



# Anti-Money Laundering & Sanctions Services

Compliance and Risk Management  
Service Offerings



# Global Landscape

## Financial Crime Compliance and Risk Management

Today's global and rapidly changing business environment presents challenges to financial institutions as they are exposed to a range of financial crimes including money laundering and terrorism financing ("ML/TF"), which could result in substantial financial loss and damage to the reputation of the businesses.

Organised crime groups and terrorists are increasingly using sophisticated international networks and technologies to move or store funds and assets that are likely to pass through financial systems. As such, financial institutions must implement effective Anti-Money Laundering and Counter Terrorism Financing ("AML/CFT") strategies to mitigate the risk of these financial crimes and continue to enhance their controls in the complex environment.

Recent years have seen an increased readiness of regulators to pursue and impose tougher penalties on financial institutions for their breaches of regulations, particularly in the areas of money laundering, terrorist financing and sanction breaches where unprecedented fines have been levied.

Regulators expect financial institutions to implement robust, sustainable and effective AML Framework including policies, procedures and controls to ensure compliance with the relevant ML/TF legislative and regulatory requirements.

Information about key service offerings and how KPMG can assist and collaborate with you is summarised below.

# The Challenges

1

Institutions are required to develop, implement, and maintain a risk based AML strategy that will protect the institution from risks associated with ML/TF and other financial crimes through proactive compliance with relevant AML/CFT laws and regulations.

2

Growing sophistication of AML/CFT typologies, including complications arising from use of new technology & cross-border issues.

3

Managing the scope of various activities including having an adequate number of personnel with required skill set particularly in large global organisations.

4

Developing remediation action plans that are cost effective and does not affect the growth strategy and enterprise goals.

5

Providing adequate change management and training tools to facilitate the adoption of desired AML/CFT behaviour across the organisation.



## KPMG's AML Experience

KPMG provides AML advisory services worldwide, and has contributed to some of the largest AML and sanctions investigations and program rehabilitations in recent history. We help our clients by providing AML advisory services to domestic and international financial institutions, including clients from the banking, securities, insurance, health, gaming and money service industries.

Whether assisting proactively, seeking to improve their program or reactively, responding to a regulatory order, we are able to provide services to address any kind of AML program improvement sought by the financial community in today's challenging market.

# Our Services

KPMG's AML professionals offer diverse services to address specific needs of our clients. From risk assessments and gap analyses, look-backs and customer remediation, policies, procedures, and control enhancements to assisting with transaction screening, monitoring and testing programs. Overall, KPMG has experience in all aspects of Financial Crime Compliance.



# Our Services (cont')



Effective AML/CFT and Sanctions Compliance systems and controls are required to guard the organisation against the risks of money laundering ("ML"), tax evasion and terrorist financing ("TF"). Both financial institutions and non-financial institutions are faced with an increasingly regulated environment, heightened regulatory scrutiny and complexity of AML/CFT and sanctions requirements at local and international levels.

In addition to the challenge of managing immediate interaction with the authorities, organizations must also be vigilant in addressing vulnerabilities in underlying infrastructure (data, documentation, systems, and controls and resources).

We are committed to addressing your concerns:

- How to ensure your AML/CFT and sanctions compliance framework remains manageable while meeting local and international regulatory requirements;
- Identifying AML/CFT and sanctions risks in business practices and implementing appropriate, effective and sustainable controls to manage these risks, including transaction screening and monitoring systems; and
- Responding to regulatory examinations and requests and addressing underlying risk issues to ensure regulatory compliance.



## Our Service Offerings Match Your Needs

### Benefits

- Help you identify your key ML,TF and sanction risks and insight into how these risks are / can be mitigated;
- Leverage our rich industry knowledge and experience;
- Practical recommendations to help mitigate risks, in order of risk priority; and
- Ongoing communication, training, knowledge transfer and enhancement of money laundering, terrorist financing and sanctions risk awareness.

