

**Deloitte & IIF White Paper  
(2024 edition)**

Global financial crime prevention, detection and mitigation

(Matthias Rode, Deloitte Lead AFC Germany, *June 2024*)

# IIF and Deloitte Third-in-Series Whitepaper 2024

## Introduction

We are pleased to present the **third-in-series** joint whitepaper - since 2019 the series has sought to provide a constructive assessment of the strengths and weaknesses of the global anti-financial crime framework, making suggestions/ recommendations for reform where they would help improve **effectiveness**.

The paper is written in collaboration between **Deloitte** and the **Institute of International Finance** ('IIF'; <https://www.iif.com/Publications/ID/5640/IIFDeloitte-White-Paper-on-Financial-Crime>). The Institute of International Finance (IIF) is the global association of the financial industry, with about 400 members from more than 60 countries (<https://www.iif.com/>).

Research has been based on **interviews** with **global financial crime leaders** from both the public and private sectors around the world.

# Global Reform – Selected Talking Points

The paper surveys reforms at the supranational and domestic level in the last two years. Areas of focus and approach vary, but almost all major economic centres are reforming their financial crime frameworks. Areas of particular interest include:

- 01 FATF**
  - An increased focus on effectiveness in the 5<sup>th</sup> round (6y) will accelerate reform in multiple major economic centres that will be evaluated. **FATF’s willingness to challenge** major economies is likely being tested.
  - Reforms to R16 (improve the traceability of transactions) could be critical to the acceleration of information sharing utilities.
- 02 The United States**
  - Clarity on the development, implementation and supervision of national priorities remains elusive, undermining the potential impact of US AMLA.
- 03 Singapore**
  - Legislation to enable the COSMIC model (MAS platform - “Collaborative Sharing of Money Laundering/Terrorism Financing (ML/TF) Information & Cases”) has been passed creating the potential to create a fully scaled, digitised Public Private Partnership. The balance between financial crime and unfair financial exclusion.
- 04 The United Kingdom**
  - The Second Economic Crime Plan sets out a wide range of ambitious reforms and innovations including the development of a national Data Strategy, a public private Workforce Strategy as well as reforms to partnership, information sharing, funding etc. It could be transformative if this vision is translated into reality.
- 05 The European Union**
  - The creation of AMLA, harmonisation of the rulebook and an increased focus on cross border collaboration, but challenges remain around enabling information sharing.

# EU deep dive - AMLA

The Anti-Money Laundering and Countering the Financing of Terrorism Authority



**MISSION AND GOALS**

- Directly supervising selected financial sector entities
- Indirectly supervising other entities in the financial and non-financial sector
- Supporting and coordinating FIUs
- Complementing EU AML/CFT rules by developing regulatory and implementing technical standards and issuing guidelines
- Imposing pecuniary sanctions and periodic penalty payments
- Governed by the Executive Board and General Board



