



Presentation of Case Studies

Christabel Coleiro, Stephanie Camilleri and Martha Mallia Pawley

Enforcement Section



Case Study 1










Financial Institution



CUSTOMER PROFILE



Tom

-  Age - 70-year-old
-  Nationality – United Arab Emirates
-  Resident - Sweden
-  Occupation – Finance Manager
-  Annual Income – USD60,000



Tom





Tom



Ben

1 transaction – USD1,000



Tom



Kate

1 transaction – USD3,000



Tom



Remitted a total of 140 transactions amounting to approximately USD225,000 within a year





PURPOSE OF REMITTANCES

To pay for family maintenance costs



School fees



Other miscellaneous expenses





Director



Tom





Alerts relating to customer were deactivated



Tom

Allowed to continue remitting funds

560 transactions

USD900,000 remitted

Over a period of 4 years



KEY TAKEAWAYS



It is **not enough** to have transaction monitoring **systems in place**



Subject persons are to ensure that the **information** provided by the customer as to the **purpose** of the transactions is **adequate**



Transactions are to be considered in a **holistic manner** and placed side by side with the customer profile



Friendly/familiar relationships are not to be relied on



Case Study 2





Financial Institution



Customer Profile




Sam



Occupation

- Consultant



Account Turnover Expectations

- €25,000



Risk Rating

- Low Risk



Customer



Chairman of the Board
and Beneficial Owner



Transactions processed through Customer's account on 15th May 2018

1. €100,000 inward transfer



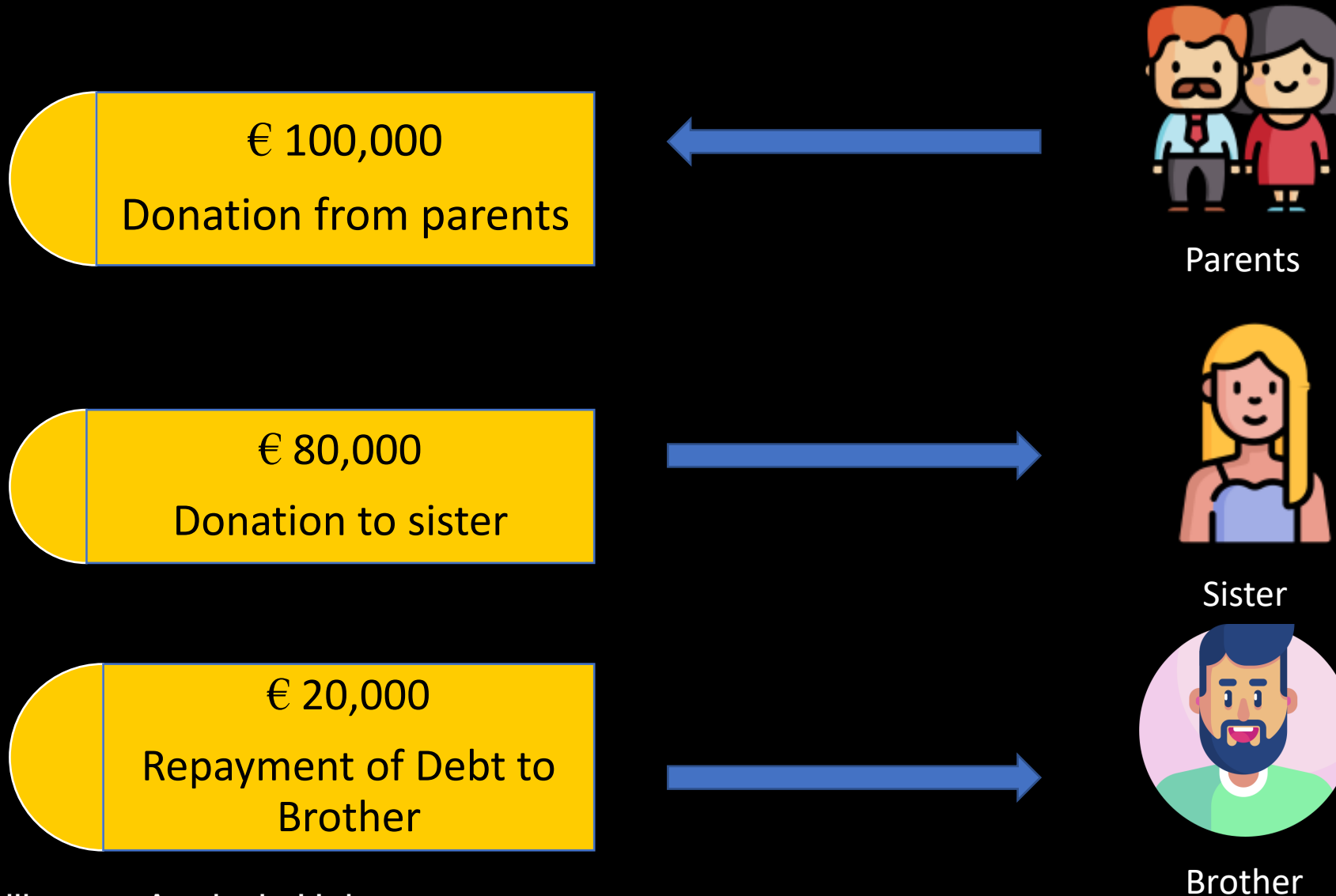
2. €80,000 outward transfer



3. €20,000 outward transfer



