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ANTI-MONEY LAUNDERING

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

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Introduction

Though it is difficult to quantify the financial impact of money laundering, the International Monetary Fund has estimated it could amount to 5 percent of global gross domestic product. Undoubtedly, it poses a significant economic and societal threat.

To that end, efforts in the fight against money laundering, terrorist financing and other forms of malfeasance are crucial. 2025 will be a pivotal year, with significant changes in anti-money laundering (AML) regulations and strategies, particularly around approaches to information sharing, and a change in focus on sanctions.

For many organisations, technology solutions to augment AML processes and strengthen regulatory compliance will be front of mind in the coming months. Central to this will be generative artificial intelligence, network analytics and information-sharing technology.

Last year saw some significant fines for compliance failings and 2025 is likely to be no different. Going forward, companies cannot afford to overlook investment in their compliance ecosystems if they wish to build customer trust and loyalty, and protect against potential regulatory penalties.

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Paul Peterson is a principal in BDO's global forensic accounting and investigations practice based in Washington DC. He is a certified public accountant by trade and for the past 25 years has been helping corporations with their domestic and international regulatory, fraud, and compliance matters. As part of his career, he lived in Europe for two and a half years working on a seminal Foreign Corrupt Practices Act matter, and in 2013 he relocated to mainland China for three years. His expertise includes fraud investigations, global anti-corruption, anti-money laundering, export controls and trade compliance, and forensic accounting.

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Javier Alvarez is a managing director leading the digital asset practice. He has over 20 years of experience in forensic accounting, litigation support, compliance, expert witness services and data analytics, with a focus on digital assets and blockchain. His expertise includes financial fraud investigations, FCPA knowledge, risk assessments, due diligence, AML and regulatory support related to BSA, AML and OFAC. He specialises in asset tracing, focusing on fund flows within digital assets and fiat currencies. He has developed a deep understanding of digital asset transactions, markets, blockchain technology and DeFi protocols.

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Q. How would you summarise recent trends in the US, particularly in relation to sanctions evasion? What are the emerging overlaps between sanctions and digital assets in anti-money laundering (AML)?

A. Recent US anti-money laundering (AML) trends emphasise increased regulatory scrutiny, technological adoption and international collaboration to combat sanctions evasion, especially with the rise of digital assets. Key regulatory developments like the Corporate Transparency Act are intended to enhance regulatory frameworks and transparency. These regulations have widespread implications in the financial industry; consequently, financial institutions are adopting new technologies and artificial intelligence (AI) and machine learning (ML) to detect suspicious activities. As digital currencies grow, regulators may revise AML laws to account for any evolving changes to cryptocurrencies, addressing compliance challenges due to their decentralised nature. Additionally, there will be an elevated focus on compliance measures such as know your customer (KYC), particularly for Office of Foreign Assets Control sanctions, and blockchain tracing technologies for cryptocurrencies. The US has been coordinating AML and sanctions regulatory efforts with many international enforcement regimes, which are resulting in increased penalties and additional remediation measures. Overall, these increased regulatory efforts are focused on addressing money laundering and sanctions evasion across both traditional and digital financial landscapes, and those efforts do not appear to be slowing down.

Q. Could you outline some of the key legal and regulatory developments in the US affecting AML? To what extent are companies operating under heightened scrutiny, and reacting accordingly?

A. In the US, key legal and regulatory developments affecting AML include the enactment of the 2020 Anti-Money Laundering Act, which expanded the Bank Secrecy Act framework. This legislation introduced stricter reporting requirements, enhanced beneficial ownership transparency and increased penalties for violations. The Corporate Transparency Act mandates that certain companies

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disclose their beneficial owners to the Financial Crimes Enforcement Network. Companies are operating under heightened scrutiny, facing rigorous compliance expectations from regulators. In response, businesses are investing in advanced technologies like AI and ML to enhance their AML programmes. They are also strengthening internal controls, conducting more comprehensive risk assessments, and providing extensive training to employees. This proactive approach aims to ensure compliance and mitigate the risk of financial crimes.

Q. What problems may arise for multinational companies as a result of the extraterritorial reach of certain laws, and greater collaboration between national agencies?