# Our Services (cont')

## Institutional ML/TF Risk Assessment

- Developing and / or enhancing an institution's ML/TF risk assessment methodology and program for on-going risk assessment.
- Create means for the institution to recognize its ML/TF risk-footprint, analyze the strength of its ML/TF risk controls and evaluate risk and controls related to particular business lines, product offering, customer base, geographic location or delivery / distribution channel.
- Provide detailed risk analysis to assist in formulating a list of priorities for programme enhancement where needed.

Global regulators, including the BNM and SC recommend that organisations adopt a Risk Based Approach ("RBA") in their AML/CFT compliance programmes. Organisations should take appropriate steps to identify and assess their risks, and document this assessment in order to be able to demonstrate their understanding.

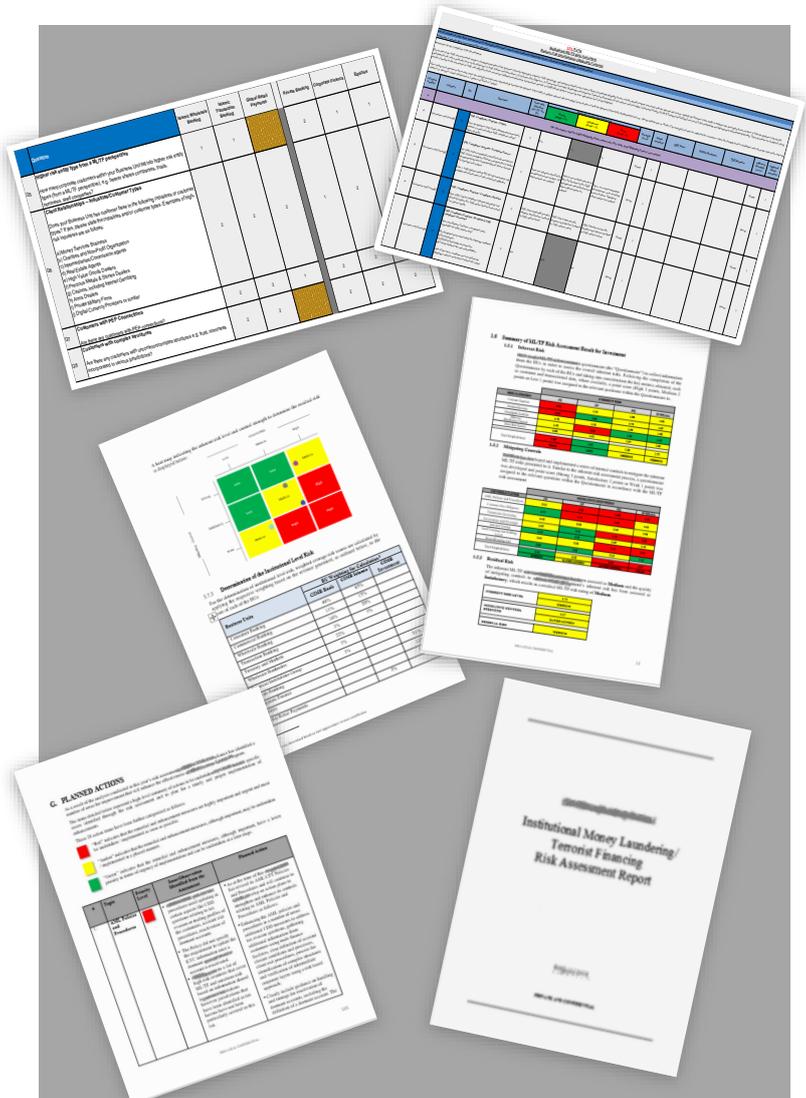
An Institutional ML/TF Risk Assessment ("IRA") (also known as Enterprise Wide ML/TF Risk Assessment – ("EWRA")) forms the basis for applying a RBA to AML/CFT compliance programme.