Direct supervision and fully operational on 1 January 2028



Combating AML/CFT & compliance with EU requirements

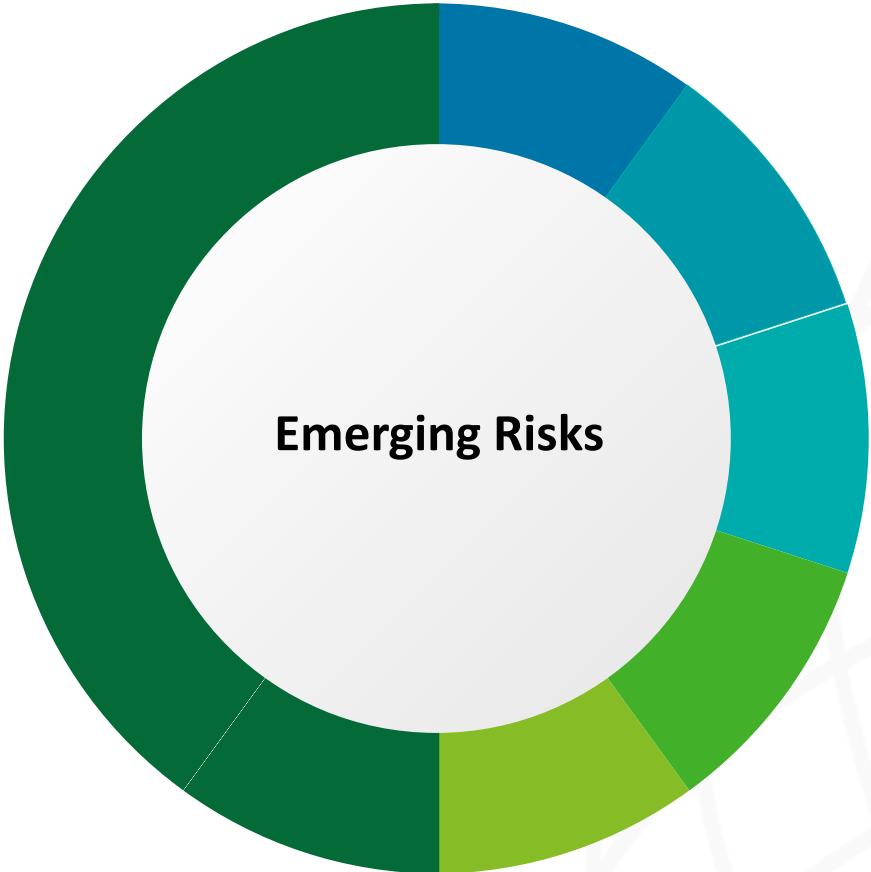


Interinstitutional cooperation



EBA will retain its mandate for AML/CFT until the end of 2025

# Emerging Risks



**Criminal use of AI**



**Poor implementation of regulation of VASPs/Virtual Assets**



**Geopolitical instability and sanctions**



**Stakeholder fragmentation**



**Avoiding change fatigue and the inertia of “business as usual”**

# Issues and recommendations for continued systemic reform



## Standards for information sharing

- Implementation of **Recommendations 2** and **18** remains patchy. Further guidance and robust evaluation of the **effectiveness of implementation** is required.
- It is time to accelerate progress through the development of a **new and binding information sharing standard**.



## Information sharing and data privacy

- The AML and DP communities too often talk past each other. We need to build a shared 'data literacy' through the creation and operation of a **senior AML/CFT and DPP Forum** organized through the FATF.
- This group should publish **clear guidance** to enable an **operative balance** between 'competing' legal frameworks.



## Multilateral cooperation on financial crime data

- Financial institutions **still cannot file multijurisdictional SARs/STRs** undermining the speed of investigation and effectiveness of asset recovery. FATF should act now to enable progress.
- Clarification of the rules around tipping off and testing cross-border filing amongst **small groups of likeminded nations** would accelerate progress.



## Public Private Partnership

- PPPs have shown their worth. They should **become an expectation in the FATF Standards**, with their **effectiveness tested** as part of the mutual evaluation process.
- Mature PPPs should now focus on digitisation, scale and skills. Operational **collaboration cross-border** is key.
- A PPP 'standard' should work alongside the **identification and reduction in nugatory regulatory obligations**.



## Fraud Detection

- Once money is moving through accounts it is too late. **Expanding the fraud prevention ecosystem is key**.
- Putting a 100% responsibility for redress on banks can lower a victim's 'guard'. We need to be **mindful of unintended consequences** of well-intentioned policy.
- Fraud is a global problem but lacks a global response. It is time to set expectations through a '**FATF for fraud**'.

# Issues and recommendations for continued systemic reform



## Asset Recovery

- The assessment of impact at the national level is undermined by poor data. FATF should **standardise data collections** expectations to inform policy.
- Extending **non-conviction based asset recovery** globally is key. Where NCBAR is not possible, there should be credit for innovative approaches.
- Asset recovery is challenging when money moves offshore. **Slowing cross border payments** would provide opportunities to intervene.
- Improving **cross border asset tracing** is critical. **Silver Notices** backed by innovative approaches to data provide a potentially powerful tool.



## Beneficial Ownership

- **Beneficial ownership registries** have played **too passive a role** in the financial crime ecosystem. Expectations around proactivity, information sharing and reliability should be raised.
- Too much FI capacity is perceived to be locked in low value activities that do not lead to outcomes. Valuable capacity could be released **by enabling reliance** on national BO registers.



