

# **Current situations of AML market**

**June 2007**  
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## ▶ Details of restrictions strengthening

- ▶ September 11, 2001 Terrorist Attacks
  - ✓ USA Patriot Act
    - Make it obligatory to consider effective measures against money laundering.
  - ✓ Bank Secrecy Act(BSA)
    - Revise the anti-money laundering rule
      - Make it obligatory to monitor and report a remittance of 10,000 dollars or more, and a transaction of the customer on a blacklist.
- ▶ Penalty for the disobedience
  - ✓ In 2005 : over 60 million dollars
    - The total amount is 100 times than in 2000. The number of punishments increased 5 times.
- ▶ Expand the object of business models
  - ✓ a securities firm, a investment trust company, and a insurance company including the bank

## ▶ The inspection of anti-money laundering program by authorities

- ▶ It's absolutely necessary for management to have a strong commitment and documentation.
  - ✓ Appropriate risk assessments
    - A risk determination and measurement
      - financial products, financial service, customers, communities
  - ✓ Internal management (Need continuous execution of system)
    - Design
      - policy, procedure, system, control
  - ✓ Program construction
    - Anti-money laundering program corresponding to risk
      - Internal management, inspection, placement of a compliance officers, training

# The situation of money laundering restrictions in the United States (2)

## ▶ Important points at Japanese bank

- ▶ Apply at a representative office
  - ✓ Publication and documentation by FRB in 2006
  - ✓ It's necessary to fulfill a program requirement on page 1 (Example:Documentation)
- ▶ It's necessary to review continuously
  - ✓ Authorities will demand strict criterion year by year
    - ✦ There is a possibility of not passing the inspection, even if passed the previous year
      - Authorities have to upgrade their methods against a clever trick of money laundering.

## ▶ List of recent punishment case by authorities

HSBC	UK	2003	Insufficient measures
Riggs	US	2004	Doubt of report negligence of large amount transactions with foreign government
Union Bank of California	US	2004	Insufficient measures
Standard Chartered	UK	2004	Insufficient measures
Arab Bank	Jordan	2005	Doubt of overlooking doubtful funds transfer
Deutsche Bank • Trust	Germany	2005	Insufficient measures
ABM AMRO	Holland	2005	Doubt of assisting to remittance under economic sanction to country
BONY	US	2006	The relapse prevention of past money laundering is insufficient.
Mitsubishi UFJ Financial Group	Japan	2006	The incompleteness of the system observed doubtful transactions, and reported to authorities.
Sumitomo Mitsui Financial Group	Japan	2007	The incompleteness of the system confirmed the customer identification on foreign remittance, and checked again internally.

# The situation of money laundering restrictions in Japan (1)

## ▶ A recent approach by authorities

### ▶ Enhance legal maintainability in 2002

- ✓ **Law Concerning the Identification of Customers by Financial Institutions and the Prevention of the Unlawful Use of Bank Accounts**
- ✓ **A part of revision of Foreign Exchange law**
  - ✦ Foreign remittance, Capital transactions with foreign country, Obligating of personal identification in capital transaction of nonresident deposit.
  - ✦ Construction of intimate cooperative relationship to maintain information on the Ministry of Foreign Affairs and authority concerned.
- ✓ **Law Concerning the punishment of the disobedience to regulations against the crime capital**

Financial institution etc. are under obligation to report of dealings with the doubt of the capital granting to the terrorism to the Financial Services Agency.

### ▶ In 2007

- ✓ **A part of revision of Law Concerning the Identification**
  - ✦ Impose restrictions of the transfer in the cash of 100,000 yen or more by using the ATM and obligate the presentation of the personal identification document at the window.
- ✓ **A part of revision of the general supervision guide of measures against money laundering for main banks, and for small or medium-sized and regional financial institutions** (Refer to the next page)
- ✓ **Law Concerning the prevention against the transfer of the crime capital**
  - ✦ The target of the business that has the obligation to report "Suspicious transactions" is extended to real estate agent and the credit card trader from conventional financial institutions.
  - ✦ The collection and the analysis function of money laundering information are transferred to the National Police Agency. The Financial Services Agency continues to accept the report.