A. Multinational companies face challenges from the extraterritorial reach of AML laws and increased international agency collaboration. These challenges include complex compliance requirements and increased legal risks from laws like the US Foreign Corrupt Practices Act. Companies must now navigate diverse regulations which are leading to costly compliance programmes and potentially increased fines. As companies address these risks and corresponding internal matters, cross-border data transfers might become necessary. Data privacy concerns arise when sharing information across borders, given local laws like the European Union's General Data Protection Regulation and China's Personal Information Protection Law. Additionally, companies face operational challenges in dealing with these risks, including coordinating efforts across different environments, resource and budget constraints, and a potential lack of knowledge at the local level regarding overseas regulations. Non-compliance or AML investigations can harm reputations, affecting customer trust and business relationships. Robust compliance frameworks and proactive risk management are essential in addressing these issues.

Q. What steps should companies take to ensure adequate processes, programmes and policies are in place to support AML?

A. To help ensure compliance with US AML regulations, companies should

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conduct a thorough risk assessment to identify potential vulnerabilities. This means developing a tailored AML programme with robust policies and procedures, focusing on customer due diligence (CDD) and KYC processes to verify identities and assess risk profiles. Companies should also implement advanced transaction monitoring systems to detect suspicious activities and establish clear criteria for investigations. Additionally, companies need to file suspicious activity reports (SARs) as required and maintain detailed records, provide ongoing training to employees to keep them informed about AML policies and regulatory changes, and conduct independent AML audits to evaluate the programme's effectiveness and address any deficiencies. Also important is to help ensure compliance with US sanctions by screening customers and transactions against relevant sanctions lists and databases. Lastly, companies should establish strong governance with active oversight from senior management and the board. By implementing these steps, companies can effectively mitigate money laundering risks and help ensure regulatory compliance.

Staying informed about regulatory changes is crucial for effectively mitigating money laundering risks and helps ensure robust defences against both current and emerging threats.

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Q. In which areas of AML can companies utilise technology to help manage risks?

A. In the US, as in many countries, companies leverage technologies in several key areas of AML to manage risks. Advanced data analytics and ML can enhance transaction monitoring systems, enabling the detection of suspicious patterns and anomalies in real-time. Technology tools streamline CDD and KYC processes, improving accuracy and efficiency in identity verification and risk assessment. Blockchain technology tools offer transparency and traceability, which is particularly beneficial for digital asset companies. Compliance tools can enhance the filing of SARs by identifying relevant data points and reducing false positives. Additionally, there are sanctions screening tools that can automatically cross-reference customer data against updated sanctions lists. By integrating these technological solutions, companies can enhance their AML compliance programmes, reduce manual errors, and respond swiftly to emerging threats.

Q. What advice would you offer to organisations on integrating technology into their processes to enhance the efficiency of their AML capabilities and allow them to detect unusual behaviour and identify red flags?

A. Organisations should start by assessing their specific needs and objectives and identify areas where technology can add the most value. Selecting the right technology solutions is crucial. They should align with the organisation's size, complexity and risk profile, and should be scalable and flexible. Leveraging advanced analytics and ML can significantly improve transaction monitoring by identifying unusual patterns and anomalies in real-time. Automating routine processes, such as data entry and customer verification, increases efficiency and reduces errors. Seamless integration between AML technologies and existing systems is essential for comprehensive data sharing and customer activity insights. Regular updates and maintenance ensure systems remain effective against new threats and regulatory changes. Providing ongoing training to staff on new technologies and their role in the AML process is necessary for successful implementation. Continuous monitoring and evaluation of technology

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tools enables organisations to efficiently detect and respond to suspicious activities. However, an excess of decentralised tools can hinder AML programme efficiency. Regular maintenance and recalibration are essential to prevent misleading results and mitigate false positives, ensuring the system remains effective, practical and streamlined.

Q. Do you expect the risks posed by money laundering to increase in the months and years ahead? Do companies need to continually improve their systems in order to deal with current and emerging threats?

A. Money laundering risks are expected to rise due to evolving criminal techniques, the growth of digital assets, globalisation and changing regulations. Cyber terrorists are using sophisticated methods and cryptocurrencies to obscure transactions, while increased cross-border activities offer more laundering opportunities. As regulations evolve, companies face complex compliance challenges. To address these threats, companies must continually enhance their systems, invest in advanced technologies, and strengthen compliance programmes. Staying informed about regulatory changes is crucial for effectively mitigating money laundering risks and helps ensure robust defences against both current and emerging threats. Companies should adopt a culture of compliance by regularly training employees on AML practices and emerging threats. Collaborating with industry peers and participating in information-sharing initiatives can also enhance threat detection and response capabilities. Moreover, organisations should conduct regular risk assessments to identify vulnerabilities and adjust their strategies accordingly. By adopting a proactive approach, companies can better anticipate and counteract the evolving landscape of money laundering risks. ❑

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Q. How would you summarise recent trends in Mexico, particularly in relation to sanctions evasion? What are the emerging overlaps between sanctions and digital assets in anti-money laundering (AML)?