IRA allows an organisation to demonstrate how, and to what extent they are vulnerable to ML/TF risks, how they currently mitigate these risks, therefore allowing them to adopt appropriate measures to manage any residual risks according to the organisation's risk appetite.



### Illustrative Output

#### Typical Institutional ML/TF Risk Assessment Tools & Sample Reports



# Our Services (cont')

## AML & Sanctions Services – End to End Reviews

- End to End AML and Sanctions Review provide an organisation with a complete and holistic view of its AML Compliance programme.
- Through assessment of the current state of an organisation's AML and sanctions control framework as compared to leading practices, areas for improvement are identified, and a roadmap to prioritise improvement initiatives can be developed.



### KPMG's Customised Approach

KPMG can assist with a regulatory response or proactive initiatives. We can customise our approach accordingly, from a large, full-scale AML/CFT and sanctions programme re-design to a high level review relating to third-party interpretation of new regulatory guidance. KPMG has the expertise, depth of experience, and breadth of knowledge to assist your organisation.



#### High level Reviews

Objectives:

- to review against local regulatory requirements and group requirements;
- to bring policies and procedures up-to-date with latest regulatory standards, expectations and market practice;
- to review design effectiveness.



#### Detailed Reviews

In addition to the objectives of high level review:

- to review controls for design effectiveness and test for operating effectiveness;
- to confirm that controls have addressed underlying ML/TF risks and are sustainable;
- where it concerns remedial actions, to confirm that remedial actions addresses root causes and underlying ML/TF risks



### Illustrative Scope

As part of our review, KPMG conducts review and assessment of the following:

- Customer Due Diligence ("CDD")/Know Your Customer ("KYC") program including customer risk assessments and customer screening policies and procedures and policies regarding high risk and special categories of customers e.g. Politically Exposed Persons ("PEPs");
- AML and Sanctions related policies and procedures, AML/CFT governance framework, and management oversight structure;
- Transaction Screening, Transaction Monitoring, and Suspicious Transaction Reporting programmes;
- Products / services specific to your organisation, for example: controls surrounding correspondent banking, trade finance, private banking, securities, asset management, stored value facilities, insurance products etc.;
- AML/CFT awareness and on the job training programmes;
- Independent controls testing program and record keeping controls and policies.

# Our Services (cont')



## Illustrative activities

### High level Reviews will include the following illustrative activities:

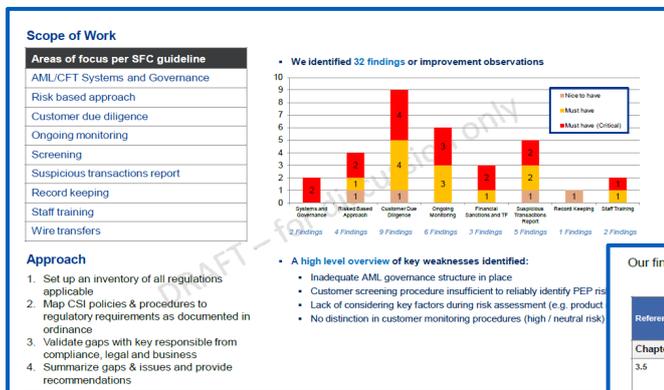
- Review policies and procedures in relation to AML to assess if they contain information and guidance at the appropriate level of detail, if they are consistent with the requirements of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLA") and the Guidelines on Anti-Money Laundering and Counter Financing of Terrorism for various sectors (AML/CFT Guideline);
- Review the design of the organisation's controls to implement the relevant AML/CFT and sanctions policies, procedures and controls and review the design of quality assurance procedures and controls;
- Summary of findings – detailed description of all issues identified, breach of specific sections of the AMLA or AML/CFT Guideline;
- Recommendations – practical and implementable recommendations / good practices, to remediate or enhance AML/CFT controls.

