compliance program is independently reviewed on a recurring basis. Audit assessments should be used as another measuring tool and to ensure consistent implementation and coverage of areas of greatest risk. Areas of lesser risk could be examined less frequently as long as results align with expected outcomes.

An institution that makes it a routine practice to manage, measure, and report compliance activities will enjoy the confidence of employees, customers, business partners, and other stakeholders as they recognize the characteristics of integrity, consistency, and competence in all their dealings with the organization. ■

Quick Tip:

Follow Global RADAR® on Twitter for up-to-date information on all things compliance.

@globalradar





Helping you stay up to speed
fifteen years and counting.






Compliance News Now is celebrating its 15th year as the leading daily e-mail news blast read by compliance professionals everywhere. Created by Global RADAR®, Compliance News Now aims to inform individuals involved in compliance, regulatory oversight and law enforcement in the financial services sector. Informed from over 350,000 global news outlets, Compliance News Now is your single source for the latest developments and headlines on money laundering and terrorism financing, allowing you to stay current on matters that are important to the industry.

In recognition of our anniversary, we invite you to sign up for a subscription to our free daily e-mail news blast at globalradar.com/compliance-news-now.com or share the subscription with a colleague. Join a membership base of over 10,000 readers from 8 continents and 54 countries, including professionals from banks, credit unions, broker dealers, investment firms, and law enforcement.

With growing government regulatory requirements, complex monitoring processes, and increasingly stringent sanctions, staying current in this dynamic space is a challenge. Compliance News Now will keep you informed of the newest developments and critical industry changes you need to know to achieve your compliance objectives.

Take a look at today's edition by visiting
GlobalRADAR.com/compliance-news-now.com today.

Compliance News Now is a service of Global RADAR®. Follow Global RADAR® on   



The Cost of COMPLIANCE

Global RADAR Research Department

Automation trims staffing costs and boosts regulatory compliance

Increasingly strict Anti-Money Laundering and Counter Terrorism Financing regulations continue to set the tone for the global financial services industry. Compliance requirements are on the rise and a number of new rules now require banks, credit unions, broker-dealers, and trust companies to perform more rigorous customer due diligence as part of the client onboarding process. Furthermore, financial services firms are required to monitor ongoing account transactions for suspicious activity and have a reasonable basis to know the essential facts concerning every customer account.

The cost of keeping up with these expanding regulatory expectations is growing. Many financial institutions

feel the pinch from rising personnel costs and undue regulatory risk. The fact is that despite the digitization of business today, many financial institutions continue to rely on manual checks on paper or disparate pockets of technology to ensure compliance. This approach is simply no longer practical from a cost perspective, and is no longer adequate to ensure compliance with evolving and demanding regulatory expectations.

Risk and Penalties

Ever since the creation of the U.S Patriot Act and various United Nations security counsel regulations aimed to prevent the financing of terrorist acts, financial institutions find that being in compliance with regulatory expectations is more challenging than ever before.

Continued on page 12.

THERE IS A BETTER WAY TO MANAGE COMPLIANCE RISK

Global RADAR® is a premier solution that meets compliance requirements of organizations globally. It is a streamlined way to implement an effective compliance program that enables you to achieve success.

Customer Due Diligence is the cornerstone of Global RADAR®. Combined with automated risk rating, watch list screening and activity surveillance, you can now manage your compliance efforts with one solution. The perfect addition to your team, it helps you overcome challenges with client onboarding and documentation management.

Our powerful and intuitive solution is designed to be completely customizable to meet your organizations needs and can integrate with your existing systems enabling you to protect your organization quickly. It mitigates risk and enhances day-to-day operations all while addressing regulatory requirements effectively.

It pays to have a reliable system like Global RADAR® on your side. Reduce costs, avoid fines and protect your organization.

Visit GlobalRADAR.com.



Banks, credit unions, brokerage firms, and asset managers that do not take an aggressive approach to compliance are at increasingly high risk of substantial penalties and fines.