## Payments

- Significant effort is required to aggregate data to improve analysis. The **payments architecture** represents one place where (some) **data already sits in aggregation**. It is important that 'owners' of the payments architecture are more directly engaged as part of a **whole system response**.
- Payments policy has focussed on speed. The **fight against financial crime** should be **enshrined in global payments 'policy'** and development.
- Tracking assets between payments rails is critical. **ISO20022** presents a 'once in a generation' opportunity. It should be robustly implemented with the fight against crime as one of the priorities.



## Enhancing capacity and capability globally

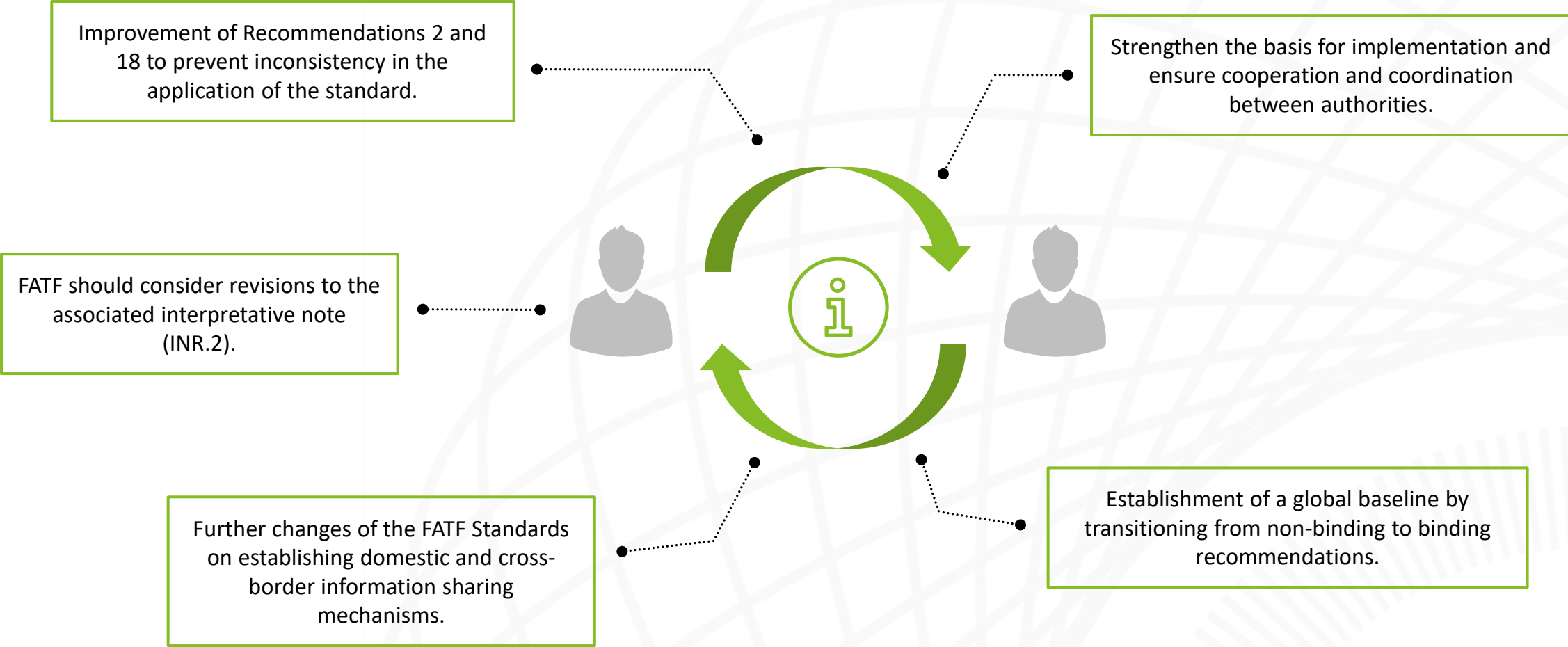
- There is significant disparity in the capabilities of different countries to deliver effective outcomes. FATF should **take stock of technical assistance** programmes to **assess their usefulness**. This process should inform best practice and investment.
- FATF should coordinate activity based on the above amongst government, funding agencies and providers to **ensure value for money and impact**.