A. In 2024, the Mexican government noted the evolving sanctions landscape and heightened challenges for businesses and financial institutions (FIs). The risk of sanctions evasion, particularly by Mexico's sophisticated drug trafficking organisations, has increased. These groups exert significant territorial control and influence state institutions through bribery and intimidation. The government outlines key evasion methodologies and offers guidance on mitigating these risks. US legislation has expanded the scope for sanctioning individuals involved in corruption in Mexico, but few designations have been made under the Global Magnitsky Act. The Foreign Corrupt Practices Act and Kingpin Act have been more relevant for asset recovery. Although the Magnitsky legislation encourages civil society involvement, the engagement mechanisms and evidence requirements remain unclear. Digital assets, with their ability to transfer value rapidly and anonymously, are attractive for sanctions evasion. However, transactions on public blockchains can be traced by federal agencies and private sector actors. Agencies like the US Department of Justice and the Treasury have acted against digital asset misuse, such as charging individuals for using cryptocurrency to evade sanctions. Mexico also faces a rise in cyber-dependent crimes, with numerous cyber attacks detected by the national guard. Federal institutions have experienced cyber attacks compromising their information systems.

Q. Could you outline some of the key legal and regulatory developments in Mexico affecting AML? To what extent are companies operating under heightened scrutiny, and reacting accordingly?

A. The government of Mexico aims to combat organised crime by targeting its financial structures through the Prevention of Money Laundering and Combating the Financing of Terrorism law, as well as the Combat against the Proliferation of Weapons of Mass Destruction law.

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Significant progress has been made with stricter laws, enhanced FI capacities and improved international cooperation. The Financial Intelligence Unit, part of the Ministry of Finance and Public Credit, plays a crucial role in analysing and investigating suspicious transactions, leading to the dismantling of money laundering networks. However, Mexico's regulatory frameworks against large-scale corruption face challenges, as they are historically built on a weak legislative basis. New criminal techniques and virtual currencies complicate detection efforts. Additionally, corruption and impunity remain significant obstacles.

Q. What problems may arise for multinational companies as a result of the extraterritorial reach of certain laws, and greater collaboration between national agencies?

A. For multinational companies in Mexico, the extraterritorial reach of certain laws presents challenges such as complex compliance burdens, legal uncertainty and conflicting regulations across jurisdictions. These issues can lead to potential liability for actions outside their home country, complicate global operations and increase the risk of sanctions due to misinterpretations of laws. Navigating diverse legal landscapes can hinder efficient cross-border operations.
Among the challenges, companies must comply with various laws from different jurisdictions, increasing administrative costs and potential errors. They must also navigate varying interpretations of extraterritorial laws that create uncertainty about violations and legal risks, as well as interpret differing laws across countries, which may force them to manage conflicting requirements. In addition, extraterritorial sanctions may also impact global operations, while disagreements over prosecutorial jurisdiction can lead to legal battles. Lastly, violation allegations can harm reputations, even without a guilty verdict.

Q. What steps should companies take to ensure adequate processes, programmes and policies are in place to support AML?

A. Criminals are known to target small and medium-sized businesses because they often lack experience and knowledge of the risks involved in certain types

For multinational companies in Mexico, the extraterritorial reach of certain laws presents challenges such as complex compliance burdens, legal uncertainty and conflicting regulations across jurisdictions.

of transactions and do not have robust AML procedures in place. AML should be included in a good compliance programme, allowing compliance officers to enforce current legislation and update company measures. Some of the measures that can be taken include conducting customer due diligence, monitoring transactions and business relationships, notifying the competent authorities of any suspicious transactions, conducting regular reviews of transactions and money movements, training and guiding employees, cooperating with the competent authorities, establishing a system for preventing and detecting suspicious activities, and complying with the laws and regulations governing financial transactions.