## ▶ Transition of the number of reports about unauthorized transactions (The Financial Services Agency making public)

year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
The number of unauthorized transactions	9	13	1,059	7,242	12,372	18,768	43,768	98,935	98,935	113,860
The number of reports	-	-	-	5,329	6,752	12,417	30,090	64,675	66,812	71,241

- ▶ **The outline of a part of revision of the general supervision guide of measures against money laundering for main banks, and for small or medium-sized and regional financial institutions (amendment dated January 26 and revision execution guide dated March 13)**
  - ▶ For main bank
    - ✓ The meaning for financial service abuse prevention
      - ✦ It is necessary to construct the internal management system that can adequately execute “Personal Identification” and “Report of transactions with the doubt concerned in crime syndicate” that each financial institution is obligated by law, them. It is because an important meaning is possessed to prevent the financial service from the abused by the organized crime, and to secure the trust of my country financial system.
    - ✓ Point of view
      - ✦ Is a unified management system concerning the legal affairs problem to do "Personal identification" and “Report of suspicious transactions" adequately maintained, and does it function? Especially, when a unified management system is maintained, it is necessary to note it enough the following points.
        - The appropriate employee adoption policy and the customer receipt policy
        - The enough preparation that judges the conclusion and the continuance of the correspondent arrangement. It’s necessary to evaluate the correspondent bank properly through the confirmation of the customer base, the business contents, the local supervision system and not fictitious bank (so-called shell bank).
        - The training as become possible the appropriate and continuous operation, and the preparation of manual as well-known to employees , about the method of managing the customer including "Personal identification" and “Report of suspicious transactions“.
        - The appropriate report system (policy, method, information management system etc. ) about the case that relates to the abuse of the financial service by the systematic crime that the employee found including the detection of "Personal identification" and "Suspicious transactions“.
        - The appropriate management system including the decision making by senior managers about the customers and transactions that recognized suspicious cases when it compares with the customer attribute at a public position,etc.under the process of the personal identification and the customer management.

- ✓ Point of view (continuation of the previous page)
  - ✦ The appropriate examination and judgment system that consider customer's attribute, the situation when having transactions, and the whole of the concrete information about transactions that the bank has saved. Especially, when the system of “Report of suspicious transactions“ is enhanced, it is necessary to note it enough the following points.
    - The construction of the system that detects, observes, and analyzes a doubtful customer and transactions by using the system and the manual according to business contents.
    - It is necessary to consider it enough to the nationality (The example: the country and region that don't work in cooperation with the money laundering measures that FATF publishes), public position, customer attribute on business, the difference of the transactions between foreign exchange and domestic, and the status of the amount and frequency at transactions compared with customer attribute.
  
- ✓ There are 3 points when you make appropriate examinations and judgments for "Written report of doubtful transactions" (summary of the above-mentioned note)
  - ✦ The importance of “Know your customer: KYC”
  - ✦ The importance of reporting and management system against the abuse of financial service, and monitoring system that detects doubtful dealings.
  - ✦ The importance of adoption and training of employee to execute these smoothly.

Bank	Calculation system information vender	Measures against money laundering
The bank of Tokyo-Mitsubishi UFJ,Ltd	IBM	<ul style="list-style-type: none"> <li>▪ Set up "Money laundering prevention measures room" in April in 2007.</li> <li>▪ Arrangement to introduce the software of Fortent Co. (U.S.) that detects by customer transaction records within this year to each branch in New York, London, and Manila spending several billion yen. It expands to the other branch for the future .(Using together with HotScan)</li> </ul>
Sumitomo Mitsui Banking Corporation	NEC/IBM	<ul style="list-style-type: none"> <li>▪ Constructed the system that observes doubtful dealings in 2004.</li> </ul>
Mizuho Bank	FUJITSU	<ul style="list-style-type: none"> <li>▪ Introduced a new system in December, 2006.</li> <li>▪ Automatic retrieval of the name of a payer and a payee in a foreign remittance by the profiling list.</li> </ul>
Resona Bank	NTT DATA/IBM	<ul style="list-style-type: none"> <li>▪ enhanced its own system to monitor a suspicious deposit, withdrawal and remittance in October, 2006.</li> <li>▪ The monitoring system has been operating since 2005.</li> </ul>

- The origin: It depends on the Nikkei Shimbun article dated the 21st in April, 2007, etc..

