

Anti Money Laundering Advisory

Alert mechanism and Process Controls



Riskpro, India



Source: Toonpool.com

Who is Riskpro... Why us?

ABOUT US

- ❑ Riskpro is an organisation of member firms around India devoted to client service excellence. Member firms offer wide range of services in the field of risk management.
- ❑ Currently it has offices in three major cities Mumbai, Delhi and Bangalore and alliances in other cities.
- ❑ Managed by experienced professionals with experiences spanning various industries.

MISSION

- ❑ Provide integrated risk management consulting services to mid-large sized corporate /financial institutions in India
- ❑ Be the preferred service provider for complete Governance, Risk and Compliance (GRC) solutions.

VALUE PROPOSITION

- ❑ You get quality advisory, normally delivered by large consulting firms, at fee levels charged by independent & small firms
- ❑ High quality deliverables
- ❑ Multi-skilled & multi-disciplined organisation.
- ❑ Timely completion of any task
- ❑ Affordable alternative to large firms

DIFFERENTIATORS

- ❑ Risk Management is our main focus
- ❑ Over 200 years of cumulative experience
- ❑ Hybrid Delivery model
- ❑ Ability to take on large and complex projects due to delivery capabilities
- ❑ **We Hold hands, not shake hands.**

Risk Management Advisory Services

Basel II/III Advisory

- Market Risk
- Credit Risk
- Operational Risk
- ICAAP

Corporate Risks

- Enterprise Risk Assessment
- Fraud Risk
- Risk based Internal Audit
- Operations Risk
- Forensic services

Information Security

- IS Audit
- Information Security
- IT Assurance
- IT Governance

Operational Risk

- Process reviews
- Policy/ Process Review
- Process Improvement
- Compliance Risk

Governance

- Corporate Governance
- Business Strategic risk
- Fraud Risk
- Forensic Accounting

Other Risks

- Business/Strategic Risk
- Reputation Risk
- Outsourcing Risk
- Contractual Risk

Training

- Banking – E Learning
- Corporate Training
- Regular Risk Management Training
- Online Training material
- Workshops / Events

Recruitment

- Virtual Risk Managers
- Full Time Risk Professionals
- Part time Risk Professionals
- Risk Managers on call – free

Background and Challenges to Money Laundering

BACKGROUND

- ▲ Money laundering is the process by which criminal proceeds / owners of these funds are concealed in a manner so as to make it appear that these funds are obtained from legitimate sources.
- ▲ Procedures used to combat money laundering activities are known as Anti Money Laundering (AML) processes.
- ▲ Money Laundering is specifically the act of disguise proceeds of illegal activity to make them appear as legitimate money
- ▲ Most common way to launder money is to circulate the money several times through different channels, different bank accounts and using different transactions amounts such that it leaves a complex money trail and makes it very difficult to trace the origin of the money.

CHALLENGES

- ▲ Very difficult to validate the genuineness of KYC documents
- ▲ Money launderers always have innovative ways to forge documents
- ▲ Staff may not be sufficiently trained to identify suspicious transactions
- ▲ Without complete automation of Core Banking Systems, transaction monitoring is difficult
- ▲ Decentralized operations in terms of account opening or processing transactions increases chances of Money laundering
- ▲ Automated monitoring alerts may not be properly setup or queries may be faulty resulting in fraudulent transactions from being detected.

Regulatory Guidelines & Process Controls for KYC / AML

Regulatory Guidelines

- Carry out a robust KYC procedure to ensure that only genuine customers are introduced to the banking system
- Verification of new customer name against negative lists
- Sanction Monitoring
- Constantly monitor the operations of the bank accounts for suspicious transactions
- KYC / AML Policy documentation in the institution
- Cash Transaction reporting/ Susceptible transaction reporting to FIU - IND

Process Controls

- Review of KYC/AML Framework and improvement of process controls
- Daily review of account activities for unusual transactions
- Training and awareness to institution's staff to enhance AML efforts
- Key Risk Indicators to highlight trends in KYC / AML breaches /lapses

Technology Controls

- Use of automated tools and technology to assist in data mining and monitoring of CASA account activity
- Real time monitoring of high value transaction in the Clearing Dept, Treasury Departments

AML Alert Examples - Monitoring of Staff Accounts

- ▲ Staff accounts need to be monitored and this is one of the precautionary step towards identifying those accounts which are misused by the staff by rolling funds of some unknown third person and helping them to launder the money.
- ▲ One of the recent example of Citi Bank fraud in Gurgaon of around Rs.400 crores by one of its staff member who had diverted funds of companies and individuals into an account jointly held by his relatives.



Cash Deposits in Staff Accounts

- Staff accounts are flagged by setting a query on the cash deposits in these account.
- The trigger threshold should be decided by the bank.
- **Benefit:** This query will list out all the staff accounts in which there are frequent cash deposits and which is not matching with his profile.