Q. In which areas of AML can companies utilise technology to help manage risks?

A. FinTechs can harness the power of data and technology to enhance their AML compliance processes. By leveraging data analytics, artificial intelligence (AI) and machine learning (ML), FinTechs can improve their ability to detect and prevent financial crimes. These technologies enable

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the analysis of large amounts of data in real-time, allowing for more accurate risk assessments and identification of suspicious activities. AI-powered solutions use advanced algorithms and ML models to detect fraud and AML risks. These solutions can significantly reduce false positives by up to 70 percent and shorten onboarding cycle times by up to 50 percent. By leveraging graph network detection, identity clustering and dynamic thresholds, these AI-powered solutions provide FinTechs with powerful tools for effective AML compliance. The reality is that companies are often slow to invest in robust systems, which sometimes consist of disconnected modules. Employees face challenges due to a digital gap that hinders crime prevention efforts. Currently, companies are striving to achieve digital maturity and learn to use data analysis to support decision making in both preventive and detective manners.

Q. What advice would you offer to organisations on integrating technology into their processes to enhance the efficiency of their AML capabilities and allow them to detect unusual behaviour and identify red flags?

A. In today's digital world, money laundering is exploiting new channels like electronic transactions, online commerce and cryptocurrencies to hide illicit funds. Strengthening AML measures is crucial, requiring innovative strategies that integrate emerging technologies to enhance control processes and optimise best practices. To bolster their strategies and defences, organisations should consider leveraging AI and data analytics to analyse vast financial data to detect unusual patterns indicating suspicious activities. Blockchain technology and biometrics are also useful in this regard, given blockchain's immutable and transparent transaction records can track fund flows and prevent cryptocurrency-based laundering, while biometrics can be used to verify identities and help prevent the use of false identities in illicit activities. Organisations should also look to strengthen their collaboration with other entities, with effective information sharing among FIs, law enforcement and regulators a vital component in combatting money laundering. Underlining their efforts, organisations should assess and adapt their control measures based on their money laundering risks and, at the

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same time, provide continuous training for financial and regulatory staff on the latest laundering techniques and tools.

Q. Do you expect the risks posed by money laundering to increase in the months and years ahead? Do companies need to continually improve their systems in order to deal with current and emerging threats?

A. Money laundering risks are expected to increase in the coming months and years in Mexico, despite an uptick in the surveillance of financial and non-financial entities by the Mexican government. This is due to several factors, including new technologies such as AI, which has made it easier for criminals to scam customers and bypass security systems. Cyber security and data breaches are also primary drivers of financial crime risks, as are the introduction of new payment methods, such as prepaid cards, mobile payments and internet payment services, which are increasingly being used to facilitate money laundering. In response, the government is expected to take further enforcement action to combat financial crime. ❑

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Q. How would you summarise recent trends in the UK, particularly in relation to sanctions evasion? What are the emerging overlaps between sanctions and digital assets in anti-money laundering (AML)?

A. Recent UK trends show a heightened focus on preventing sanctions evasion with stricter penalties. Amendments to the Sanctions and Anti-Money Laundering Act 2018 aim to tighten regulations and increase scrutiny, preventing individuals and organisations from bypassing sanctions. Enhanced monitoring and international collaboration are key measures to uphold the integrity of the UK's financial system and support global sanctions enforcement. Significant overlaps between sanctions and digital assets in relation to anti-money laundering (AML) are emerging. Authorities are amending regulations to address challenges posed by digital assets, ensuring they fall under existing AML and sanctions laws. Businesses dealing with digital assets must implement robust AML and sanctions compliance programmes, including customer due diligence (CDD) and ongoing monitoring. By utilising technologies like blockchain analytics and artificial intelligence (AI) to trace and analyse digital asset transactions, the detection of potential AML and sanctions violations will improve. This highlights the need for a comprehensive approach to managing risks associated with digital assets in AML and sanctions enforcement.

Q. Could you outline some of the key legal and regulatory developments in the UK affecting AML? To what extent are companies operating under heightened scrutiny, and reacting accordingly?

A. Recent UK legal and regulatory developments have significantly impacted AML efforts. The Economic Crime and Corporate Transparency Act 2023 (ECCTA) mandates companies to disclose their ultimate beneficial owners, enhancing corporate transparency. The regulatory framework for cryptoassets has expanded, incorporating enhanced due diligence measures and extending AML requirements to virtual asset service providers. The Money Laundering and Terrorist Financing (Amendment) Regulations 2023, effective from January 2024, revised CDD measures for UK politically exposed persons (PEPs), ensuring that enhanced due diligence is proportionate to the risk posed by domestic PEPs. Significant fines have been imposed for financial crime-related breaches, particularly in the banking sector. UK regulators are also targeting law firms breaching money laundering regulations, with the Solicitors Regulation Authority issuing numerous fines. Companies face heightened scrutiny, prompting them to implement more robust AML programmes, including improved CDD and ongoing monitoring, with increased interest in using the latest technologies to manage AML risks.

