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Applying Anti-Money Laundering & Counter Terror Funding in Financial corporations

Enforcement of the prohibition of money laundering and counter terror funding requires a supportive information system that can identify and report suspicious cases and enable rapid and effective treatment without undue burden on the staff.

The Prohibition of Money Laundering law, 2000- defines money laundering as “an act carried out on prohibited property, in order to conceal or disguise its origin, the identity of the owners of the rights to it, its location and its movements or performing an action with it”.

Basically put, it is regarding an action which is carried out in order to take money that does not originate in a legal activity, obscuring its origin and investing it in legitimate channels.

The Prohibition on Terror Funding Law 2005 defines funding terror as “a property transaction which can allow promotion or financing an act of terrorism, or compensating for the performance of an act of terrorism ”.

The Israeli regulation requires the financial institutions (banks, insurance companies, credit card companies, investment houses, stock exchange members, etc.) to actively participate in preventing and reporting on the activities of money laundering and terrorist financing.

The requirements from these bodies are based on the guidelines of the FATF Organization. This is an international entity governing the ways to fight money laundering and funding terrorism.

This entity binds a number of countries: United States, European Union, Japan, Canada, South Korea, India and several other countries.

Israel is a candidate to join this organization, subject to an examination which is currently being carried out.

The FATF guidelines and the Israeli legislation were translated into practical requirements through the Prohibition on Money Laundering Law and in the Proper Conduct of Banking Business Regulation 411 (prevention of money laundering and funding terrorism and the identification of customers).

Following are the main requirements:

1. **Ongoing monitoring:** Setting up a computerized system to detect unusual activity in customers' accounts.
2. **Checking identification information against lists:** Watch List Filtering -Checking customer details against lists of suspects of conducting terrorist activities, gambling and other crimes.



3. **Control and monitoring high-risk customer activity and with high-risk countries:** Identifying customers with a prominent risk feature (eg: currency service providers, PEP-politically exposed person, etc.) as well as identifying transfers from and to at-risk countries (countries that are non-cooperative in the fight against money laundering, in accordance with the list published by the FATF).
4. **Reporting:** Reporting to the Anti-Money Laundering Authority regarding ordinary activities (**Objective report**, the Israeli Equivalent of **CTR**-Currency Transaction report) and unusual transactions (**Subjective report**).
5. **Performing a Know Your Customer (KYC) and Customer Due Diligence process:** A process which aims to identify the nature of the customer's stated activity, identify common risk characteristics, the sources of funds and other features. The customer's statements are monitored and checked vis-à-vis his actual activity.
6. **Identifying & authenticating the service recipient:** Processes designed to identify & verify the customer's identity and identify who are the parties that will benefit from his activity (eg: beneficiaries, controlling shareholders and trust creators).
7. **Managing & saving records:** Managing a computerized database containing details of the transactions taken (either by the customers or not by them) and of the identification details of the customers and the accounts.

HMS offers advanced information systems for the implementation of the prohibition of money laundering and funding terrorism requirements.

The systems are tailored to the Israeli regulations and they allow quick and efficient management of all the prohibition on money laundering and funding terrorism requirements in one system resulting in achieving efficiency and savings in the overhead.

