



The Importance of Public-Private Partnership in AML/CFT/CPF

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What is Public-Private Partnership (PPP) in AML/CFT/CPF?

Public-Private Partnerships (PPP) in Anti Money Laundering/ Countering the Financing of Terrorism/ Countering Proliferation Financing (AML/CFT/CPF) are strategic collaborative efforts between private sector institutions and public sector agencies such as law enforcement, regulatory authorities and policy makers to share information and intelligence to tackle financial crime.

Sharing information is key to promoting financial transparency and protecting the integrity of the financial system by providing financial institutions and the relevant competent authorities with the intelligence, analysis and data necessary to prevent and combat Money Laundering, Terrorist and Proliferation Financing (ML/TF/PF).

Sharing of information is important as the process also assists in identifying potential barriers to information sharing which might impinge on the effectiveness of the system. Key stakeholders are able to explore possible policy and operational solutions to overcome the barriers.

The Financial Action Task Force (FATF) Guidance — ‘Private Sector Information Sharing’ outlines the following:

- ◇ Information sharing between public and private sector stakeholders through PPPs increases the effectiveness of AML/CFT/CPF measures by facilitating a more comprehensive view of financial transactions and customers’ behaviour.
- ◇ Through such partnerships, sharing often happens in a secured environment which permits further data mining, operational analysis and scanning by the private sector to fill potential intelligence gaps.
- ◇ These PPPs enable information sharing across supervisors, the Financial Intelligence Unit (FIU), law enforcement, vetted participants from the private sector as well as international partners.

In an address given by FATF President, Dr. Marcus Pleyer, at a 2020 Chairmanship OSCE-Wide Counter-Terrorism Conference, he stated, “I cannot emphasize enough the importance of public-private partnerships in combatting terrorist financing. Many of us in Europe, the Americas and the Asia Pacific region have witnessed a number of high profile terrorist attacks in the last few years.

The establishment of trust and confidence between public and private sectors is therefore fundamental in this fight against terrorist financing. Public-Private Partnerships must be established before the need for terrorist financing investigations arises.

List of Key Public and Private Sector Stakeholders and their Roles

Public Sector

1. Customs

- ◇ Collaborating with domestic law enforcement agencies (LEAs) and the FIU; and
- ◇ Improving collective capacity to identify ML/TF/PF by linking suspicious activity with suspicious financial activities.

2. Law Enforcement Agencies (LEAs)

- ◇ Investigating predicated offences which may lead to investigations of international ML/TF/PF.

3. Prosecutors

- ◇ Proving that the laundered funds or assets are the proceeds of crime and that the defendants are aware of such.

4. Financial Intelligence Units (FIUs)

- ◇ Analyzing information and data from reporting entities, LEAs and regional and international counterparts to enable the detection of possible threats of ML/TF/PF.

5. AML/CFT/CPF Supervisors

- ◇ Monitoring and supervising to ensure compliance with AML/CFT/CPF legislation and International standards.

Private Sector

1. Financial Institutions (FIs)

- ◇ Providing information and data to the FIU and LEAs and other authorities to assist in detecting possible ML/TF/PF schemes given their knowledge of customers' behaviour and their role as financial intermediaries.
- ◇ Identifying suspicious activities and issuing Suspicious Transaction Reports (STRs) to the FIU.

2. Designated Non-Financial Businesses and Professions (DNFBPs)

- ◇ Identifying and recognizing companies and/or activities used solely to hide the original form of payments and other complex legal structures or transactions for ML/TF/PF activities. These include notaries, auditors and accountants.



Benefits of PPPs in combatting ML/TF/PF

Public and private sector institutions can be a source, as well as, a target of information flow. The use of data highlights the benefits of continuous dialogue between the public and private sectors.

- √ Enhancement of the quality of reporting and additional information input;
- √ Increased sharing of information and knowledge about existing ML/TF/PF typologies;
- √ Enhancement of the level of expertise and knowledge for all partners;
- √ Increased communication between the involved sectors.
- √ Identification of new and emerging risks;
- √ Improved quality and utilization of suspicious activity reporting;
- √ Enhanced collaborative and constructive relations between public agencies and regulated entities;
- √ Heightened risk awareness in the private sector, including the development of alerts and typologies;
- √ Enhancement of Channels for the exchange of financial intelligence between operational authorities and reporting entities; and
- √ Strengthening of the existing AML/CFT/CPF framework.

Challenges of utilizing a Partnership Approach

One of the main obstacles in PPP is ensuring information shared, especially from the public sector, remains confidential. Compromised information can adversely affect intelligence gathering or tip-off persons involved in active investigations. Other challenges and conflicting priorities include but are not limited to:

- √ Limited available resources to investigate on both public and private sector sides;
- √ A country's legal or regulatory framework may inhibit data-sharing, especially across borders;
- √ The authority dynamic between regulators and those being regulated;
- √ A culture of confidentiality in the financial system that extends beyond what is legally necessary and impedes dialogue and information or intelligence-sharing;
- √ Capacity constraints among the LEAs to investigate financial crime; and
- √ Potential disconnect and gaps between regulatory and LEA priorities.



CASE STUDY: ABUSE OF FINANCIAL INSTITUTION TO LAUNDER MONEY

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 is the sole signatory. His wife, Mrs. B is a housewife and holds 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 AML/CFT/CPF. While reviewing transaction reports from his officers, he noticed irregularities as follows:

- ◆ Credit card payments were made by X Charity;
- ◆ Frequent cash deposits from various locations below the value of cash threshold reporting requirements from X Charity's bank account;
- ◆ 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.

Discussion Questions

1. What are the **Red Flags** in this case?
2. What major risks is the reporting institution facing in this situation?
3. What should the Compliance Officer do in this situation?
4. How would Public-Private Sector Partnership assist in this situation?

Answers to Questions can be found on: [V3 CaseStudy2 \(bnm.gov.my\)](#)



Sources:

The Importance of Public Private Partnerships in AML/CFT—June 27, 2022.

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