Q. What problems may arise for multinational companies as a result of the extraterritorial reach of certain laws, and greater collaboration between national agencies?

A. For multinational companies, compliance with multiple, sometimes conflicting, legal frameworks can be challenging and costly. Companies must navigate varying AML, sanctions and data protection regulations across jurisdictions, which can lead to increased administrative burdens and legal risks. The risk of double jeopardy arises when companies are subject to penalties from multiple countries for the same offence. Enhanced scrutiny and enforcement by national agencies can result in more frequent audits, investigations and potential reputational damage. Additionally, the need for robust compliance programmes and advanced technologies to monitor and report suspicious activities can strain resources. Companies must stay informed about evolving regulations and foster strong internal controls to ensure they are fully aware of their AML and sanctions obligations, the extent of their operations and the nature of their business relationships across all locations. This reemphasises the importance of organisations undertaking continuous monitoring of financial crime related risk on a global basis.

Q. What steps should companies take to ensure adequate processes, programmes and policies are in place to support AML?

A. Key steps companies should take include conducting a comprehensive risk assessment to identify potential AML risks

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specific to business operations. Such an assessment should be informed by ongoing monitoring and audits to assess residual risk, not just underlying risks. Companies should also develop and implement a robust AML policy outlining procedures for CDD, transaction monitoring and reporting suspicious activities. Regularly updating the policy to reflect regulatory changes and emerging threats is essential. In addition, companies need to ensure procedures address all aspects of the risk assessment and are able to manage associated risks, considering customer and client types, product types and distribution channels. Training employees on AML regulations is a key step, backed up by internal policies to ensure they understand their roles and responsibilities. Employee efforts need to be guided by a dedicated compliance team to oversee AML efforts and ensure adherence to legal requirements. Technology is also important, with a greater use of AI and blockchain analytics to enhance monitoring and detection capabilities that reflect the risk and complexity of the business. Companies should also conduct regular audits and reviews of AML processes to identify and address weaknesses, learning from non-compliance to improve controls and processes.

Q. In which areas of AML can companies utilise technology to help manage risks?

A. Many entities are significantly increasing their use of technology to enhance the effectiveness of their AML compliance processes and reduce costs. A large portion of these compliance costs are related to personnel, and technology is seen as a tool to reduce or eliminate inefficiencies such as repetitive tasks and siloed teams. Technology already plays a vital role in financial crime risk management but has much more to offer. Automation assists in areas ranging from analysing diverse data sets and uncovering suspect transaction patterns to AI-driven risk assessment and detecting discrepancies between customer profiles and their transactional behaviours. A key challenge in designing financial crime controls is the ability to 'think like the criminal' and proactively predict where financial crime incidents could occur. Companies are now utilising fraud scenario modelling, which employs

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generative AI to reconstruct various potential financial crime scenarios.

Q. What advice would you offer to organisations on integrating technology into their processes to enhance the efficiency of their AML capabilities and allow them to detect unusual behaviour and identify red flags?

A. Despite the opportunities presented by advancements in technology, there also remains a vital role for human challenge. While many foresee 2025 as the year of modernisation of systems and increased use of technology, companies should look to retain a balanced programme of controls. Furthermore, recent high profile enforcement cases against two UK challenger banks have highlighted the importance of organisations ensuring the right data is fed into their automated processes and that their systems are functioning properly. Many businesses are turning to scalable solutions that integrate seamlessly with the existing systems and focus on real-time monitoring, advanced analytics and automated reporting. Investing in AI and machine learning to analyse large data volumes and

"A key challenge in designing financial crime controls is the ability to 'think like the criminal' and proactively predict where financial crime incidents could occur."

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detect suspicious patterns can also help organisations ensure they have robust data management and fit for purpose procedures that support secure and efficient recordkeeping and compliance with regulatory requirements.

Q. Do you expect the risks posed by money laundering to increase in the months and years ahead? Do companies need to continually improve their systems in order to deal with current and emerging threats?