## Effectiveness

- 30 years after the creation of FATF there is opportunity to **revisit, simplify and focus the 'purpose' of the AML framework**.
- Fighting financial crime effectively takes an ecosystem. Ecosystem actors must be coordinated. **Clear system leadership** is critical in this regard for example in key areas such as the setting of priorities and the definition of sectoral roles and responsibilities or 'mandates'.
- Capacity in the ecosystem is finite and must be reserved for activities that deliver outcomes against criminals. Where BAU approaches lock capacity in low value activities, we need the **courage** to challenge them.

# Standards for Information Sharing





# Information Sharing and Data Privacy Considerations



- .....● **Establishment of a senior AML/CFT and DPP Forum under the leadership of the FATF to build a shared ‘data literacy’**
- .....● **Achievement of objectives through mutual recognition of laws and regulation**
- .....● **Publishment of a clear guidance to enable an operative balance**
- .....● **There should be a proactive discourse with the public and private sector instead of an isolated discussion regarding the protection of customer data**

# Multilateral Cooperation on Financial Crime Data

## RECOMMENDATIONS

### “TIPPING OFF”

Rules regarding “tipping off” need to be clarified.

### CROSS-BORDER DIALOGUE

Individual jurisdictions should enhance cross-border dialogue through the use of existing mechanisms.

### SUSPICIOUS ACTIVITIES/TRANSACTIONS

Submitting cross-border Suspicious Activity Reports/Suspicious Transaction Reports (SAR/STR) should be enabled.

### COOPERATION

Cooperation of bilateral partners or groups of like-minded nations.



## REMAINING ISSUE

Multijurisdictional suspicious Activity Reports/Suspicious Transaction Reports (SAR/STR) remain impossible to be filed.

# Public Private Partnership (PPP)

## Enhanced Public-Private Collaboration

PPP should be defined in the FATF Standards and stimulating public and private entities to initiate collaboration.



## Clear Guidance

Guidance should contain information sharing and extension to the collaborative development of national AML Policy.



## Digitization

Extended use of regulatory “sandboxes”, innovation among policymakers, more equitable distribution of development risk and cost between public and private sectors for innovations.



## National Data Strategy

Collaboration through national data strategies which enables better utilization of already aggregated data for centralized financial crime analytics which fosters efficiency and releases capacity.



## Macro Level Data

Improvement of the ability of the regulated sector by facilitating the sharing of macro level data.



## “Low value” Activity

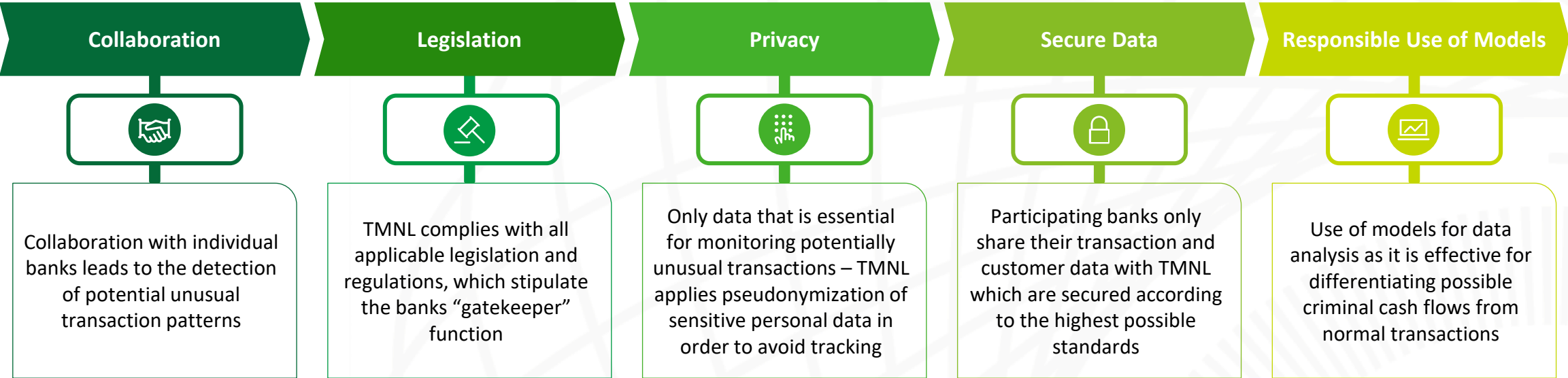
Identification and reduction of “low-value” activities in order to make better use of existing resources.