Staff profiles to be considered

- Cash deposit threshold to be based on employee designation and not standard for all employees.
- **Benefit:** Help in monitoring the transactions since managerial level staff transactions are very different from officer level staff.

Fortnightly cash deposits

- List the accounts which had a frequent number of cash deposits totaling to Rs.10lakh in a month and mostly withdrawn too.
- **Benefit:** This will help to identify the accounts in which there are frequent numbers of deposits in small volumes of cash to avoid RBI reporting.

AML Alert Examples – Dormant Accounts

- ▲ Dormant accounts are those in which there are no transactions by the account holder for the last six months and suddenly these accounts are used for deposits/withdrawals
- ▲ These accounts are suspicious because money launderers and fraudsters mostly use these kind of accounts for rolling of funds so that their original identity can be hidden and they can do transaction in those accounts which are already KYC compliant.
- ▲ As per the recent update by RBI, it had issued a directive to all Banks to monitor all dormant accounts and the reason for this is there are at most 10 million dormant accounts in the Indian Banking system and these accounts have around Rs.17 billion unclaimed deposits.
- ▲ The queries which can we set to monitor these dormant accounts are all based on the amounts deposited in account. Some of these queries are as mentioned in next slide.



- ▲ IF an Account is dormant in last 6 months AND Customer net worth $\leq 10,000$ AND Amount received in 3 days $< 100,000$
- ▲ Account is dormant in last 6 months AND Customer net worth 10,000 to 20,000 AND Amount received in 3 days BETWEEN 100,000 AND 500,000
- ▲ Account is dormant in last 6 months AND Customer net worth $> 20,000$ AND Amount received in 3 days $> 500,000$

AML Alert Examples – Other Useful Alerts to monitor accounts

Alert Description	Alert Amount
Cash deposit or withdrawals in a saving account in a single day	>50,000
All series of cash transactions and where such series of transactions have taken place within a month and the aggregate value of such transactions the limit	>10,00,000
Non cash deposit OR Withdrawal in a saving account in a single day	>25,00,000
High transaction volume in savings account fortnightly / cash & non cash	High risk Customer: >25,00,000 Medium risk customer: >50,00,000 Low risk Customer: >1,00,00,000
Large Volume Non Cash transactions in Savings account in a Day	High risk Customer: >25,00,000 Medium risk customer: >50,00,000 Low risk Customer: >1,00,00,000
Large Volume transaction in Dormant account in a Day	>5,00,000
Large Number of cheque leaves in Savings account fortnight Basis	Savings account – 100 cheques Current account – 350 cheques
ATM withdrawal fort night basis in savings account	>2,00,000

Why

- ❑ Today organisations face immense regulatory, compliance and operational risks
- ❑ People who execute key processes such as settlements, KYC, AML reviews, account openings, payment processing are some times not trained enough
- ❑ **Untrained people often make excessive errors or ignore key process controls**
- ❑ **Web based training is a very cost effective way to impart knowledge to large employee base to minimize operational and reputational risks**

How

- ❑ **This is not E – Learning.** This is real industry experts talking about key issues.
- ❑ A series of 5-10 sessions are customized and outlined that touch upon key risk issues and compliance requirements.
- ❑ Practical, industry knowledge is shared as the speakers are industry experts
- ❑ The sessions are grouped with other users to bring down delivery costs. We can also deliver sessions exclusively for your organisation.

How Much

- ❑ **Training can be delivered as low as Rs 200 / employee / per session.**
- ❑ **We can discuss your training requirements and provide final quote**

KYC / AML / Fraud – Web based Series

Session Topic	Key Learning	Duration
KYC / AML Fundamentals and Framework	<ul style="list-style-type: none">▪KYC / AML framework▪Blocking problem accounts at account opening▪Importance of KYC/AML in accounts outsourced by third parties	1.5 Hours
Fraud Risk Management in Banks	<ul style="list-style-type: none">▪Overview of frauds▪Examples of frauds in banks	1.5 Hours
EWI for Frauds	<ul style="list-style-type: none">▪Early detection and remediation of frauds▪Understand process controls to management frauds	1 Hour
Fraud and Risk Analytics	<ul style="list-style-type: none">▪Detection of frauds through database queries▪Building effective fraud risk Analytics and Reporting	1 Hour
Reputation Risk Management	<ul style="list-style-type: none">▪Role of employees in reputation risk management▪Outsourced arrangements and increase in reputation risk	1 Hour
Total Training		6 Hours

Target Audience: Branch Banking Staff, Operations Dept, Customer Service and Clearing Depts, Internal Audit. Even all new hires at lower levels can benefit.