### Detailed Reviews will include the following in addition to the above:

- Perform interviews with relevant stakeholders to assess the operating effectiveness of the controls and processes;
- Perform testing on the operating effectiveness by sample review;
- Recommendations and action plan for implementation of any tactical measures.



## Illustrative Output



Our findings identified during our work performed are summarised in the table below:

Reference	Observations	Recommendations	Policy / Procedure	Category
<b>Chapter 3 – Risk Based Approach</b>				
3.5	We have observed that the current customer risk assessment framework takes into consideration only the country and PEP risks. Based on our interviews, we understand that PEP risk is assessed by sales based on customer's occupation, without objective guidelines. Additionally the screening using Bridger Insight is only performed at the back end of the account opening process by the CSI Operations team, rather than assessed initially during the KYC process.	We recommend that the process of screening prospective customers using Bridger Insight be conducted during the KYC phase of the client on-boarding process.	Major	Must Have (Critical)
3.5	Based on our interviews, we understand that the customer risk assessment is performed during i) On-boarding, ii) Trigger events, and iii) Annual review. We understand the annual review is conducted for all existing customers, however it is limited to screening of customer names against the PEP list. Other aspects such as the review of CDD information and customer transaction history are not taken into consideration.	Based on our experiences, other important risk factors such as product risk and distribution channel should be considered as part of the customer risk assessment. Rationale for inclusion or exclusion of key risk factors should also be clearly documented. In addition, the use of a risk scoring model based on various risk scoring factors is also considered a good practice that allows a more accurate customer risk assessment.	Minor	Nice to have
3.6	Based on our interviews, we understand that the customer risk assessment is performed during i) On-boarding, ii) Trigger events, and iii) Annual review. We understand the annual review is conducted for all existing customers, however it is limited to screening of customer names against the PEP list. Other aspects such as the review of CDD information and customer transaction history are not taken into consideration.	We recommend that a periodical review on customer risk profile is conducted and include all relevant factors (e.g. CDD information and customer transaction history). CSI should adopt a risk-based approach and consider different timeframes for customers with different risk levels.	Major	Must Have (Critical)

# Our Services (cont')

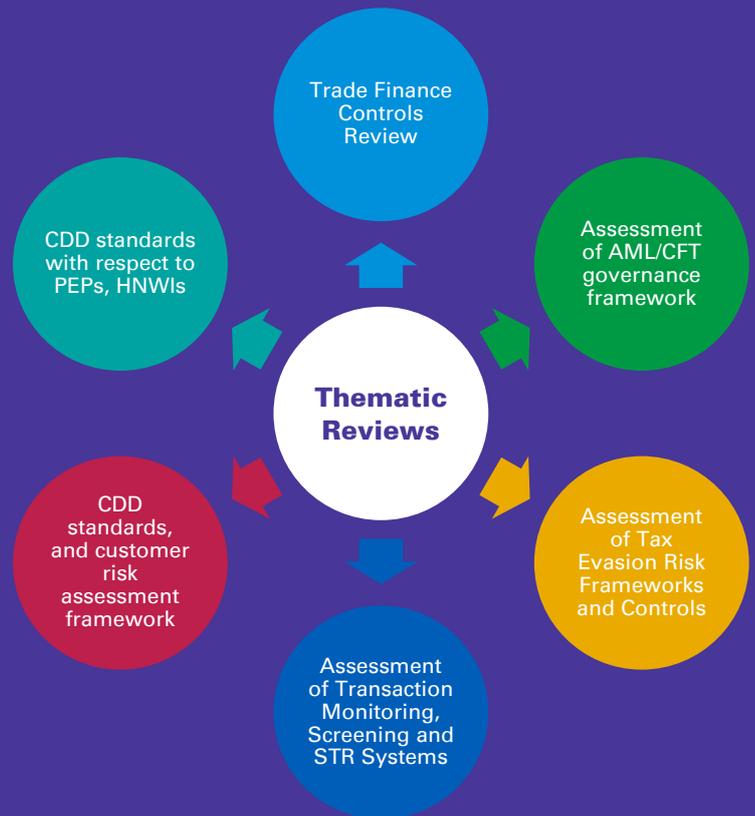
## AML & Sanctions Services – Thematic Reviews

