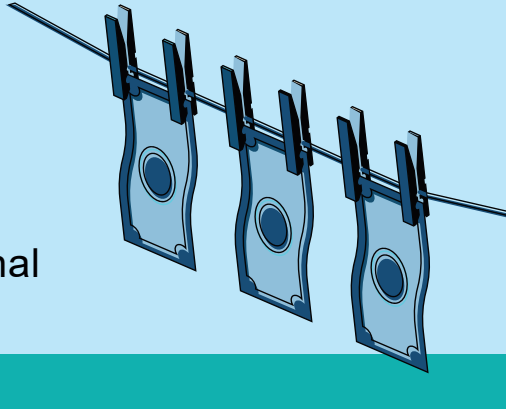
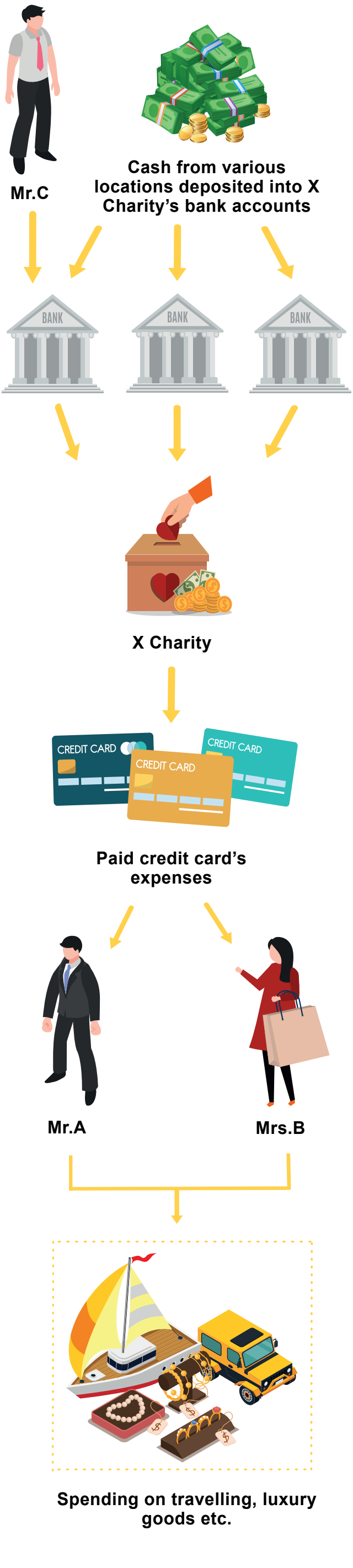
MONEY LAUNDERING

CASE STUDY 2

This is a case of a bank that were abused by a criminal to launder illegal proceeds.





Background Studies

- Mr. A is a high-ranking government official who is also Chairman for X Charity. X Charity maintains a current account at a bank, which Mr. A as the sole signatory.
- His wife, Mrs. B is housewife and hold a few credit cards under her husband's accounts.
- The cards were actively used for travelling, purchasing luxury goods and staying at expensive hotels overseas.
- Mr. C is a newly appointed compliance officer who is well experienced in anti-money laundering and countering financing of terrorism (AML/CFT).
- While reviewing transaction reports from his officers, he noticed irregularities as follows:
  - credit cards were paid by X Charity;
  - frequent cash deposits from various locations below the value of cash threshold reporting requirements from X Charity's bank account; and
  - large cheques deposited into the account from various entities without reasonable justification.
- Before Mr. C completed his assessment, he received Orders from law enforcement agencies to produce X Charity's statement of account. Mr. A was subsequently charged with multiple counts of criminal breach of trust, money laundering and abuse of power.

What are the red flags in this case?

- Single signatory for X Charity.
- Payment of credit card by a charity organisation.
- Frequent cash deposits from various locations.
- Large cheques deposited from various entities.
- Transaction patterns do not commensurate with the profile of customer.

What risk is the reporting institution facing in this situation?

- Reputational risks to the reporting institution.
- Criminal abusing the reporting institutions to penetrate illegal proceeds into the financial system.
- Fines for not implementing adequate AML/CFT Compliance Programme including failure to submit STR.

What should have been done in this situation?

- Put in place effective compliance programme.
- Appoint a compliance officer who has knowledge and expertise in AML/CFT.
- Establish red flags and ensure trainings are provided to relevant employees.