The AML and OFAC Domino Effect: Turmoil in North Africa and the Middle East

Recent popular uprisings in Egypt and Tunisia have unseated long-serving leaders. Unrest in other North African and Middle Eastern countries threatens others. A common theme throughout is dissatisfaction with presumed-corrupt leaders.

As AML professionals, time-again we have observed that corrupt politicians' money laundering activities increase as their power ebbs.

In this environment, forward-looking AML and OFAC compliance teams must not only react to news as it is published, but also should proactively seek to isolate and monitor the risks to their institutions from these recent events. There are a number of steps that can help manage through these uncertainties:

Pay increased attention to guidance and alerts from governmental and third party services:

- Monitor guidance from the US government including, but not limited to, the press releases from the Treasury Department[1], FinCEN[2] and OFAC[3].
- Continue to take action per standard operating procedures for new USA PATRIOT Act updates to Section 311[4] or OFAC sanctions additions. For EO 13566[5] (Executive Order to Block Libya Property and Transactions), update policy and procedures accordingly and perform similar steps to 311 and OFAC to identify customers, accounts and transactions.
- Stay abreast of the latest updates from the region through news feed pushes by your data provider (e.g., Bloomberg) or through free news feed channels such as Google Alerts.

Update AML and OFAC procedures and processes in response to these increased risks:

- Apply enhanced due diligence standards to private banking accounts that are held by or on behalf of senior foreign political figures, their close family members and business associates. This would include increased monitoring of their transactions, including those that may not be associated with the technical definition of a private banking account.
- Review, update and implement AML compliance procedures and processes for Section 312 of the USA PATRIOT Act, as required.
- Remind client facing and operational processing staff of the potential red flags and guidance provided regarding proceeds from foreign political corruption[6].
- For non-personal accounts, review the Ultimate Beneficial Owners (UBOs) and signatories on the account to further assess, on a risk basis, the impact that these accounts and individuals within the reported countries in question have upon your institution. For these accounts, you may want to increase the risk level associated with these individuals and accounts, and more closely monitor the movement of funds for potentially suspicious activity.
- Reassess policy, procedures, customer segmentation, risk models, and monitoring rules and thresholds to determine if they require modifications based on these new developments.

Longer term, beyond you firm's regular search capabilities (e.g., for 314a, etc.), review and assess your institution's ability to rapidly search and identify individuals and entities (i.e., including account holders, UBOs, and signatories) for higher risk customers and associated parties that appear in rapidly changing news events.

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1 http://www.treasury.gov/press-center/press-releases/Pages/default.aspx

2 http://www.fincen.gov/financial_institutions/advisory.html

3 http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/OFAC-Recent-Actions.aspx

4 http://www.fincen.gov/statutes_regs/patriot/section311.html and http://edocket.access.gpo.gov/2011/pdf/2011-3348.pdf

5 http://www.ofr.gov/OFRUpload/OFRData/2011-04753_PI.pdf

6 http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2008-g005.pdf

How PwC can help

At PwC, we have professionals that perform money laundering and OFAC vulnerability assessments, compliance program evaluations, and gap analyses. We can develop a recommended approach for reducing risk, enhancing risk management, and implementing operational solutions. We also work with clients to help them gain greater confidence that their AML/OFAC compliance controls are specifically designed, efficiently implemented, and sufficiently robust to effectively manage their multitude of risk and regulatory requirements. Our team of professionals can help you:

- Leverage technology and use the right tools for AML/OFAC compliance
- Create effective, efficient and sustainable AML/OFAC compliance control programs
- Improve the function and performance of your automated suspicious activity monitoring systems and processes
- Improve the quality of AML/OFAC independent reviews
- Design and implement effective customer due diligence processes
- Train directors, senior executives and employees on topics ranging from specific aspects of compliance to regulatory expectations and industry trends
- Create leading-edge customer risk models
- Remediate data quality to improve AML/OFAC control process effectiveness

As a leading financial services professional services firm, we help a wide range of bank and nonbank financial institutions build, improve, and sustain their AML and OFAC programs.

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