- Thematic reviews provide an organisation a targeted, detailed deep-dive review of a specific component within its AML/CFT Framework.
- Conducted proactively to assess the strength of the design of controls in a particular area or as a result of a weakness identified by management.
- A thematic review could be triggered by an identified weakness through the Institutional ML/TF Risk Assessment or an action item resulting from a regulatory examination.

Thematic reviews assist management in assessing the current state of a specific area of the organisation's AML/CFT and sanctions programme as compared to leading practices, identifying areas for improvements, and developing a roadmap to prioritise improvement initiatives.

KPMG is also able to provide **post-review** assistance, e.g.

- designing of appropriate policies, procedures and controls;
- after allowing time for revision of controls to bed down, perform a post-review assessment to confirm operating effectiveness.



In respect of a specified area of AML/CFT or sanctions, following activities are performed:



# Our Services (cont')

## AML & Sanctions Services – Thematic Review on Trade Finance Business

- A thematic review focused on trade finance provides an overall idea about current state of trade based AML framework and enables management to design and implement robust AML controls specific to trade into an overarching AML programme.
- KPMG’s Trade Finance program seeks to strengthen each of three essential pillars of an effective counter-Trade-Based Money Laundering (“TBML”) programme.



### Illustrative Activities

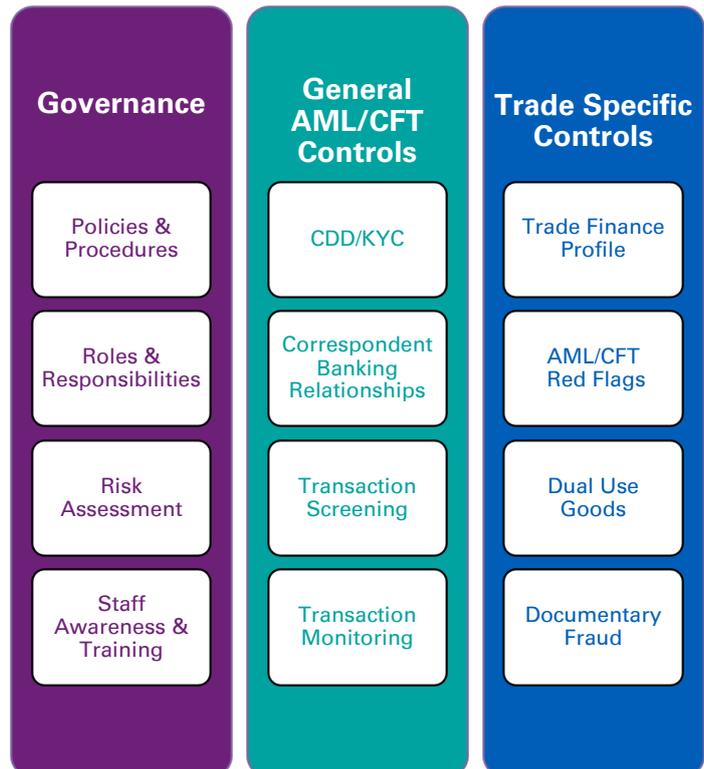


Using trade to launder money has been a lucrative area for money launderers with over 80% of trade requiring trade finance, as such a key focus for regulators of financial institutions.

Having an AML/CFT programme with specific guidance on controls to guard against TBML is key for minimising and controlling the risks of misuse of trade to launder money.

Components of an effective counter-TBML programme include:

1. Structuring an effective governance model;
2. Developing strong general AML/CFT controls;
3. Implementing robust trade specific controls; and
4. Providing structured training programmes to front line and back end staff to equip them with tools to combat TBML.



