

## Money laundering scandals: The actions or inactions of bank employees

Apr 11 2019 [Dev Odedra](#)



Money laundering and financial crime scandals such as the Russian, Azerbaijan and Troika laundromats have attracted attention at a pan-governmental and international level. While reflecting on what roles deficiencies in systems, controls and regulations could have played following these scandals, an area worthy of equal attention, but often lacking is the actions or inactions "people" in banks when such scandals occur.



The recent scandals are not the first time attention has not been turned to the people in banks. Despite egregious failings in managing financial crime risk, not a single bank employee received a conviction for some of the other larger scale money laundering cases such as; [Rabobank](#) (2018), [US Bancorp](#) (2018), [Deutsche Bank](#) (2017), [HSBC](#) (2012) and [Wachovia Bank](#) (2010) despite penalties of more than \$360 million, \$600 million, \$425 million, \$1.9 billion and \$160 million respectively. While these examples are U.S.-centric, the lack of convictions of bank employees is equally applicable in Europe and the UK.

A [speech](#) by Mark Steward, the director of enforcement and market oversight at the Financial Conduct Authority (FCA), may be telling of changes in the future where convictions of bank employees increase in frequency.

At the Global Investigations Review on April 4, 2019, in closing, he concluded with: "In making poor AML systems and controls potentially a criminal offence, the [[Money Laundering Regulations](#)] are signalling that, in egregious circumstances, MLR failures let down the whole community...I suspect criminal prosecutions, as opposed to civil or regulatory action, will be exceptional."

### Case study

The people working in banks, especially AML compliance officers, now more than ever must ensure they maintain the utmost integrity, remain focused and act with confidence when managing financial crime risk in banks. The following is a genuine example of why the integrity of people working in banks, especially AML compliance officers, is so important in fighting financial crime.

The funds connected to the following case went on to make headline news internationally but the bank the AML compliance officer was employed by avoided attention, potentially as a result of the AML compliance officer's actions.

While reviewing a high-risk potential client connected to a multi-million dollar transaction, the AML compliance officer found two main issues:

- The source of wealth information could not be verified - only an Excel document listing the ultimate beneficial owner's investments in companies and their respective revenue's was provided, more of a source of funds than sources of wealth.
- There was significant negative media on a third party with whom the ultimate beneficial owner had a joint venture with - there was evidence the joint venture the ultimate beneficial owner had with the third party had received criminal property in the form of misappropriated funds. The joint venture was listed on the Excel spreadsheet as the primary sources of funds of the ultimate beneficial owner.

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- [USA PATRIOT Act of 2001](#)
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- [Practitioner's Guide for Broker-Dealers](#)
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A member of the AML senior management queried the reasons why an AML decision was taking so long for this particular case. Details were provided verbally followed by a concise email formally outlining the facts and reasons why the potential client and transaction presented a material financial crime risk to the bank and should not proceed. While the member of AML senior management sympathised via return email and agreed with the concerns raised, they paid the AML compliance officer a visit in person and put forward the following points verbally which totally contradicted their initial sympathetic email:

- "You shouldn't have put that in an email, it has made it hard to counter now."
- "You have dug yourself a hole, now you will have to get yourself out of it."
- "We have a deal team waiting on a multi-million dollar deal, we can't just say no."

*(Author note: At this stage it would have been easy for the AML compliance officer to sign off the client and transaction on the basis that a member of the AML senior management had told them to do so. The AML compliance officer knew the risks and what was right therefore did not just to what was expected of them.)*

When the AML compliance officer asked if they could discuss the risks, the response was "Just get it done!" in a raised voice with member of AML senior management walking off. The AML compliance officer politely refused, attempting to explain the risks but it was of little use as member of AML senior management had already started walking off, with only one expectation – to sign off the client and transaction at all costs.

The AML compliance officer concluded with a follow up email explaining they felt uncomfortable with the pressure being applied to sign off the client and transaction and remained firm in their conviction of the significant financial crime risks and the evidence they had presented.

What followed was an attempt to discredit the AML compliance officer's ability to carry out their duties through a meeting, which included a witness, but was presented to the AML compliance officer as a general "catch up" in the meeting invitation.

The meeting abruptly ended when the AML compliance officer offered to discuss the case and their decisions with any member of the bank and was open to any challenge. Needless to say nobody in the bank took up the offer and the client and transaction did not proceed as a result.

#### Advice to compliance officers

The above example shows AML compliance officers are often faced with challenges even from their own senior management team so must ensure they maintain their integrity with sound rationale for their decisions and actions.

Two books that should be a staple for every AML compliance professional, which highlight the importance of doing the right thing and getting the message across correctly in challenging times, are:

- "Wilful blindness: Why we ignore the obvious at our peril" by Margaret Heffernan.
- "Giving voice to values: How to speak your mind when you know what's right" by Mary C. Gentile.

"Giving Voice to Values" explains not only the importance of getting your message across when you know what is right but also provides techniques for how to do so. Reaching out to Mary for this article, she said: "I think that one of the most useful insights for compliance professionals facing values conflicts to remember is that we usually have more choices than we think. I have found that even if we do not find the perfect words at the perfect moment, there are usually ways to at least keep the conversation open; to buy time; to find allies; to gather insight into what drives the individuals we wish to influence and/or whom they listen to (so we can get to those individuals); to collect data; and importantly to frame our positions in ways that enable the audience to hear us without having to feel shamed or blamed. And all of this happens best and most often if we rehearse."

"Wilful blindness" details many examples of what can happen when people turn a blind eye or convince themselves into ignoring obvious wrongs, so when also reaching out to Margaret for this article and seeking her key piece of advice for AML compliance professionals she said: "Examine the culture. Cultures that are markedly hierarchical, bureaucratic and competitive are far more susceptible to wilful blindness".

Governments and policymakers have been looking at regulatory reform following the recent spate of money laundering scandals and current consequences for banks see significant fines, occasional firings and bank closures (e.g. Swedbank chief executive [dismissed](#) in March 2019 and bank shutdowns (e.g. ABLV Bank liquidated ultimately as a result of FinCEN's designation under [section 311](#) of the PATRIOT Act in February 2018).

In managing financial crime risk, while systems/controls and laws/regulations are valuable tools, the proto and the prime are "people". It is their actions and decisions that either stop money laundering or ultimately allow it to occur.

Governments and policymakers should place greater emphasis on all bank employees to manage these risks and equally look to hold these employees criminally accountable when serious failings are identified.

*Dev Odedra is an independent anti-money laundering and financial crime expert. He has over a decade of experience in managing financial crime risk in the retail, corporate and investment banking sectors. The views expressed are his own.*

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