The cost of regulatory non-compliance is high. One example is Europe's biggest bank, HSBC. The bank made headline news recently for setting aside \$1.15 billion to cover potential U.S. fines for failing to stop money-laundering in its Mexican unit. Analysts speculate that eventual penalties could be in fact significantly higher. HSBC is not the only financial institution facing hefty fines for non-compliance. Over one billion dollars has been assessed to banking, credit unions, investment and financial services firms for non-compliance with OFAC statutes in just the last two years.

HSBC believed they had adequate processes in place. But when examined more closely by auditors it became clear that their compliance systems fell short of the mark.

The cost and risk doesn't stop at fines and penalties. If regulators are able to prove that an institution has not been compliant, judgments often require the firm to perform an expensive and time consuming two year look-back investigation to ensure the compliance integrity of their systems and transactions. This typically requires a team of expensive consultants and can cost tens of millions of dollars. To add insult to injury, many firms find this money is ironically spent on hiring people to re-do what they should have been doing all along.

HSBC, like most institutions, believed they were compliant and had adequate processes in place. But when they were examined more closely by auditors it became clear that their systems and methods fell short of the mark. Indeed, it's not that institutions are not trying to comply, or are intentionally operating in violation of regulations; it's simply that the current systems are not adequate to support the demand and risk involved. This will only become increasingly problematic as new regulations come online like the Dodd-Frank remittance transfer rule that took effect on February 7, 2013.

Specialized Staffing

Financial organizations are investing more and more into staffing and people to ensure compliance. Indeed, the cost of staffing a compliance department is a growing bottom line impact. As regulatory requirements go up so does the requirement for people and resources. Staying ahead of the

compliance curve means that banks must invest more and more into specialized personnel and expertise. The cost of staffing in many cases far exceeds most if not all other departmental operating expenses. For many institutions the cost of human capital to manage their compliance program is one of the largest operating expense items on the balance sheet. For example, a medium-sized bank with no regulatory order may have a 10 to 15 or more person compliance department consisting of the following:

Team Member	Annual Salary
BSA Officer	\$150,000 to \$250,000
Assistant BSA Officer	\$115,000 to \$145,000
4 Senior Analyst	\$80,000 to \$110,000
5 Junior Analyst	\$60,000 to \$80,000
4 Clerical	\$40,000 to \$55,000

The compliance department salary costs alone in this example are over \$1 million dollars. When those salaries are burdened by 30% to accommodate health care and employee benefits the cost of staffing a compliance department can easily reach a million dollars or more depending on the size of the institution.

The Pace of Compliance

The cost of compliance doesn't stop there; if regulators are able to prove that the institution has not been compliant, judgments often require the firm to perform an expensive and time consuming two year look-back investigation to ensure the compliance integrity of their systems and transactions. This typically requires a team of expensive consultants and can cost tens of millions of dollars. To add insult to injury, many firms find this money is ironically spent on hiring people to do what they should have been doing all along.

Staying ahead of the compliance curve means that banks must invest more and more into specialized personnel and expertise.

Some banks are in a situation where unusual and suspicious activity has been reported to the BSA officer, but months or more go by before the account is reviewed and a SAR is finally filed. Falling behind can result in significant penalties – up to \$250,000 per instance. But even in the face of these fines, institutions often fall behind simply because of the sheer volume and pace of administrative demand. For example, a medium-sized bank may have on average 500 alerts for suspicious or unusual activity generated on

a monthly basis. All require human intervention. If a bank does not have sufficient resources month after month, that batch of 500 can quickly turn into 1,000...and then 1,500...and so fourth. The pace and volume compounds until only a small portion of the flagged instances has been reviewed. Without proper systems and tools most financial institutions must resort to hiring more staff and supplemental compliance contractors to keep pace.

Compliance Automation – Meeting the Challenges

Banks, credit unions, broker-dealers, and trust companies are under pressure to adhere with increasingly strict BSA compliance requirements. But that is difficult to do if you rely on paper-based and manual systems and procedures. A new breed of compliance software automation tools is providing the answer and financial firms should take a fresh look at the systems and procedures that ensure regulatory compliance. Automation can significantly reduce labor and staffing requirements while boosting the effectiveness of compliance efforts. Advanced systems streamline the client onboarding process, automate ongoing account due diligence, and provide a level of confidence in compliance activities that is simply not possible using teams of specialists and a manual workflow.