Training Price – Rs 1,000/employee for all 5 sessions
Rs 200 / Employee/ Session (Minimum 25 employees)



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Manoj Jain

- ▲ **Co-Founder - Riskpro**
- ▲ CA, CPA, MBA-Finance (USA), FRM (GARP)
- ▲ Over 10 years international experience – 6 years in Bahrain and 4 years USA
- ▲ 15 years exp in risk consulting and internal audits
- ▲ Sox Compliance project for Fannie Mae, USA (\$900+ Billion Mortgage Company)
- ▲ Specialization in Operational Risk, Basel II, Sox and Control design
- ▲ Led medium to large engagement teams

Rahul Bhan

- ▲ **Co- Founder - Riskpro**
- ▲ CA (India), MBA (Netherlands), CIA (USA)
- ▲ Over 15 years of extensive internal and external audit experience in India and abroad.
- ▲ Worked with KPMG United Arab Emirates, PKF South Africa, Ernst and Young Kuwait, Deloitte Netherlands and KPMG India.
- ▲ Worked with clients in a wide variety of industries and countries including trading, retail and consumer goods, NGO, manufacturing and banking and finance. Major clients include banks, investment companies, manufacturing organizations, aviation etc.

Casper Abraham

- ▲ **Co-Founder - Riskpro**
- ▲ PGD (Electrical & Electronics & Computer Programming)
- ▲ 30 years of experience in Information & Communications Technology (ICT) Solutions for Retail, Garments, Manufacturing, Services Industries.
- ▲ Has created Companies, Divisions, Products, Brands, Teams & Markets.
- ▲ Consulting in Business, Technology, Marketing & Sales & Strategic Planning.
- ▲ Advisory, Training, Workshops & Implementation in Systems Thinking, Systems Modeling & Balanced Scorecard
- ▲ Worked with TIFR, Mahindra, Ambience, Communico-Graphique & Ionidea Inc, USA,

Shriram Gokte

- ▲ **Co-Founder - Riskpro**
- ▲ B Tech MBA
- ▲ 22 years of audit, risk management, information security & Compliance experience
- ▲ Most recent employment with Paternoster, a UK Insurance company as Director Risk & Compliance
- ▲ Worked for Principal Financial Group at their Des Moines USA HO and then Birla Sun Life Insurance as CRO
- ▲ Strong operational process, risks, info sec and internal controls experience
- ▲ Has taken 3 companies through ISO 27001 certifications.

Rajesh Jhalani

- ▲ **Co-founder- Riskpro**
- ▲ B.Com, FCA
- ▲ Senior Partner with 48 year old Delhi based Chartered Accountant firm, Mehrotra and Mehrotra
- ▲ Over 19 years of experience in the field of Audit, Taxation, Company law matters.
- ▲ Major clients served are NTPC, BHEL, Bank of India, PNB, Airport Authority of India etc.

Gourav Ladha

- ▲ **Specialist Risk Consultant – ERP & IT Compliance**
- ▲ SAP Certified, MBA (Finance), SAP Security trained (from SAP India), SAP GRC Access Controls trained (from SAP India)
- ▲ Over 7 years of experience working in the area of ERP/IT Risk advisory, primarily focusing on SAP, for 'Fortune 500' clients in around 8 countries including US, UK, UAE, Hong Kong, etc
- ▲ Specializes in SAP Risk & Controls Advisory, SAP Business Process Controls Audit, SAP Security & Segregation of Duties Control Audit, ERP Trainings,
- ▲ Strong Industry experiences ranging from Beverages, Insurance, Energy, FMCG, Pharmaceutical, Retail, Telecommunication to IT Services
- ▲ Worked for risk advisory teams of reputed organizations like Ernst & Young, EXL Services

RESUMES - PARTNERSHIPS

Andrew Hiles

- ▲ **Specialist Risk Consultant – Business Continuity**
- ▲ Founder and 15-year Chairman of Survive, the first international user group for Business Continuity professionals
- ▲ Founding director and first Fellow of the Business Continuity Institute
- ▲ Over 25 years international consulting expertise in Risk, Crisis, Emergency, Incident, and Business Continuity and ICT Disaster Recovery Management
- ▲ Multi-sector experience including Banking, Insurance, Finance, Oil, Gas, Energy, Manufacturing, Retail, Hi-Tech & Telecom
- ▲ Western Press Award for services to business, 1994; BCI/CIR nomination for lifetime achievement in BC, 1999, London; inducted into BC Hall of Fame by CPM magazine, 2004, Washington DC.

Chris E. Mandel

- ▲ **Specialist Risk Consultant – Enterprise Risk Management**
- ▲ Highly skilled risk and insurance professional with 25 years of experience designing, developing and implementing large, global corporate risk management programs for Fortune 500 firms.
- ▲ Principal Consultant and Founder - Excellence in Risk Management, LLC. (Texas, USA)
- ▲ Past experiences include USAA, PepsiCo, American National Red Cross ,Verizon

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THANKS