A. Changes in technology, ultimately, also bring new opportunities for financial crime. As financial systems become more complex and globalised, criminals are finding new ways to exploit vulnerabilities. The new legislation within ECCTA aims to limit the risks of money laundering by, among other things, enhancing corporate transparency and ensuring the identification of ultimate beneficial owners. By mandating that companies disclose the individuals who ultimately own or control them, the Act makes it harder for criminals to hide behind complex corporate structures. This increased transparency will help regulatory bodies and financial institutions better understand who they are dealing with, making it easier to detect and prevent money laundering activities. It is important that companies seek to continually improve their systems as part of an ongoing AML risk assessment process to deal with both current and emerging threats. ❑

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Q. How would you summarise recent trends in the Republic of Ireland, particularly in relation to sanctions evasion? What are the emerging overlaps between sanctions and digital assets in anti-money laundering (AML)?

A. Ireland has become increasingly focused on sanctions evasions in recent years. As a member of the European Union (EU), EU Council regulations in respect of sanctions are binding on Ireland once they are published in the EU Official Journal. The Markets in Crypto-Assets Regulation (MiCAR) became applicable to issuers of asset-referenced tokens and e-money tokens on 30 June 2024 and applicable to cryptoasset service providers on 30 December 2024 in Ireland. MiCAR aims to create a comprehensive regulatory framework for digital assets, ensuring that cryptoasset service providers comply with anti-money laundering (AML) and counter terrorism financing (CTF) regulations. This includes adherence to sanctions regimes, which are critical in preventing sanctioned entities from using digital assets to circumvent restrictions. Under MiCAR, cryptoasset service providers are required to report suspicious activities that may involve sanctioned entities to relevant authorities.

Q. Could you outline some of the key legal and regulatory developments in the Republic of Ireland affecting AML? To what extent are companies operating under heightened scrutiny, and reacting accordingly?

A. AML legislation in Ireland is largely contained within the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended. This Act and the legislation which has amended it gives effect to the European Union's Anti-Money Laundering Directives, the latest of which is Directive (EU) 2018/843, commonly referred to as the Fifth Anti-Money Laundering Directive or AMLD5. The key pieces of legislation that will affect Ireland include the AMLAR, the regulation establishing a new EU AML and CTF Authority to be based in Frankfurt, the AMLR, the AML 'single rulebook' regulation which was provisionally agreed on 18 January 2024, AMLD6, the sixth AML directive which was provisionally agreed on 17 January 2024, and the recast Wire Transfer Regulation, published in

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Multinational companies face significant challenges due to the extraterritorial reach of laws and increased collaboration between national agencies in relation to AML, sanctions and cryptoassets.

the EU's Official Journal in tandem with the MiCAR to capture the transfer of cryptoassets.

Q. What problems may arise for multinational companies as a result of the extraterritorial reach of certain laws, and greater collaboration between national agencies?

A. Multinational companies face significant challenges due to the extraterritorial reach of laws and increased collaboration between national agencies in relation to AML, sanctions and cryptoassets. These challenges include navigating complex and often conflicting regulations from multiple jurisdictions, which can lead to increased legal and administrative costs. Companies will need to invest in training and ensure that their staff are aware of and understand the various laws and regulations. This can be challenging, particularly for large multinational organisations. The risk of heightened enforcement actions and penalties may be greater due to coordinated international efforts. To avoid or mitigate against this, compliance may require changes in transaction monitoring and customer due diligence (CDD) processes. Differing regulations on cryptoassets and data privacy may further complicate cross-border transactions. For example AML and sanctions regulations often require extensive data collection and sharing, which must be balanced with privacy laws under the General Data Protection Regulation in Ireland and the wider EU.

Q. What steps should companies take to ensure adequate processes, programmes and policies are in place to support AML?

A. To ensure adequate processes, programmes and policies are in place to support AML, companies should first conduct a thorough risk assessment to identify potential vulnerabilities to money laundering and terrorist financing. Based on this assessment, they should develop and implement internal policies, procedures and controls tailored to mitigate identified risks. It is important to establish a robust AML compliance programme that includes employee training on AML regulations and the company's specific procedures. Companies should also appoint a dedicated AML compliance officer to oversee the programme and ensure adherence to legal and regulatory requirements. Regular audits and reviews of the AML programme should be conducted to assess its effectiveness and make necessary adjustments. Additionally, companies should ensure they have effective mechanisms for reporting suspicious activities to relevant authorities. Finally, maintaining open lines of communication with supervisory authorities and participating in cooperative efforts can enhance the effectiveness of AML measures.

