


Financial Crime Information Sharing – Mox Bank


Mitigating ML/TF risks through collaboration, technology and data



Existing approaches to tackling financial crime need to continually evolve. Criminals practice innovation daily to exploit any gaps left by legacy approaches that remain in the financial industry

This is confounded by new and emerging threats (especially in the face of a pandemic); gaps in regulatory regimes; vulnerabilities inherent in technology and the continued growth of transaction volumes online domestically and trans-nationally. A multi-pronged approach is needed:


- ***Data Sharing***
- ***Regtech transformation to aid risk identification***
- ***Increased information sharing***



Barriers to Information sharing are not unique to Financial Institutions, but should be reviewed with considerable importance

Do these information barriers exist within your organization and how are you addressing?

- Organizational
- Financial
- Technological
- Social- Cultural Barriers



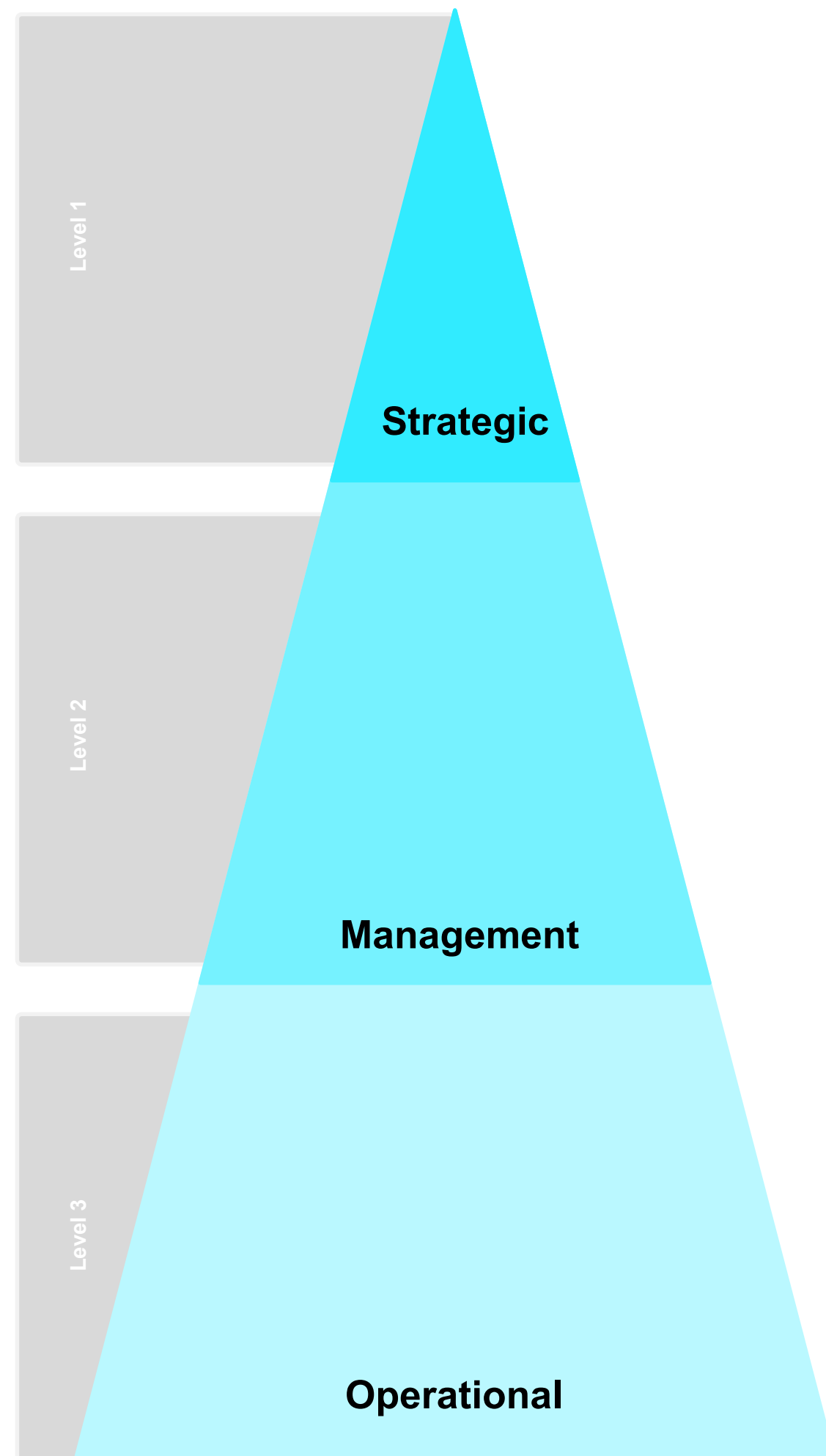
Internal barriers to information sharing require a reconsideration of traditional dynamics. Is your organization structure still designed with a hierarchical mindset in place? How have you reconsidered your workplace design to actively tackle bureaucracy?