# Our Services (cont')

## AML & Sanctions Services – Screening System Review

- Screening System review is conducted to assess the strength, effectiveness and ability of the screening system to identify suspicious / unusual names and transactions.
- The review is also conducted to ascertain the appropriateness and sufficiency of the threshold, search engine and suppression rules. This includes evaluating the coverage on the institution's products / services across the delivery and distribution channels at name screening and transaction screening level.



### Illustrative Activities

KPMG can assist in the following:

- Conduct a full review of your existing screening programme, through the analysis of your business model in relation to your requirements, regulatory expectations, and standard industry practices;
- Review screening scenarios, matching parameters, fuzzy logic and risk factors adopted in the screening system and assess whether small changes in inputs and risk factor values fall within the expected range;
- Assess any filtering (i.e. exclusionary clauses) against source applications / data sets to ensure the rationale and reasoning for use of any exclusions has been clearly documented;
- Review the algorithm and particularly the ability of the screening system to identify names with minor alterations, such as reverse order, partial names, abbreviated names and transliterations;
- Assess the data quality through the review of mapping documentation and data dictionaries to test mapping of data from source system(s) to screening system in order to ensure completeness of transactional data feed.



### Illustrative Services



# Our Services (cont')

## AML & Sanctions Services – Transaction Monitoring System Review

- Transaction Monitoring (“TM”) is a key component of an effective AML/CFT programme. Global supervisory authorities seek to evaluate organisations on their ability to demonstrate its TM program’s effectiveness in detecting unusual activity and patterns, and the results of the program, such as the number of internal suspicious activity reported, alerts generated, cases investigated, and Suspicious Transaction Reports (“STRs”) filed.
- The ability to successfully monitor transaction activity for unusual behavior, investigate suspect activity, and report potentially suspicious transactions are basic tenets of a successful TM program.



### Illustrative Activities

KPMG can assist in the following:

- Conduct a full review of your existing TM program, through analysis of your business model in relation to your requirements, regulatory expectations, and standard industry practices;
- Provide targeted assistance through the full lifecycle of development of your TM program, whether it is in its infancy of development, seeking guidance on program development, or a fully mature system, which desires focused program element refinement; and
- Assist your organisation in its suspicious transaction reporting program, from selecting an appropriate system vendor, strengthening policies and procedures, to testing sample STRs to validate program adherence to regulatory guidance.



### Illustrative Services

#### Transaction Monitoring System Operating Effectiveness Review

The TM System Operating Effectiveness Review reviews your current system settings (i.e. scenarios, segmentation, thresholds and other parameters) and provide recommendations to tune and refine the monitoring settings for a more appropriate coverage of transactions and alerts. Each revision is supported by justification on the basis of the data reviewed.

#### Transaction monitoring look back reviews

The TM look back review undertakes a review of transactions conducted over an agreed period of time. Where unusual or potentially suspicious activities are identified that should have been alerted but were not alerted, these will be shared for further review and investigations.

#### Transaction monitoring system vendor selection

Where transaction monitoring is primarily performed manually, the volume of data and reports could place constraints on the bank’s ability to pick out the transactions that are unusual or are potentially suspicious in nature. The TM system vendor selection provides guidance to institutions to evaluate various options based on their specific requirements and choose the most appropriate system vendor.

# Our Services (cont')

## AML & Sanctions Services – Remediation Services

- KPMG can assist in providing expertise and staffing bandwidth to effectively execute remediation work in a timely and proficient matter.
- KPMG is also able to deliver a full Managed Services Solution, a new way of working with our clients – moving away from a traditional time and materials basis to an output-based pricing model.
- This is how KPMG works collaboratively with strategic clients, becoming their long-term partner.