Compliance automation reduces compliance staffing requirements and helps the remaining team work smarter, not harder. Automation gives institutions the ability to do more with less people, but with the appropriate systems and solutions banks also maintain compliance more efficiently, more completely and more accurately than ever before. With staffing demands reduced, organizations are free to refocus their human resource investments into customer-facing and revenue-generating activities as opposed to funding teams that perform in a purely administrative role.

A Quiet Revolution

A quiet revolution is taking place as banks and other financial institutions make changes to long-standing compliance functions, especially as the scope of compliance becomes more difficult and the need to control costs becomes more pressing. Banks are under increasing pressure to remain compliant Anti-Money Laundering and Counter Terrorism Financing regulations but that is difficult to do if you your compliance processes are based on manual workflow and ad hoc pockets of technology. A new breed of compliance automation tools provides an answer with a solution that many financial institutions have successfully deployed.



Compliance automation is one important area of opportunity for institutions looking to reduce staffing costs and improve team compliance performance. But achieving the benefits automation will require the right combination of technologies - including client onboarding, transaction monitoring and list-check services. ■

GUIDANCE & ASSISTANCE WHEN YOU NEED IT MOST



Founded in 2006, Global RADAR is a specialized compliance consulting firm working on matters related to the Bank Secrecy Act. We place professionals on a temporary and full-time basis with financial institutions looking for highly qualified professionals. Global RADAR is dedicated to providing you highly skilled professionals with skills well-matched to your project needs. Our cost-effective staffing solutions can help save your company time and money.



- RISK ASSESSMENTS
- BSA/AML STRATEGY
- COMPLIANCE ASSURANCE
- CONSULTING SERVICES
- STAFFING

1-877-265-7475
GlobalRADAR.com



What's New on the AML Landscape?

Global RADAR Research Department

While most of us were enjoying the sun and the long days of summer, FinCEN and other regulatory bodies were busy working on new compliance requirements.

Geographic Targeting Order (GTO)

On August 7, 2015 The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) renewed a Geographic Targeting Order (GTO) currently in place for armored cars and other common carriers of currency at two border crossings in Southern California and the issuance of a new, similar, GTO applicable to carriers crossing the border at eight major ports of entry in Texas. A GTO is an order issued by the United States Secretary of the Treasury requiring all domestic financial institutions or nonfinancial trades or businesses that exist within a geographic area to report on transactions equal to or greater than a specified value. GTOs are authorized by the Bank Secrecy Act. Originally, GTOs were only permitted by law to last for 60 days, but that limitation was extended by the USA PATRIOT Act to 180 days. The GTOs' reporting and recordkeeping requirements are designed to enhance the transparency of cross-border

money movements and prevent the attempted exploitation of reporting exemptions by some carriers suspected of moving dirty cash for Mexican drug trafficking organizations.

The GTOs temporarily modify the Report of International Transportation of Currency or Monetary Instruments (CMIR) requirements for common carriers of currency when physically moving more than \$10,000 in cash across designated border crossings in California and Texas. The GTOs will require 100 percent CMIR reporting and recordkeeping by common carriers of currency at these border crossings because they eliminate the reporting exemption for these carriers that might otherwise apply to transporting currency from a foreign person to a bank. The GTOs' enhanced reporting will also require common carriers of currency to note additional information when completing the CMIR. This includes the name and address of the currency originator; the name and address of the currency recipient; and the name and address of all other parties involved in the movement of currency and monetary instruments. This additional information significantly assists law enforcement's ability to identify and prosecute illegal transportation of currency and disrupt the illicit

movement of bulk cash across the southwest border.

Common carriers of currency subject to the renewed Southern California GTO must continue complying with the enhanced reporting requirements until February 4, 2016. Common carriers of currency subject to the new GTO at ports of entry in Texas must comply with the enhanced reporting requirements from September 17, 2015 through March 15, 2016. Severe penalties may be imposed for non-compliance with the terms of these GTOs, including the seizure and forfeiture of currency or other monetary instruments. In addition, a partner, director, officer, or employee of any common carrier of currency may be liable, without limitation, for civil sanctions and/or criminal penalties for violation of any of the terms of the GTOs.