As noted by Manca et al (*see references*), information Sharing Barriers that exist within organizations can be tackled with a focus on:

- Organizational Culture
- Human Resources and Work Practices
- Information and Communication Technology
- Physical Lay-out and Facilities


Information Sharing @ Mox

Key Meetings – Information Flow



Information Sharing @Mox :

- **Agile Delivery with Cross-functional squad Design**
- **Daily Stand-ups**
- **Bi-Weekly Showcase of key company-wide initiatives**
- **Flexi Work Arrangement with in office balance**
- **Lean Portfolio Management**
- **Communication Technology: Slack; Confluence; Teams; SharePoint**




Opportunities for increased information should be part of an organization's design. An Agile work environment is not a silver bullet but can aid information sharing across teams

Employees in agile work environments have set team norms that reflect:

- Can Do motivation (self efficacy)
- Reason-to motivation (felt responsibility for change)
- Energized motivation

Leaders must take an active role in managing goals with an eye to the overall strategic vision of the company.

Leaders must play an active role in the promotion of collaboration, both through example and by design.

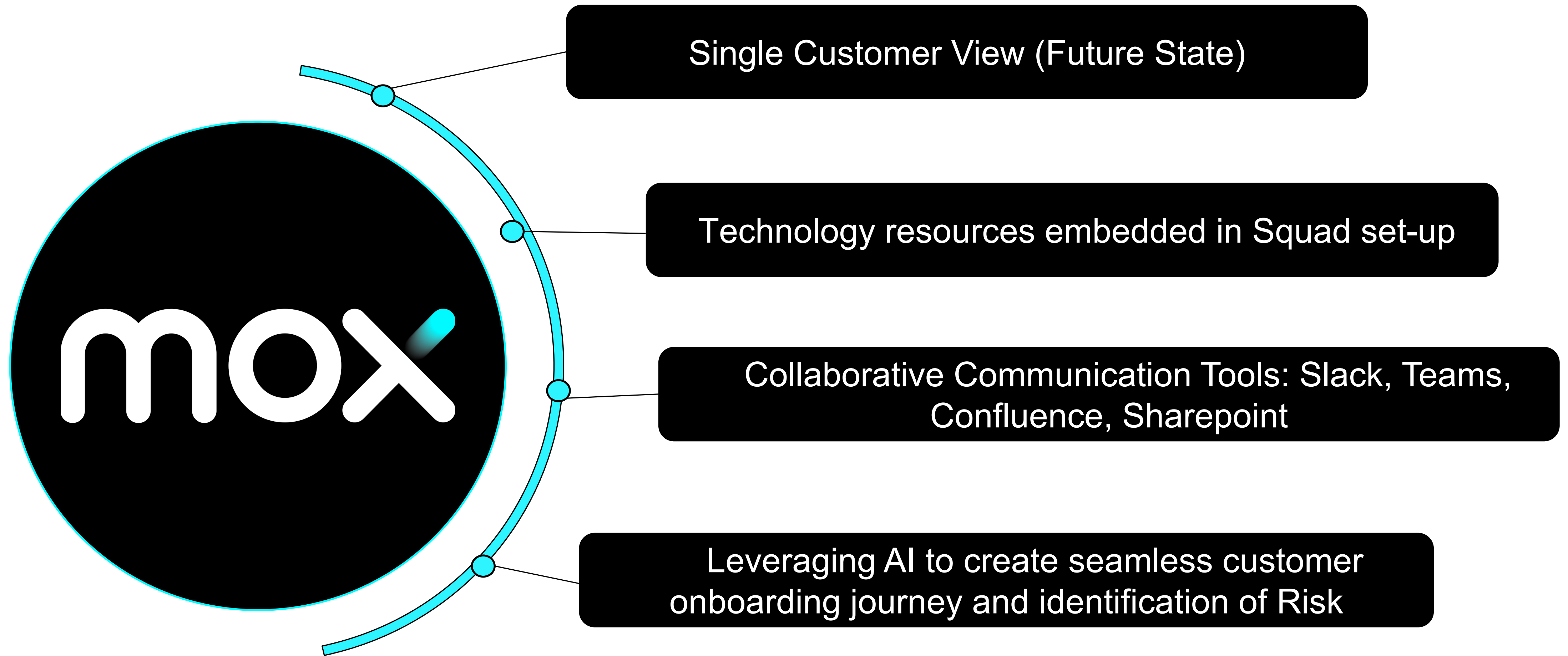


Previously, few studies looked at the impact of RegTech on money laundering prevention. However, looking at the direction of regulators, for ex. HKMA in promoting adoption through industry exchange is the way forward