Q. In which areas of AML can companies utilise technology to help manage risks?

A. Companies can use technology in various areas of AML to manage risks effectively. Examples may include CDD and know your customer (KYC), transaction monitoring, sanctions and politically exposed persons (PEPs) screening, risk assessments, reporting and case management and data management and integration. By integrating these technologies, companies can strengthen their AML frameworks, improve

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compliance and mitigate financial crime risks. The Central Bank of Ireland has published bulletins in relation to many of these areas. For example, in respect of transaction monitoring, the Central Bank of Ireland's bulletin states that, "While the use of an automated transaction monitoring solution is desirable, a designated person should not place absolute reliance on any such system and employees should still be aware of the need to manually identify any transactional activity which may be suspicious". This demonstrates that while companies can utilise technology to help manage risks, it must not be relied on solely, and manual processes may still be required to ensure compliance with AML regulations.

Q. What advice would you offer to organisations on integrating technology into their processes to enhance the efficiency of their AML capabilities and allow them to detect unusual behaviour and identify red flags?

A. Organisations should assess their specific challenges and requirements to enable them to select the most appropriate and effective technologies tailored to their needs. Choosing scalable and flexible solutions is crucial, as they can grow with the organisation and adapt to evolving regulatory requirements. Leveraging artificial intelligence (AI) and machine learning (ML) can significantly improve real-time transaction monitoring and anomaly detection, while also reducing false positives. Integrating data from various internal and external sources is essential for creating a comprehensive view of customer activities and risk profiles. Automation of KYC and CDD processes ensures efficient CDD and continuous monitoring against sanctions and PEPs lists. Investing in staff training is vital to ensure that employees can effectively use new technologies and understand their role in AML processes. Regularly updating and refining systems based on feedback, emerging threats and regulatory changes is also important. Additionally, collaborating with external experts can provide specialised solutions and valuable compliance insights.

Q. Do you expect the risks posed by money laundering to increase in the months and years ahead? Do companies need to continually improve their

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systems in order to deal with current and emerging threats?

A. The risks posed by money laundering are expected to increase in the months and years ahead. As financial systems become more interconnected and digital transactions rise, opportunities for illicit activities expand. Criminals continually develop sophisticated methods to exploit vulnerabilities, making it essential for companies to stay ahead. Companies must continually improve their systems to address both current and emerging threats. Regulatory requirements are becoming more stringent, which requires enhanced compliance measures. Technological advancements, such as AI and ML, can enhance detection and prevention capabilities, but they must be regularly updated to remain effective against evolving threats. The rise of cryptocurrencies and other digital assets introduces new complexities and risks. Staying proactive by integrating technology ensures companies can effectively mitigate these growing threats. ❑

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Q. How would you summarise recent trends in the UAE, particularly in relation to sanctions evasion? What are the emerging overlaps between sanctions and digital assets in anti-money laundering (AML)?

A. In today's rapidly evolving financial landscape, the rise of real-time payment services and cryptocurrencies presents unique challenges for regulatory bodies and financial institutions (FIs). These innovations, while offering significant benefits, also introduce new risks that must be managed effectively to ensure the integrity of the financial system. Real-time payments require enhanced vigilance and robust transaction monitoring, while cryptocurrencies demand a multifaceted approach involving customer due diligence (CDD) and regulatory collaboration.
To address these threats, the United Arab Emirates (UAE) has implemented comprehensive cyber crime laws, regulating virtual assets through the Dubai Virtual Assets Regulatory Authority and the Central Bank of UAE (CBUAE). The CBUAE has mandated strict compliance measures for digital asset service providers. This includes rigorous CDD, continuous monitoring of transactions and regular reporting to ensure adherence to anti-money laundering (AML) and sanctions regulations. By adopting these measures, the UAE aims to create a secure and transparent financial environment that fosters innovation while safeguarding against financial crimes.

Q. Could you outline some of the key legal and regulatory developments in the UAE affecting AML? To what extent are companies operating under heightened scrutiny, and reacting accordingly?