▶ Reference

- ✓ Fortent <http://www.fortent.com/index.php>
  - Headquarters : New York, Main branch : Atlanta, San Francisco, London, Frankfurt, Paris, and Sydney
  - Business partner: offer the IT solution for risk management and compliance field (Anti-money laundering, customer confirmation (KYC), the technology of detecting illegality) to the bank, the brokerage firm, the insurance company, the government agency, and the enterprise etc. in 100 countries or more.
  - The main customer : Bank of New York, Barclays bank, JP Morgan chase bank, Lloyd's of London TSB bank, royal Bank of Scotland, Bank of Nova Scotia, Societe Generale, and UBS

## ▶ **Getonics** (a consolidated subsidiary of NTT DATA)

- ▶ Headquarters : The Netherlands
- ▶ In February, 2007 : M&A, NTT DATA gained a 70% holding in a Japanese corporation. Set up new system in May, 2007
- ▶ Plan to develop the integrated filtering solution equipped with function for Japanese system of syllabic writing.
  - ✓ Based on the package of Filcosoft Co. (France)
  - ✓ Correspondence to domestic exchange message of ZENGIN network and additional remark message of checking account of the Bank of Japan network
- ▶ Start the implementation of the profiling solution in major financial institutions.

## ▶ **Actimize**

- ▶ Headquarters : New York, Overseas subsidiary : London, Paris, and Tel Aviv
- ▶ Customer : 72 institutions
- ▶ Established the corporation in Japan in February, 2007, and announced the full-scale development of monitoring software.
- ▶ The price of software: About from 5 million to 500 million yen.

## ▶ **Sumisho Computer Systems**

- ▶ Started to approach in 2002
- ▶ Watchlist filtering : Adopted the production developed by SIDE International company, and introduced to 50 financial institutions.
- ▶ In 2007 : Plan to start the management of "mantas Anti-Money Laundering Solution" by Mantas Co. (United States) for profiling/monitor.

## ▶ **FUJITSU**

- ▶ In September, 2005 : developed the illegal payment monitoring system of cash card with The Minato Bank.
- ▶ Sales price : Basic service: from 7 million yen, Mail notification: from 2 million yen, Taking data in: from 2 million yen

## ▶ User list

- ▶ the world: 42
  - ▶ Japanese bank: 3 in 42
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- ✓ Bank of Austria, Greenwich, Connecticut, USA
  - ✓ Bank of Nova Scotia, Toronto, Canada (Himalaya – TCP/IP)
  - ✓ Bangkok Bank, New York City, New York, USA (Himalaya – TCP/IP)
  - ✓ Banco Popular. San Juan, Puerto Rico (Himalaya – TCP/IP)
  - ✓ Bank of Tokyo Mitsubishi, New Jersey, USA / Tokyo, Japan (Himalaya – TCP/IP)
  - ✓ IBM UK LTD for CLSS & CLSB, Portsmouth, United Kingdom (AIX)
  - ✓ Navy Federal Credit Union, Fairfax, Virginia, USA (Himalaya – TCP/IP)
  - ✓ Canadian Imperial Bank of Commerce, New York City, USA (Sun Solaris – TCP/IP)
  - ✓ Federal Reserve Bank of New York, New York City, USA
  - ✓ Royal Bank of Scotland (formally Natwest), London, UK (Himalaya – TCP/IP)
  - ✓ Credit Suisse First Boston, New York City, USA (IBM Mainframe – MQ)
  - ✓ UFJ Bank, New York City, USA / Tokyo, Japan (Himalaya – TCP/IP)
  - ✓ JP Morgan Chase, London, UK (Sun Solaris – TCP/IP)