The Texas border GTO is the fifth such order issued publicly by FinCEN within the past year. Prior GTOs include the California border GTO that was just renewed; a GTO targeted at businesses located with the Fashion District of Los Angeles; a GTO focused on exporters of electronics in South Florida; and a second South Florida GTO aimed at check cashers.

Special Measures

On July 23, 2015 FinCEN issued a final rule, pursuant to Section 311 of the USA PATRIOT Act, which imposes “special measure five” against FBME Bank Ltd. (FBME), formerly known as the Federal Bank of the Middle East. Special measure five prohibits U.S. financial institutions from opening or maintaining correspondent accounts or payable through accounts for or on behalf of FBME.

On July 17, 2014, FinCEN issued notice that it had found FBME to be of primary money laundering concern under Section 311 of the USA PATRIOT Act, and issued a related notice of proposed rulemaking (NPRM), which proposed the imposition of special measure five against FBME. The finding and NPRM also outlined the various factors supporting the action and the proposed measures against FBME, which included: (i) FBME is used by its customers to facilitate money laundering, terrorist financing, transnational organized crime, fraud, sanctions evasion, and other illicit activity internationally and through the U.S. financial system; (ii) FBME has systemic failures in its anti-money laundering controls that attract high-risk shell companies, that is, companies formed for the sole purpose of holding property or funds and that do not engage in any legitimate business activity; and (iii) FBME performs a significant volume of transactions and activities that have little or no transparency and often no apparent legitimate business purpose.

After publication of the NPRM and notice of its finding, FinCEN received information from a variety of sources, including comments from the public, during the 60-day comment period. After a careful and deliberative review of all available information, FinCEN determined that finalizing the proposed rule and imposing special measure five is warranted and necessary to protect the U.S. financial system.

FBME has shown a “willingness to service the global criminal element,” FinCEN said in a press release. “It is used by customers involved in terrorist financing, transnational organized crime and sanctions evasion, among other nefarious activities”, the agency said.

FBME is now based in Tanzania, but has changed its country of incorporation multiple times and does most of its global banking business through branches in Cyprus, FinCEN said.

Financial Action Task Force (FATF)

On June 26, 2015, the Financial Action Task Force (FATF) updated its list of jurisdictions with strategic AML/CFT deficiencies. These changes affect U.S. financial institutions’ obligations and risk-based approaches with respect to relevant jurisdictions.

As part of the FATF’s listing and monitoring process to ensure compliance with the international Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) standards, the FATF identifies certain jurisdictions as having strategic deficiencies in their AML/CFT regimes. These jurisdictions appear in two documents: (a) jurisdictions that are subject to the FATF’s call for countermeasures or are subject to Enhanced Due Diligence (EDD) due to their AML/CFT deficiencies (referred to by the FATF as the ‘FATF Public Statement’) and (b) jurisdictions identified by the FATF to have AML/CFT deficiencies (referred to by the FATF as ‘Improving Global AML/CFT Compliance: On-going Process’). On June 26, FATF updated both of these documents. Financial institutions should consider these changes when reviewing their enhanced due diligence obligations and risk-based policies, procedures, and practices with respect to the jurisdictions noted.

Summary of Changes to the FATF Public Statement

- The FATF has recognized that Ecuador has made progress in substantially or largely addressing its FATF action plan. Consequently, the FATF has now removed Ecuador from the FATF Public Statement and included it in its Improving Global AML/CFT Compliance: On-going Process document.

Global RADAR INSTANT ONLINE SCREENING

The First Artificial Intelligence Platform for Anti-Money Laundering Screening

Accelerate your review process by searching instantly for Anti-Money Laundering OFAC Screening, Negative News, Corporate Ownerships, Criminal Backgrounds. Global RADAR’s cutting edge platform combines Artificial Intelligence, advanced machine learning and intelligent analytics to keep your organization compliant with Anti-Money Laundering regulations.

No deployment needed. Sign-up and search instantly, one name or thousands of names!