A. Over the past two years, the UAE has implemented significant reforms to align with international standards, including establishing an Executive Office to counter money laundering and terrorist financing, setting up a special court for financial crimes, and adopting new AML and counter-terrorism financing (CTF) guidelines for FIs and designated non-financial businesses and professions. These efforts led to the UAE's removal from the Financial Action Task Force grey list in February 2024. Following this, the UAE updated its AML and CTF framework.
In August 2024, amendments to the

UAE Federal Law on AML prioritised compliance by elevating the National Committee under the Cabinet and the Supreme Committee under the Presidential Court. The UAE Cabinet approved the National Strategy for AML, CTF and Proliferation Financing for 2024-27, focusing on cyber crime, virtual assets and public-private partnerships. In 2024, the Central Bank fined a local bank $1.6m for AML and CTF failures, and the Ministry of Economy revoked the licences of precious metals dealers for AML breaches. These actions underscore the UAE's commitment to effective enforcement, prompting companies to enhance compliance programmes.

Q. What problems may arise for multinational companies as a result of the extraterritorial reach of certain laws, and greater collaboration between national agencies?

A. The UAE plays a leading global role in combatting financial crime. To enhance international cooperation, the UAE has signed numerous mutual legal assistance treaties to facilitate investigations into terrorist financing, money laundering and related crimes. This extraterritorial reach of sanctions and the close coordination between sanctions and AML regulators, pose risks of navigating complex compliance requirements across different jurisdictions, ensuring consistent adherence to varying standards, and managing increased scrutiny and potential penalties for non-compliance. Additionally, companies must balance AML compliance with data privacy concerns and adapt their operations to meet both local and international regulations. To effectively mitigate these risks, multinational companies require robust compliance programmes and continuous monitoring. This approach helps ensure they remain compliant with both local and international AML regulations while minimising the risk of financial crimes.

Q. What steps should companies take to ensure adequate processes, programmes and policies are in place to support AML?

A. To ensure effective AML processes, companies should conduct regular risk assessments to identify and update potential risks. Companies should develop clear AML policies and procedures and review them periodically to ensure they remain effective and compliant. Appointing dedicated AML officers and involving senior management in the compliance programme is crucial. Implementing advanced technologies like artificial intelligence (AI), machine learning (ML) and blockchain can enhance transaction monitoring, CDD and identity verification. Regular training and awareness programmes for employees are essential to keep everyone informed about AML regulations and responsibilities. Companies should also utilise real-time monitoring and ensure accurate regulatory reporting. Finally, conducting internal audits and independent reviews helps evaluate the effectiveness of AML programmes and identify areas for improvement. These steps collectively help manage risks, ensure compliance and enhance the detection, prevention and response to financial crimes.

Q. In which areas of AML can companies utilise technology to help manage risks?

A. The UAE has become a key player in global AI governance, actively shaping international standards and frameworks.

> *To enhance international cooperation, the UAE has signed numerous mutual legal assistance treaties to facilitate investigations into terrorist financing, money laundering and related crimes.*

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Regulatory bodies in the UAE are integrating AI and other technologies to enhance AML and CTF measures, ensuring FIs can better detect and respond to suspicious activities. In line with these efforts, companies can leverage technology to improve their AML initiatives. AI and ML can automate CDD, making data collection and verification more accurate. These technologies also assist in transaction monitoring by identifying suspicious activities in real-time. Data analytics can prioritise high-risk areas for risk assessment, while cloud-based solutions make regulatory reporting more efficient and secure. Additionally, blockchain technology enhances identity verification by providing secure records to prevent fraud. Together, these technologies make AML processes more effective, reduce costs and improve the detection of financial crimes.

Q. What advice would you offer to organisations on integrating technology into their processes to enhance the efficiency of their AML capabilities and allow them to detect unusual behaviour and identify red flags?

A. To benefit from AI tools and mitigate risks associated with this technology, it is vital that companies regularly review AI models, maintain human oversight and enhance cyber security measures. Companies should also engage in ongoing employee training and stay up to date with regulatory requirements. Choosing monitoring tools that fit the organisation's specific needs and offer real-time data analysis is vital for detecting unusual behaviour and identifying red flags.

Q. Do you expect the risks posed by money laundering to increase in the months and years ahead? Do companies need to continually improve their systems in order to deal with current and emerging threats?

A. The rise of new technologies and the proliferation of digital currencies and platforms have significantly increased the risks associated with money laundering. Criminal networks are increasingly leveraging AI, deepfakes and other advanced technologies to evade detection and carry out illicit activities more effectively. In response to these evolving threats, the UAE has strengthened its regulatory framework to ensure robust compliance and oversight over digital currencies and platforms. With regulatory changes, new technologies, increased scrutiny and sophisticated methods being used by criminals, it is important for companies to constantly evolve and improve their systems and processes. ❑

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