### Types of Remediation

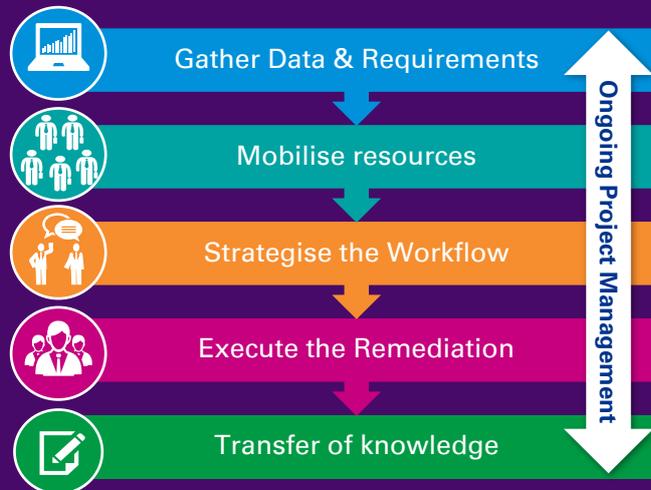
KYC client files remediation:

- Clearing a backlog of customer files;
- Requirement to perform periodic reviews / trigger events based reviews;
- Performing a back book review of existing customer files and identifying a number of areas for remediation;
- Changes in the organization's risk appetite resulting in re-classification of customer risk ratings.

Remediation of TM alerts:

- Clearing a backlog of alerts;
- Assisting with business-as-usual alert clearing.

### Typical Remediation Project Phased Approach



### Managed Services Solution



#### Strong collaborative working

We are shifting away from providing hands and bodies to an output based model. Meaning that we both make significant investment in the relationship and thus have a vested interest to make our work successful.



#### Co-creation with the client and KPMG global team:

- Delivered by KPMG global team backed by significant investment by KPMG to create the solution.
- Bringing together: Business, Operations, Technology and Compliance.



#### Focus on client and growth:

This means that the emphasis will be on the needs of the client and the growth agenda; to get a better appreciation of where you are today and where you want to be with them in the future.

# Our Services (cont')

## AML & Sanctions Services – Structured Training and Awareness Programmes

- Training is a key component of an effective AML/CFT programme. An effective AML/CFT training programme should take into consideration the reporting institution’s risk profile, risk appetite, region, products / services it offers, and its customer types.
- In addition, the AML/CFT training programme should consider who shall be trained, what shall they be trained on, how / where shall the training be executed / held, and when shall the training occur.



### Illustrative Services

KPMG can assist in the following:

- Assess adequacy of AML/CFT training framework including but not limited to policies and procedures, training materials, delivery methods, relevance according to roles and responsibilities.
- Design and implement AML/CFT culture building programme / initiatives to strengthen and promote awareness of AML/CFT compliance requirements and ensure staff embrace the AML/CFT compliance culture across the organisation.
- Developing and/or enhancing general and business line or operational area specific AML training programs and/or materials.
- Delivering general or advanced level, live training sessions covering key aspects of an effective AML/CFT compliance programme, ML/TF risks, identification and detection of suspicious activity and red flags, to front and back end staff, senior management and Board Members.



### Illustrative Activities



# Our Team



## Senior leadership team with in-depth, relevant skills

Our global senior team comprises of seasoned professionals who have industry experience working as Certified AML Specialists, Accountants, Certified Fraud Examiners, IT specialists, and professionals including regulators, bankers and lawyers. They also have many years of professional services experience helping organisations develop AML/CFT risk based programs.



## Knowledge honed by global experience

Our global perspective has been built upon a knowledge base of regulatory regimes that require robust ML/TF risk management capabilities and through our work with regional and global organisations, each involving different variations of risk management approaches.



## A practical and well-developed approach

Technical insight and expertise is important, but certainty of delivery is equally as important. We bring with us a tried-and-tested approach to deliver quality work.

# Contact us

For more information on KPMG's AML & Sanctions Services, or to arrange an in-house presentation, please contact:



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