- Screening for OFAC, adverse media / negative news, corporate ownership and PEP lists
- Customizable negative news and adverse media searches
- Exclude search terms to reduce false positives
- Real-time screening through manual data entry or batch processing thousands of names from Excel and CSV files
- False positive suppression
- Real-time screening of transaction details for trade finance, lending, funds transfers and SWIFT messages
- Automated daily list update
- Fully responsive, available for mobiles and tablets or via API
- Export, share, and print search results directly from mobile devices

No deployment needed. Sign-up and search today using Global RADAR Instant Online Screening!

VISIT
GlobalRADAR.com

FOLLOW
[in](#) [f](#) [t](#) @globalRADAR



Summary of Changes to the FATF Global AML/CFT Compliance On-going Process

- Due to its significant progress in establishing the legal and regulatory framework to address all or nearly all of its strategic AML/CFT deficiencies on a technical level, Indonesia has been removed from the FATF listing and monitoring process. This jurisdiction will work with its respective FATF-Style Regional Body as it continues to address the full range of AML/CFT issues identified as part of the mutual evaluation process.
- Ecuador has made progress in substantially or largely addressing its FATF action plan and is now identified on this list, having moved from the FATF Public Statement.

For jurisdictions that have been recently removed from the FATF listing and monitoring process, financial institutions should take the FATF’s decisions and the reasons behind the delisting into consideration when assessing risk. If a financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing,

or other violation of federal law or regulation, the financial institution would need to file a Suspicious Activity Report.

Human Trafficking

Modern slavery is a multi-billion dollar criminal industry that denies freedom to millions of people around the world. And no matter where you live, chances are it’s happening right down the street. From the girl forced into prostitution at a truck stop, to the man discovered in a restaurant kitchen, stripped of his passport and held against his will.

The travel industry has been working with government leaders to protect victims’ rights, building partnerships with the world’s leading technology corporations, to spark long-term change that focuses communities on identifying, reporting and eliminating trafficking networks. Among these efforts, several guidance reports have been published during the summer travel season to help travelers identify indicators that have been associated with situations of human trafficking in which individuals were compelled against their will to engage in forced labor. ■



Banking CIO **TOP 10** **Outlook** RISK & COMPLIANCE SOLUTION PROVIDERS - 2021

“Global RADAR’s solution continues to break new ground, benefiting financial institutions around the globe. We are excited to feature them in our risk and compliance special.”

- James Robertson, Managing Editor, Banking CIO Outlook

Global RADAR® is honored to be recognized as an industry leader. We look forward to the opportunity of assisting your organization achieve its compliance goals.

GlobalRADAR.com

Getting to know Global RADAR®

Interview between Banking CIO Outlook and Dominic Suszek, President and CEO of Global RADAR®.

What sense do you get of the challenges financial institutions face now and how is Global RADAR effectively addressing them?

The current issues revolve around client data and how information can be stored, accessed, analyzed and enhanced to ensure compliance with regulatory requirements. The hurdles faced can be summarized as weak client data on legacy profiles. This has led to significant rise in fines and costs associated to increased staffing. Organizations are required to have a thorough understanding of clients and their transactions and having processes in place to detect if the two don’t add up. We’ve identified that the cornerstone of an effective compliance program is customer due diligence.

Can you give us more insights into how your software reduces costs and enhances compliance?

A big part of how our software reduces costs is in the efficiency of our automation when onboarding clients. For example, the average cost to set up and maintain a new account is more than \$325 per year; manual, and paper-

based systems can cost up to 20 times more than computer-assisted, electronic document processing. Also, with Global RADAR’s risk rating process, you’re able to quickly identify high, moderate or low risk clients, allowing you to prioritize your review processes, increasing staff productivity significantly. These are both hard dollar savings. The biggest cost reduction of course comes from the prevention of fines. There has been over \$7 billion in fines assessed over the last two years for non-compliance with anti-money laundering regulations.

Elaborate on your software’s core competencies like Client Onboarding and Risk Rating, and Transaction Surveillance.

As a leader in this market, our goal has been driven by the four pillars of an effective compliance program. Our core competency, the Customer Due Diligence pillar has been the cornerstone of Global RADAR® from the beginning and the solution has evolved to include the additional pillars, Document Management, Watch List Screening and Transaction Surveillance. We’ve identified that all four are critical components of an effective compliance program.

