

AML/BSA: New Focus on Electronic Cash

Revised Exam Manual Emphasizes Trade-Based Crimes, Prepaid Cards

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Trade-based money laundering and electronic cash are two of the key topics that banking/security leaders should review in the newly revised [Bank Secrecy Act and Anti-Money Laundering Examination Manual](#), according to anti-money laundering experts.

The Federal Financial Institutions Examination Council (FFIEC) [last week released](#) its new manual, including updates to several sections.

"I like the expansion of the trade-based money laundering section from just a footnote to an entire section," says Kenneth Rijock, Financial Crime Consultant for World-Check, an international anti-money laundering risk intelligence firm. Trade-based money laundering, disguising funds as goods, is now the way most of the money is moved in illicit commerce, he says. "If I can move \$100 million from New York to Columbia via Venezuela, I'm certainly not going to smuggle it down there when I can move it through trade-based money laundering." Rijock says it is a step in the right direction to make sure bankers have a program put together to monitor for this type of crime.

Debra Geister, Senior Director, AML and Compliance Services at LexisNexis Risk Solutions, says her own customers are pleased to see the manual place new focus on Customer Due Diligence. "Many are looking right now to automate the way that they assess the AML risk at account opening and beyond of their customer relationships," she says. "They are looking not only at the peer grouping that occurs in their AML systems, but also pulling in external information outside the institution in order to assess different points of risk and get as clear a picture as possible of the AML risk."

This due diligence can get fairly complex, as many of the processes that occur within a financial institution can be "siloed" because of operational constraints and processes. Being able to identify and review all of those risk points about a profile such as PEP, Watchlist, peer profiles, logical entities, CIP, etc., can be valuable in understanding customers and risk.

Another section Geister says institutions need to note in the exam manual is the section called "Electronic Cash."

"This is a topic that institutions need to have on their radar, as the section focuses on the prepaid instruments that have been a trend," she says. With the changes introduced by the Credit Card Reform Act, this is an area to take a look at for all institutions. "The goal by Congress and the regulators is to make these official monetary instruments," she says. "Traditionally, they have not been identified as such, and therefore become a good vehicle for money launderers."

By making them monetary instruments, electronic cash vehicles will be pulled into traditional AML detection and processes and may require Customer Identification Program (CIP) rules to apply. Geister sees this is only the beginning of the discussion on prepaid cards and their connection to money laundering. "I expect that there will be more scrutiny and review of the processes for prepaid cards."