The focus is shifting to how Technology can aid information sharing. In the HKMA's White Paper on Transforming Risk Management and Compliance: Harnessing the Power of Regtech speaks to :

- Boosting Awareness
- Promote Innovation
- Engagement with ecosystem

Mox Use of Technology for Information Sharing




Information Sharing in the Industry



Barriers to Success in Information Sharing still need to be tackled across the broader ecosystem


- Privacy requirements
- Data protection
- Limited participation by private sector
- Liability
- The ability to share information trans-nationally
- Limitations in sharing of predicate offence information for STR-identified convictions



However, there is much that can be done to facilitate information sharing through multiple avenues and innovative thought

- Private-side Peer Sharing
- Industry Experts Internal Sharing
- Public- Private Sharing
- Broadening public partnership with non- Als
- Exploration and discussion on future state models
e.x. Transactie Monitoring Nederland


The creation of the **Virtual Bank Working Group in 2020** with an aim to share intelligence across a wide agenda:



Virtual Bank Working Group is one example of Private side sharing Across Virtual Banks to aid industry dialogue to consider how to tackle issues

- Typologies
- Regtech/ Innovation Sharing
- Major targeted investigations themes
- Identification of active risk


As noted by Ms. Carmen Chu in the **Opening Keynote Speech at Fraud and Financial Crime Asia 2021 Conference**, *virtual banks successfully used data related to customers' mobile devices to identify a network of mule accounts safeguarded more than HK\$10 million worth of assets.*



Where can you start within
your organization?

- Explore how RegTech or Transformative Technology can aid your organization in Information Sharing, both internally and externally
- Consider if your data is 'ready' for sharing
- Proactively engage peers
- Early engagement with regulators on your journey-challenges and innovative ideas
- Reward employees for Information Sharing

Critical to continue to encourage industry dialogue around regtech, risk-based approach, etc.



Regular, transparent communication between the private and public sector- the power of the ecosystem.

- Supervisory bodies and regulators continue to share guidance on typologies expectations on a risk-based approach
- Regulators and FIUs have increased communication channels with FIs
- Stay agile on the journey. FIs who build for a more digital world will be well equipped to not just adapt but potentially accelerate their risk prevention agenda

Reference and Further Reading

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Appendix


As resources are redirected in the fight against Covid-19 more people are left vulnerable to Fraud and Financial Crimes



Financial crime proliferates in a global crisis. Criminals are highly adaptable and crime will continue to pay, just through new channels


- Forced criminality increases with job losses
- Quarantine and curfews can combat the spread of the virus but as a consequence, negatively impact the exploited
- Human trafficking and wildlife trafficking continue even with closed borders
- Children exposed to longer periods online are more susceptible to online sexual abuse
- Criminals are capitalizing on the public's uncertainty and fear driving more money mule activity
- Impersonation of officials/ CEO fraud naturally continues to be an ongoing concern but even more so due to remote working, frequency of aid relief during pandemic
- Counterfeiting- businesses as well as governments are affected

Pressure on AML at the industry level heightened by COVID



Headline issues faced by the industry are well known and a focus of the public/ private sector individually and collectively. This has been heightened during Covid-19

- Customer due diligence challenges, especially under social distancing and travel restrictions
- Pressure on resources in a unique environment
- Cyber-security, operational, data privacy (etc) challenges with working from home
- Changes in customers' behaviour, challenge to recognize what is normal 'now'
- Criminals capitalizing on fear and lack of digital expertise for some segments of the population



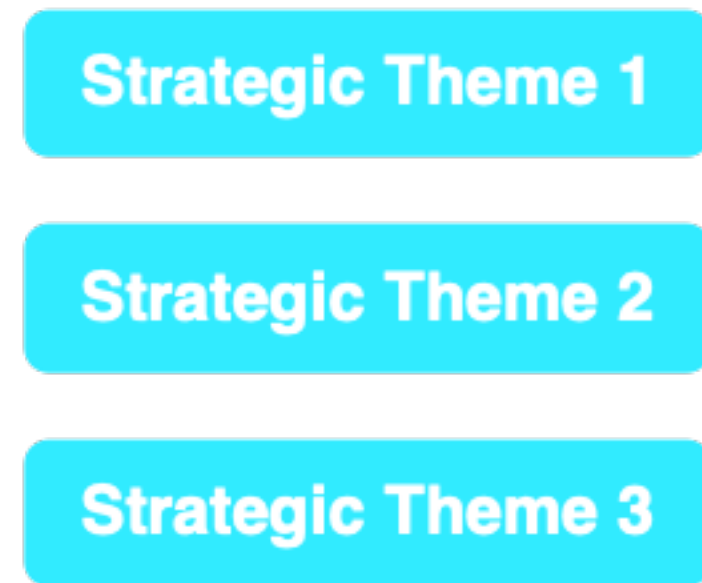
Intelligence sharing between stakeholders is critical. No one individual can sustainably identify and address threats. It's vital to consider how investing in evolving technologies can aid both risk identification and information sharing

