Using new technologies to fight corruption

The use of money laundering systems to combat corruption

Martin Comley
UK
The theme...

This session will focus on the use of current and evolving money-laundering systems that can help prevent and detect both corruption and money laundering and ultimately seek to remove the profit from criminality.
Financial Transactions
How do we do ‘business’?

- families and local villages (informal)
  - barter trade for goods/services
- families and local villages (formal)
  - cash payment for goods/services
- between villages and towns (commercial)
  - cash / banking instruments
- towns - cities - countries (commercial)
  - cash / banking instruments
Financial Transactions
How can we use this to our advantage?

- families and local villages (informal)
  - barter trade for goods/services
- families and local villages (formal)
  - cash payment for goods/services
- between villages and towns (commercial)
  - cash / banking instruments
- towns - cities - countries (commercial)
  - cash / banking instruments
Product ‘x’ from Extraction to Customer Purchase

Local Use

Local work force

Commercial Company

Refined - Processed

Wholesaler

Domestic Market

Distribution

Retailer

International Market

Shipping

Distribution

Retailer
Who has controls over this?

'\textbf{X}’ Collected / Extracted

- Permitted limit on use & local extraction
- License to extract – limits on extraction
- License to refine – control of systems
- Authorised dealers

Domestic Market
- Distribution
- Retailer

International Market
- Export License
- Distribution
- Retailer

Local use
How do the finances work?

'X' Collected / Extracted

Local use

Barter, Cash and Banking

Cash, Banking

Banking

Banking

Domestic Market

Banking

Cash - Banking

International Market

Banking

Banking

Cash - Banking
Expected patterns of financial behaviour (Refinery)
Expected patterns of financial behaviour (Refinery)
Expected patterns of financial behaviour (retail)
Expected patterns of financial behaviour (retail)
Expected patterns of financial behaviour

Refinery

Retail
Expected patterns of financial behaviour

• Suspicious behaviour will only be found if someone is looking for it!
  – To look for it you need to have an original expectation and measure against it.
  – You need to measure the result not only against your expectation but against those in a similar peer group.

• These expectations would be easy to monitor IF the finances were undertaken within one financial institution.
  – Do the funds from account 1 correspond with activity in account 2?
  – How do you do this if they are not in the same institution?
  – How do you do this when you have thousands of accounts, undertaking thousands of transactions per day?

• To do this in today's environment we must look at technological solutions.
What’s needed to make this work?

• For any technological solution to work there must be an infrastructure that supports it.
  – What are the rules for the system to work to?
    • These will need to be renewed as experience grows
  – Who will be responsible for overseeing the data the system produces?
    • Do you rely solely on that data or does it need further human intervention?
    • Does this human intervention help you redefine the rules?
• What will you do with the information once it has been deemed suspicious
  – Is there an anti-corruption unit to deal with possible cases of corruption
  – Is there a unit to deal with other suspicious behaviour
In summary

- Financial Institutions need to know their customer and their customers business
  - [the first part of the expectation]
- Financial Institutions must keep records
  - [to compare the expectation against the know result and as possible evidence]
- Financial Institutions must appoint an individual to be responsible for such a system
  - [the Human intervention]
- Financial Institutions must have systems to prevent and detect criminal funds.
  - [Human and or technological]
- There must be suitable bodies appointed to deal with reports of suspicious and corrupt behaviour
  - [Which are supported by suitable laws]
Case Study

Would you have spotted this?

If so when?
NCIS

Nordic BANK

UK BANK

Other BANKS

Corrupt Employee of Engineering Company

50 K

100 K

Corrupt Official
Contract required approval

3 M

5 M

UK BANK

US BANK

UK BANK

Small off-shore BANK

FRAUD!
+15 Million

UK BANK

UK BANK

UK BANK

UK BANK

UK BANK
Case Study

There were no winners in this!