

Technological Considerations of AML/CTF Programs

LexisNexis® Anti-Money Laundering and Financial Crime

The last decade has seen an explosion in the number and nature of alternative payments and remittance services. Often based in cheap, consumer grade internet and mobile platforms, these solutions provide consumers with simple but effective tools to buy the goods they need and to exchange value with family and friends.

A leading example of this type of solution is M-Pesa, created by Safaricom. M-Pesa is a branchless banking service to support microfinance activities in Africa. The service provides the unbanked with cheap and easy access to basic banking functions via a simple e-wallet accessed via their mobile phone, enabling person-to-person money transfers, transfers between businesses and individuals, cash withdrawals (at designated locations), and loan repayments. M-Pesa delivers a simple, but valuable service that achieved 56% growth in 2011; with M-Pesa's almost 14 million users representing 81% of Safaricom's customer base in Kenya.

The growth of the alternative payments and remittance sector is providing organisations and individuals with new opportunities to exchange and launder funds. Complicit remitters have been involved in money laundering through knowing acceptance of false identification, rogue sub-agents, failure to report to AUSTRAC, facilitation of cash smuggling and the co-mingling of legitimate and illegitimate funds. This is a problem compounded by incomplete implementation of AML/CTF controls by a significant minority of financial institutions, with many not including originator details in transfers and/or failing to block incomplete or inconsistent transfers.

Organised crime has been quick to adopt these new services. The key factors these organisations look for in a remittance service to support money laundering are efficiency, high capacity and low cost. The alternative remittance sector scores highly on all three of these factors.

The above extract is taken from the September update to Anti-Money Laundering and Financial Crime. The chapter "Technological Considerations of AML/CTF Programs" was substantially revised by technology and strategy thought leader Peter Evans-Greenwood. The chapter analyses the ever-changing technological factors that must be taken into account by anti-money laundering programs in an organisation when detecting anti-money laundering events. In this extract, Peter discusses the implications of the alternative remittance sector for anti-money laundering programs.

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