Banks have needed to invest and implement digital solutions faster, in some cases, than anticipated

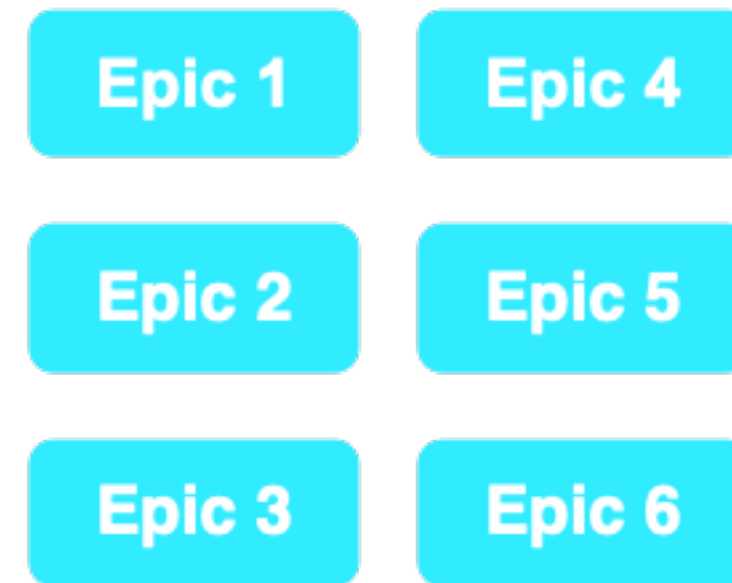
- Customers are unlikely to return to old norms
- Global RegTech spending estimated to increase from an estimated US\$18 billion in 2018 to US\$115 billion by 2023
- Robotic Process Automation, Natural Language Processing, Machine Learning and sophisticated AI will help quickly mimic customer behaviour or identify unique and potentially risky patterns

Ideation and Lean Portfolio Management Review @Mox

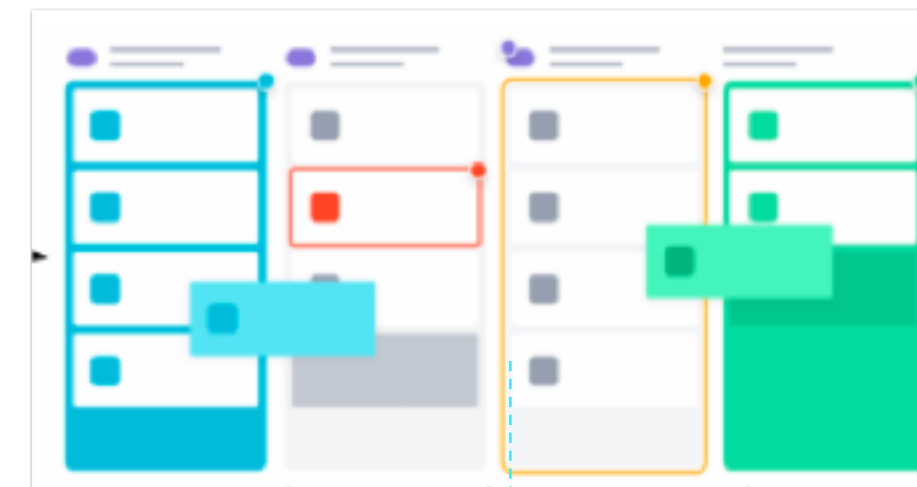
C-Suite and Tribe Leads set the strategies and goals that Mox needs to meet



Generate ideas, projects and investments that achieve the strategies and goals.



Ideas are put into the Portfolio Kanban for review, prioritization, and approval for funding.



All approved project are sent for development from appropriate squads



Assessment Criteria

Alignment to strategic theme and priorities

Benefits to Mox & Costs of delay

Leading indicators to prove success

Internal resource needs

Costs (external resources, tools, fees)

Timeline

Alternative solution evaluations

Architectural design

Dependencies on other squads