Even the most competent of organizations tend to face market competition. What are the strategies employed by Global RADAR® to thwart this competition, and what according to you, are the company’s key differentiating factors?

We simply want to be the best solution available to all financial service providers, from banks to broker dealers to investment advisors. There are several specific aspects of Global RADAR® that set us apart. We give clients the benefit of an automated workflow. This improves the customer experience by reducing cost and time wasted during the new client onboarding process. With our system, information obtained can be utilized for cross selling products and services in real time.

We understand that every organization is different, and we pride ourselves on offering the most personally tailored experience to meet the specific needs of every single one. Our competitors don’t provide this functionality and, often times, it ends up saving a lot of time and frustration. System enhancements are easily incorporated without having to wait months or even years to see them. Global RADAR® was created by bankers for bankers, so we have definite insight into the pain points that bankers experience and have developed this solution to address these points.

What are some of the investments Global RADAR® has made for innovations? Could you give us an inside view of what goes on in your innovation lab?

Global RADAR® has spent the last ten years perfecting a solution to meet the evolving requirements of organizations and their regulators globally. We work closely with seasoned highly qualified professionals from various regulatory and law enforcement agencies along with banks and broker dealers of all sizes from various markets to ensure we grow and continue to adapt to the requirements of an expanding regulatory landscape.

Tell us more about your clientele and where Global RADAR assisted one of its clients to curb their business challenges, while delivering incremental enhancements.

With a presence from Malaysia to Switzerland and from Canada to Buenos Aires, the sun never sets on our clients. We are fortunate to be a solution of choice for markets such as Malaysia, the US, Canada, the Caribbean, Central and South America as well as Europe. Many of our clients implemented Global RADAR® to prepare for or as the result of an examination. When dealing with clients around the world, while the regulatory landscape is relatively constant, the oversight authorities and their enforcement differ significantly. This is one of the reasons we have maintained our ability to be nimble and to be able to provide self-configurable customized options that are available on demand.

The name Global RADAR®, is there an interesting story behind its coinage? Global RADAR® was originally called BSA RADAR®.

Because of our extensive expansion into the global market place, we found it necessary to replace the initials “BSA” which is a very US-centric regulation with “Global”. This demonstrated our desire to ensure we met the needs and requirements of financial service providers and regulators around the world. Also, as part of our evolution into the global market place, we’ve not only changed the name, but the software also operates in Spanish, French and Portuguese.

If you (CEO) were to give an analogy between any of your personal traits/hobbies and your thought leadership and the way you manage the company, what would that be?

Perseverance and insight, those would be the qualities that I believe best describe my personal traits. As a professional whose career has spanned over thirty years of experience in the financial services sector, I have been at the very foundation of change and growth in this industry. Recalling my days of as a teller when I started in banking, through my own introduction into technology as the industry matured and accepted change, the banking sector has undergone its greatest growth and hardest challenges during the last three decades. These changes have included significant developments in regulatory oversight. Having been a part of this history has allowed me to share personal insights and set a vision for the future, and Global RADAR® has thrived because of it.

What is Global RADAR’s next big step to advance forward in the industry in terms of technology? Please elaborate on any upcoming product/plan or geographic expansion.

While there has been significant growth in many corners of the world, there are still many sectors that are in their infancy. Oversight by regulators and their enforcement of legislations globally will steadily continue to grow and this will remain a key factor in the direction we take as Global RADAR® continues to grow. In addition to the changing enforcement landscape, we will continue to evolve to provide a solution which can be utilized in sectors such as cryptocurrencies.

Is there anything more you would like to add or highlight? Any other interesting insight you would like us to talk about in the story that we may have missed?

Global RADAR® is a solution that was born from the necessity to create a solution that would address regulatory requirements while providing operational efficiencies large core systems could not provide. I frequently tell people that Global RADAR® was created to be the solution I would have loved to have as a banker when I had to work through all these issues.



Did You Know...

GlobalRADAR® now operates in English, Portuguese, Spanish and French?
Just another way we are constantly adapting to meet and exceed your needs.