

Media title: Fighting money laundering with tech

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Fighting money laundering with tech

Financial systems across the world, including Vietnam's, are taking strong steps to prevent money laundering. **Richard Major**, leader of PwC's financial crime unit in Southeast Asia, and **Alex Tan**, forensics services leader at PwC Malaysia, spoke to *VIR's Thuy Phuong* about current trends in combatting money laundering and how technology can help.

Can you describe what methods criminals typically use to launder money through the financial system?

Money laundering is usually described as a three-phase process: placement, layering, and integration. Criminals who make cash from drugs, robberies, or other types of crime will try to get rid of the cash by putting it in the banking system (placement). They will send the money through various transactions within the financial system to disguise the initial placement (layering). Then, they will try to take that money at the end of the process and merge it into their assets (integration). The criminals then get the integrated assets and break the link with their original crime.

Here is an example: In many countries, when you deposit \$10,000 in cash, the bank will have to report it. So the criminal will deposit separate amounts of \$9,000 each in different branches of the bank (placement). The money goes into the criminal's account, mixes with their

own money, and goes through various transactions (layering). Once the money has been legally integrated back into the system, the criminal can take it out to spend.

PwC recently released the Global Economic Crime and Fraud Survey 2018. Based on PwC's research, can you explain some key global trends in financial crime compliance? Are there any specific trends in Vietnam?

Globally, we are seeing an increase in the level of scrutiny over banks' compliance with financial crime laws. Regulators all around the world, particularly in Southeast Asia, are enforcing the rules much more substantially and significantly, resulting in more penalties, fines, and sanctions against banks for non-compliance.

In the past, banks used to recruit more staff members in order to manage financial crime risks, often by manual processes. Nowadays, technology gives them the ability to do things in a better,



Richard Major

faster, smarter, and, ultimately, cheaper way. Many financial institutions are collaborating in new areas such as customer onboarding through the use of shared know-your-customer utilities. We are also seeing trials, tests, and the limited use of biometric technology for customer onboarding in a number of markets.

We think these trends are also relevant to Vietnam, as the country relies heavily on cash, which increases financial crime risks. The regulators are actively reaching out – for example, the State Bank of Vietnam is working together with banks to improve compliance across the board. This is very important, because to prevent and detect financial crime, collaborations with regulators and between individual institutions are vital.

What are the challenges faced by Vietnamese banks in adopting new technologies



Alex Tan

and stricter requirements on anti-money laundering? Is cost a big issue?

There are two main challenges. Firstly, there are so many new technologies around that it is difficult for banks to keep up to date with all the options. Secondly, banks and regulators are still figuring out how they can work together to assess the effectiveness of these technologies and to then implement them.

We think one of the great opportunities for banks in Vietnam is to learn from other banks' experiences in previous years. We have certainly seen a lot of enthusiasm from Vietnamese banks

to adopt some technologies, in some ways more rapidly and more ambitiously than their counterparts in other countries.

For example, we have visited a financial institution here that is looking to adopt biometric technology, specifically a new facial recognition software that uses customers' selfie images as identification instead of a password.

We believe that these are not necessarily expensive technologies if you think about the long-term benefits. The technologies allow banks to have a better relationship with their customers, increase revenue, and reduce losses from fraud. These are very important returns on investment.

Aside from the two challenges mentioned, there is also one more, which is not limited to Vietnam. Statistics from PwC's Global Economic Crime and Fraud Survey 2018 show that only 75 per cent of respondents in Southeast Asia have undertaken an anti-money laundering risk assessment in the

last two years. The problem is: Have they done it to the right degree? For the remaining 25 per cent who have not done a risk assessment and do not even know what their potential risks are, how can they make the right investment decisions to better protect their organisations from money laundering?

What is your advice for financial institutions in Vietnam combatting financial crime?

From what we have just said, we think banks need to take a risk-based approach to anti-money laundering. They need to do a proper assessment of current and future risks and have a clear understanding of their risk appetite. Based on that, they can design an appropriate set of internal controls and decide which areas to invest in.

Banks also have to realise that in many cases, anti-money-laundering is not a competition. Working together to share the best practices, as well as working closely with the regulator is very important. ■

PwC Consulting Vietnam is a member of PwC Consulting ASEANZ (Australia, South East Asia and New Zealand) that has more than 2,000 consulting professionals working in eight countries across the region. PwC's Vietnam-based Financial Services Risk Consulting Team has extensive experience in implementing risk transformation projects for the major banks in Vietnam.

Through bringing PwC's deep regional expertise in anti-money laundering, the team has been working to support Vietnamese banks in enhancing their framework to combat financial crime in accordance with good practices.

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