# PPP example\_Transaction Monitoring Netherlands (TMNL)



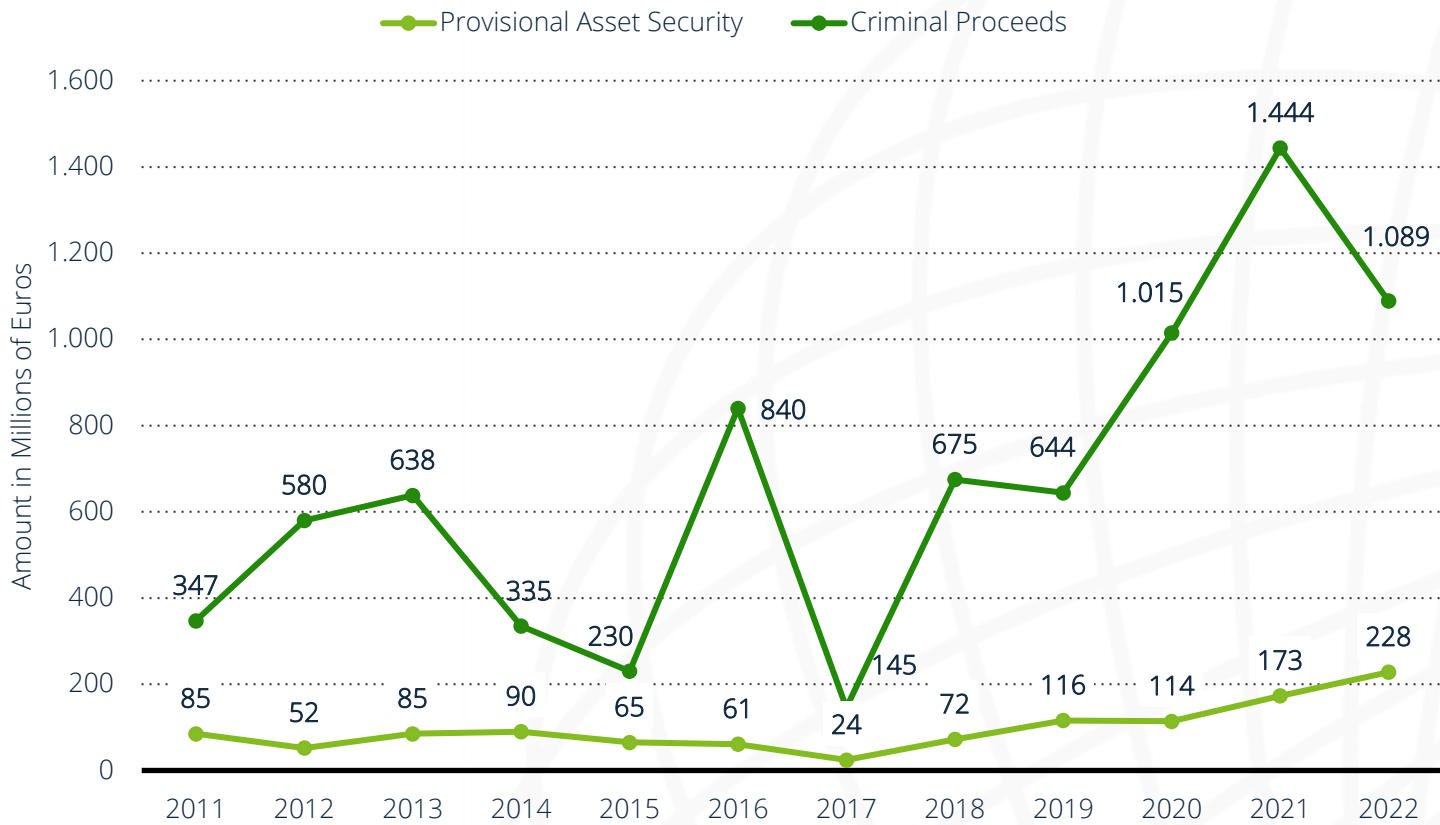
Five Dutch banks have joined forces under TMNL and combine transaction data from various banks



