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# ANTI-MONEY LAUNDERING

Financier Worldwide canvasses the opinions of leading professionals around the world on the latest trends in anti-money laundering.

# UNITED STATES

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JP Brennan is the global head of FinTech, payments, crypto compliance and investigations at J.S. Held. He brings over 20 years of experience in forensic accounting, auditing, litigation consulting, anti-money laundering compliance, cryptocurrency regulatory compliance, OFAC/sanctions review, and complex enhanced and operational due diligence. He has an in-depth understanding of the complexities that many FinTechs are faced with concerning their regulatory framework as well as those issues from a financial crime compliance perspective.

*J.S. Held*

**Q. Could you provide an insight into recent trends shaping financial crime in the US? How great a risk does money laundering in particular now pose to companies?**

**A.** One would likely never imagine compliance as being a sought-after role, but like everything else, times are changing. However, the culture of compliance is not simply changing because it is the latest fad to hit the job market; rather, it is due to some extreme situations that continue to take their toll on the world. While Russia and Ukraine seem like a world away from the US, we see the effects that this conflict is having on the everyday lives of those working in compliance departments. As such, we are seeing a concentrated effort by compliance teams to ensure that any potential touch points within Crimea are vetted and then vetted some more. In addition to the geopolitical aspects of potential money laundering, the type of fraud we are experiencing in the US is related to those activities involving investment scams, romance scams, phishing and identity theft. Companies must not only mitigate the risks they are directly facing, but also need to be aware of those indirect risks their customers present. Advances in technology have made it easier for bad actors to generate seemingly legitimate documentation and information that compliance functions will need to continually address.

**Q. In your experience, what are the main types of money laundering methods that organisations are encountering? What are the typical sources of such risks?**

**A.** As each company differs, so too do the types of risks they will face, ultimately opening each to different types of money laundering methods. Therefore, the type of business as well as the customers of the business will influence the risks faced by the company in question. Many of the traditional forms of money laundering methodologies, such as structuring, trade-based, real estate, shell companies and digital laundering remain at the top, although they have evolved to stay out of law enforcement crosshairs. Most money laundering risks that companies face are due to the business as well as its customers. Companies must conduct risk assessments and be honest about the

*J.S. Held*

types of risks their company might face. It is important that company management understands what risks are acceptable and more importantly how they can mitigate those risks. In many cases these risks are born outside of the company and presented through customers. Therefore, the importance and reliance is even more heavily weighted during the onboarding of customers and the performance of customer due diligence as aligned with the company's risk profile.

**Q. What legal and regulatory initiatives are set to have a significant bearing on financial crime in the US? How would you describe the nature and extent of the demands being placed on companies to help reduce money laundering?**

**A.** 2023 was a solid indication of what the Office of Foreign Assets Control (OFAC) had on its agenda. It recorded a record $1.5bn in penalties in 2023. Where OFAC left off in 2022, we saw continued targeting toward Russia, as well as a focus on sanctions evasion; with a fine of over $968m imposed to resolve civil liability stemming from apparent violations of multiple sanctions programmes on a cryptocurrency exchange, and the implementation of new countermeasures related to Iran circumventing US sanctions and export controls. While Iran guidance is nothing new, these red flags that OFAC has identified are ones that it expects all companies to recognise and address. In a year in which we have seen many bank failures and consent orders, among other things, regulators have drawn a line in the sand with much of the guidance that has been released over the past two years. Regulators have stressed the importance of companies performing due diligence, understanding third-party risk, being accountable for their business and proactively communicating with regulators.

**Q. In the wake of enforcement action, do companies need to proactively review and revise their anti-money laundering (AML) practices?**

**A.** At a minimum, companies should proactively review their anti-money laundering (AML) practices on an annual basis. This sort of review can coincide with recommended annual AML review and risk assessments. Additionally, if there are other events that occur throughout the year that might trigger a review, there would not be a need to wait until the annual review and risk assessment process.

**Q. How important has technology become in the fight against financial crime? How are innovative AML solutions being used to enhance systems and processes?**

**A.** As companies grow and evolve, some simply in size and others by adopting technology and becoming disruptive within their respective industries, the volume of transactions is increasingly difficult for traditional compliance teams to handle effectively. For companies to keep up with customers, as well as the sheer volume of these customers' transactions, they have to implement technology innovations in two key areas – onboarding of customers, more commonly known as know your customer (KYC), and transaction monitoring. Traditionally, compliance teams would manually run potential new customers through various databases and sanctions lists, which sometimes would take time during which the customer would be unable to transact, and open up the company to potential human errors.

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Today, there are numerous platforms that allow a customer to go through the KYC vetting process within minutes or even seconds. These technological efficiencies not only allow customers to transact almost immediately, but also take out the element of human error in the simplest of cases. In transaction monitoring workflows, traditional workflows work typically by monitoring transactions alone. Also, during this time, the number of transactions in question was much smaller than what they have grown into today. By using technology, transaction monitoring can ingest and interpret information about a customer as well as apply these interpretations to the activity.

**Q. Once a company suspects or confirms it has fallen victim to money laundering, what initial action should it take?**

**A.** If a company suspects or confirms that it became wrapped up in or has fallen victim to a money laundering scheme, the initial action the company should take is to investigate the activity and ensure it has accounted for all the transactions involved. The aim is to be 100 percent certain that it is in fact money laundering, and to have all the relevant facts and circumstances needed for the other steps further down the line. Additionally, companies may want to ensure that the fraudulent activity is not more widespread that initially thought. That is why a thorough investigation is the first step. This will help prevent further financial and reputational harm.

**Q. What essential advice would you offer to companies looking to improve the way they manage financial crime risk? How much of a challenge is it to tailor new innovations to a company's operational realities?**

**A.** When companies are looking to improve the way they manage financial crime risk, the first step is to ensure that the right 'tone at the top' has been established and that it will support the improvement, from both a financial and a culture perspective. Once management buy-in is secure, the next important step is to have honest conversations about the risks the company faces and determine what its risk profile should look like. This will allow advisers to tailor appropriate policies and procedures, as well as implement innovations to help mitigate

*J.S. Held*

accepted risks. However, it is important for an adviser to ensure that innovations are not implemented for the sake of being the latest technology. Any innovations should be ones that the company will be able to understand and utilise and are effective. ❑

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**J.S. HELD** is a global consulting firm that combines technical, scientific, financial and strategic expertise to advise clients seeking to realise value and mitigate risk. The firm offers a comprehensive suite of services, products and data that enables clients to navigate complex, contentious and often catastrophic situations.

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