

Money Laundering Risk, From the Bankers and Regulators Perspectives

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With the vulnerability of bank institutions in terms of exposure to money laundering, satisfactory money laundering risk assessment is vital. Money laundering risk is a real risk in the banking institutions. Frontline officers should be adequately competent in discharging duties. Money laundering is a crime, justified by the fact that whoever launders money is pursuing way to legitimize their ill-gotten gains which is accumulated via illegal activities. The main issue regarding the ability of the frontline officers to assess money laundering risk is on how competent they are, given their existing knowledge and skills as well as the influence of external and internal factors such as regulatory requirements and other organizational factors such as internal control systems and compliance. This paper aims to explore the practices of banks in assessing money laundering risk, focusing on involvement of frontline officers as the first line of defense. This study employs face to face interview, that interviews conducted provide insights into a myriad of findings on money laundering risk assessment.

1) Money Laundering Risk in banking institution

Money laundering goes hand in hand with the activities of organized criminal gangs, ongoing political corruption and corrupt business practices. Banking institutions are the most frequently used instruments by money launderer due to several factors including multiple services provided by financial institutions including deposits, loans and foreign exchange. Thus the banks should equip themselves with adequate infrastructure to screen money laundering risk. Banking institutions should develop criteria capable of identifying suspicious transaction related to money laundering.

2) Money Laundering Risk Assessment

Assessment of money laundering is important, given that any bank would be exposed to considerably high level of risk due to inherent nature of banking operation. In daily routine, a frontline officers needs to assess the risk of the customers, judge whether the customer is a

high or low risk customer and eventually decide whether to proceed with the banking transactions solicited by customer.

3) Competencies of Frontline Officers

Competencies are indisputable issue, ranging from ability to properly and assess impending risk to the flair of writing in filing suspicious transaction reports.

4) Function of Compliance Department

Compliance department is a relatively new function in banking institutions in ensuring compliance with regulatory agencies requirement. Bank officers are required to integrate their daily work along with meeting the best practices of compliance.

5) Conclusions

Money laundering is a real problem to the banking institution and to the nation as a whole. Without money laundering, criminals would have no mechanism to launder their dirty money. It is apparent that banks are greatly affected by the density of money laundering risk. The frontline officers at the banks should be aware of their enormous responsibility in money laundering risk assessment and they should not be easily defeated by the money launderers. This study is hoped to contribute to the existing body of knowledge on money laundering risk assessment in several ways.