# Asset Recovery

Amount of provisional asset securities and detected criminal proceeds in the field of organized crime using Germany as example

Asset securities and criminal proceeds in organized crime until 2022 in Germany



## POSSIBLE SOLUTIONS

- Implementation of innovative approaches, Silver Notice and SAR/STR
- Establishment of a legislation that slows down transfers
  - ➔ Simplifies intervention opportunities
- Acceleration of processes for the identification and freezing of assets

Source: Federal Criminal Police Office; ID 368612

# Fraud Detection and Prevention

## Expansion of fraud prevention ecosystem

Involvement of stakeholders to combat fraud which specifically include sectors that can serve as avenues for fraudsters to reach their victims.



## Fraud at global level

Fraud is global in nature which is why global standards should be developed within the FATF Framework to set worldwide expectations and norms.



## Strategic approaches

Adequate guidelines for spotting fraud and holding the offenders accountable are significant pillars.



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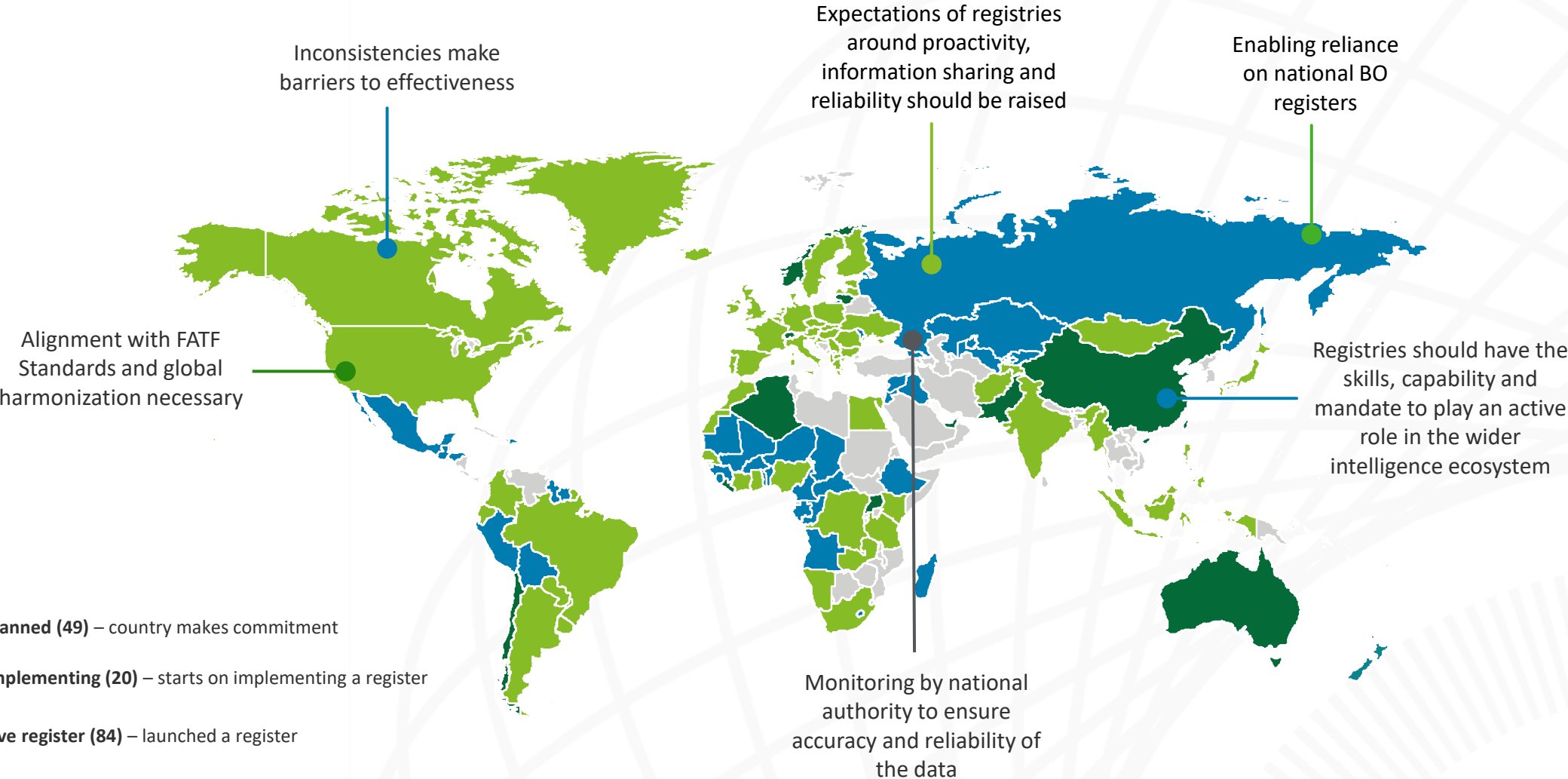
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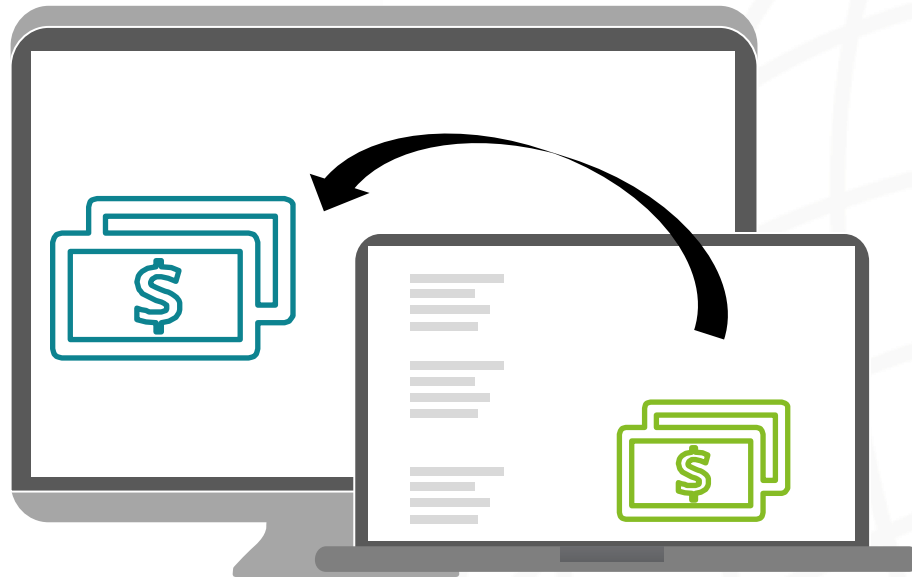


Source: Open Ownership map: Worldwide action on beneficial ownership transparency | [openownership.org](https://openownership.org).



