

Anti-money laundering

Regulatory compliance

Bermuda has demonstrated a long-standing commitment to have procedures in place to detect and prevent money laundering and terrorist financing. In an effort to keep abreast with international best practices and to be responsive to the recommendations of the International Monetary Fund, the Bermuda government overhauled and updated the island's anti-money laundering (AML) and counter-terrorist financing (CTF) regulations. The regulations, which came into effect in January 2009, include a broader definition of AML and CTF, a wider scope of regulated institutions, enhancement of government's investigative powers, and establishment of the Financial Intelligence Agency. The legislation brought into scope

exempted investment businesses, members of the Bar Council and ICAB (though their effective date is later than 2009) and licensed entities in all sectors with the exception of insurance where the scope is limited to those who carry on long term insurance.

Compliance with AML/CTF regulations is a critical requirement in protecting an organization's reputation and ability to continue its business in a regulated environment. In addition, designing an AML programme can present strategic opportunities to organisations as they seek to make their processes about more than just regulatory compliance. PwC can assist with

this initiative. Drawing upon our broad range of expertise, including specialists in AML compliance and financial crime, we are able to work closely with companies to achieve a tailor-made solution to meet their individual needs.

Fundamentally, a number of core principles are recognized as being critical to meeting Bermuda's revised AML and CTF regulations; and PwC has deep experience in helping companies address these.

Bermuda AML Principles:

How we can help:

• Internal controls	• PwC can help your entity assess the design and operating effectiveness of controls to detect and prevent money laundering and terrorist financing.
• Risk-based	• AML control procedures must reflect the degree of risk associated with the business and its customers. PwC can help you to conduct a risk-assessment to determine appropriate measures for conducting your AML on a risk-sensitive basis, depending on the type of customer, business relationship, product or transaction.
• Customer due diligence	• PwC can put systems in place to carry out simple and enhanced due diligence measures for all customers determined by the potential of risk for money laundering and terrorist financing.
• On-going monitoring	• The most basic and key element of an AML strategy is to know your customer. Bermuda regulations require ongoing monitoring of the business relationship with their customers. This is a separate, but related, obligation from the requirement to apply customer due diligence measures.
• Reporting and record-keeping	• Staff are required to make a report in respect of information or any matter where they may suspect or know someone is engaged in money laundering or terrorist financing. At PwC we have wide experience in reviewing internal escalation processes, compliance reporting, data retention and audit trails.
• Independent testing	• PwC can provide assistance with testing the effectiveness of your AML programme's compliance with Bermuda regulations. In addition, we can help to assess the efficiency of the process to determine if there are any redundant procedures.
• Training	• Institutions are liable for civil penalties for not having adequate training and awareness arrangements in place as effective communication and instruction of the organization's AML programme to all employees is mandatory. PwC offers training that is built around ensuring that the content and frequency of training reflects the risk assessment of the products and services of the organisation and specific roles of staff.
• Technology	• High-quality technology equips organisations with an improved level of defense in the fight against financial crime. PwC offers automated solutions for transaction monitoring of potential money laundering activity, watch list filtering, filing of suspicious activity reports, and regulatory reporting.

Approach to anti-money laundering (AML) assessments

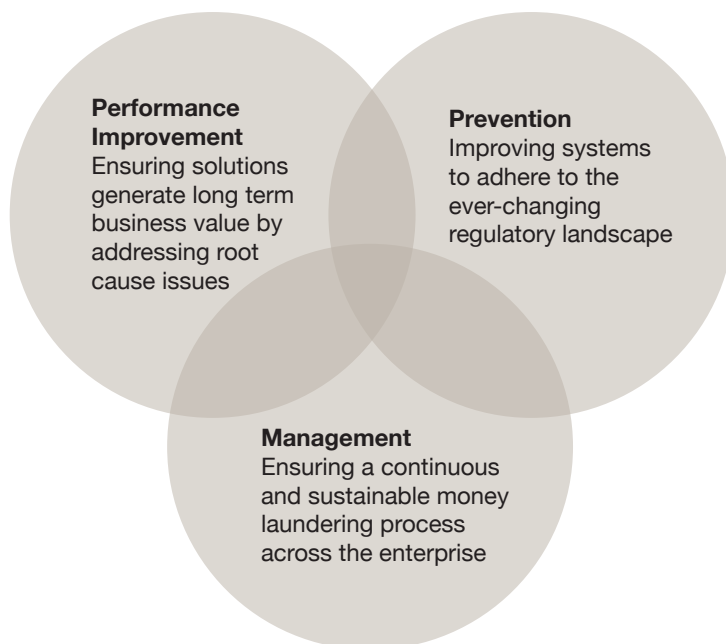
The challenges

Our experience from working in other territories has shown that institutions face challenges adapting decades old internal processes and technology systems to the new demands posed by customers and regulatory authorities. Typically, a quick fix is implemented that creates a haphazard operating model of people, process, technology and information with varying levels of integration, controls and automation, such as:

- Highly manual and unrepeatable AML customer risk assessment processes;
- Different processes and technologies used for collecting, reporting and storing due diligence information within and across lines of business;
- Inconsistencies in customer risk scoring and due diligence procedures for the same customer or similar customer types across lines of business;
- Large number of false positives in transaction surveillance system;
- Lack of consistency between the risk model used for account monitoring and for customer risk assessments; and
- Inability to report on key performance indicators.

Our methodology

Our AML services methodology addresses the complex nature of AML solutions. The foundation of our services are centered around:



Benefits beyond good governance

Using our AML services offers many benefits you can realise beyond good governance:

- Providing long-term, sustainable solutions and maintaining acceptable levels of risk;
- An approach to AML within the context of a broader enterprise risk management (ERM) and compliance vision;
- Integration of AML practices into business-as-usual operations;
- Improved customer experience as know-your-customer (KYC) model inherently creates consistency across products and geographies (local and global); and
- Consistent and standardised AML approaches across geographies.

Industry risks

- Geography and country
- Business and entity
- Operational and transactional
- Compliance
- Strategic
- Reputational

Value add

- Improved and integrated processes
- Improved information quality
- Mitigated risk
- Improved detection systems
- Increased confidence in AML systems
- Sustained protection of assets

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