# Payments

Making better use of payments data



## Transparency between institutions/across borders

Improvement of payments transparency between institutions and across borders

## Common Standards

Establishment of common standards to prevent blind spots in payments flows

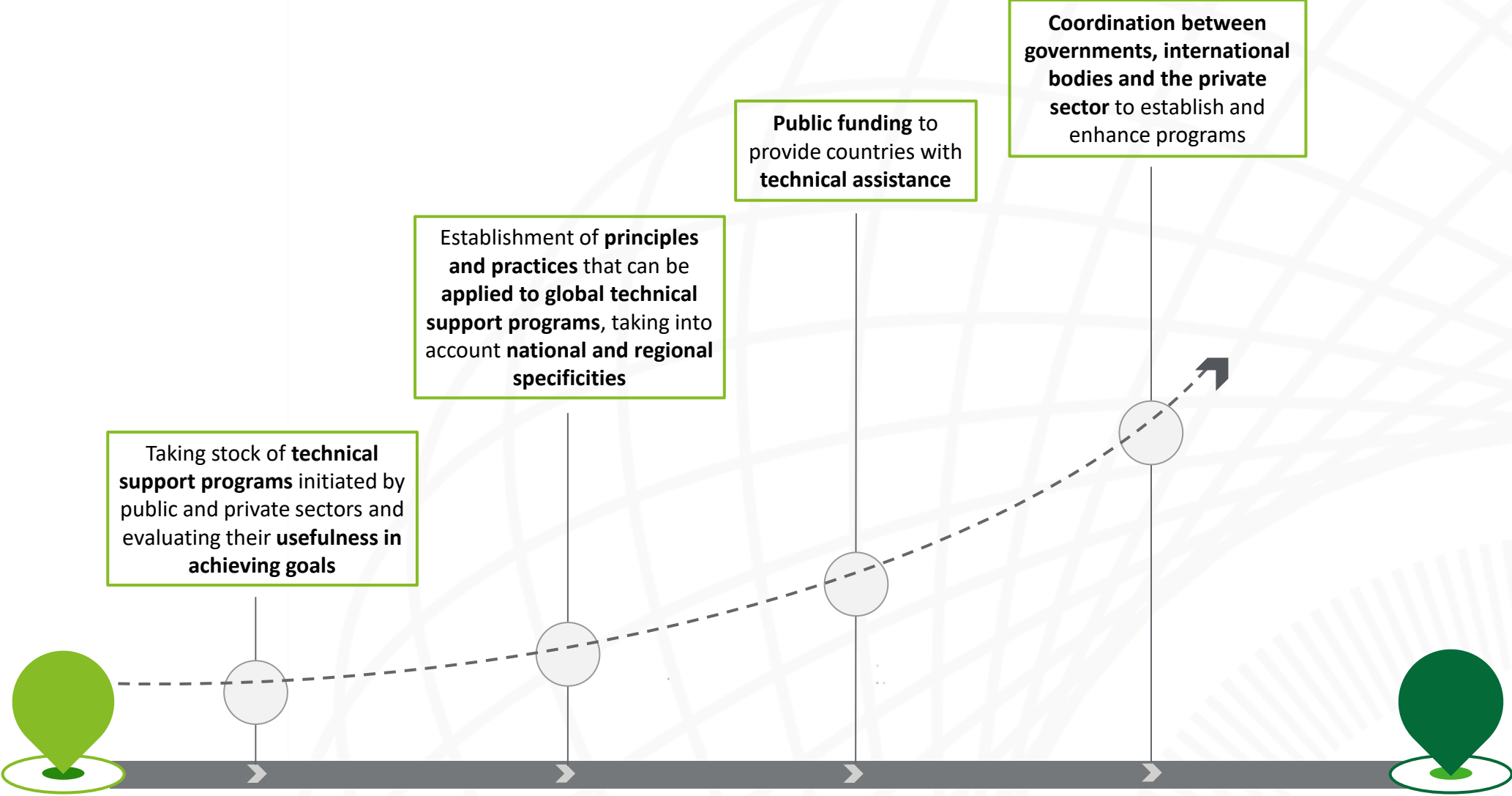
## ISO 20022

Introduction of ISO 20022 allows standardization and enhancement of information in payment messages

## Existing data for efficient information sharing

Data from multiple FI's that is already in one place allows faster utilization of information sharing services and serves as an alternative or complement to build new data pool platforms

# Enhancing Capacity and Capability Globally



# Effectiveness > Our takes



Implementation of **FATF Standards**



Introduction of "**Regulatory Reviews**" of FIs and regulatory authorities



Establishment of a **structured framework**



**Assessment of effectiveness** through for instance AML/CFT laws or establishment of a control system



**Pushing for effective enforcement** of legal, regulatory and operational measures



**Promotion of a strategic realignment** through the introduction of specific areas of responsibility



Necessity of a "**system leader**" accountable for effective and coordinated interactions



Introduction of **targeted mechanisms to analyze activities**



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