Information obtained by the Company in relation to these three transactions

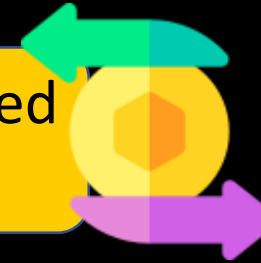






Red Flags

The fact that the account was only opened and used to process the mentioned three transactions.



Two payments were credited to the account with the same amount being debited from the account on the same day



There was significant deviation from the account turnover expectations (€25K per year).





Red Flags (cont.)

Customer's description of employment was too generic.



No agreements were provided by the customer as an explanation to the transactions.





Key Takeaways



Subject Persons shall ensure that the transactions being affected by their customers are duly substantiated, and that the rationale of such transactions is known.

The purpose and intended nature of the business relationship is crucial not only to build a comprehensive business and risk profile but also to be able to conduct efficient and effective transaction scrutiny.

The fact that the customer is related to the subject person's BO does not exonerate the subject person from carrying out the necessary CDD checks on the customer, including the effective scrutiny of transactions.



Case Study 3





SP's Profile



Financial institution registered in Malta



Owned by a natural person



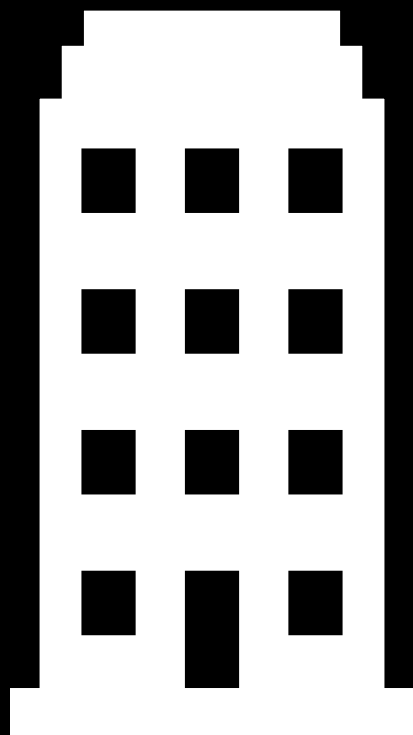
Manual transaction monitoring system – excel based



Large volumes of transactions without any economic rationale went unnoticed



Customer Profile



Orange Payments* - biggest customer of SP



Processed large volumes of transactions in a short period of time



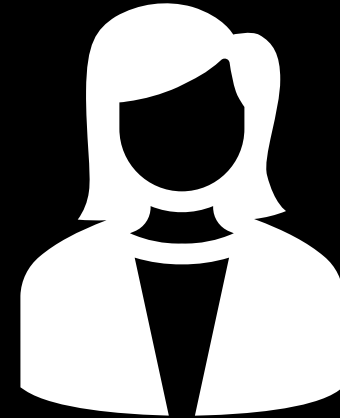
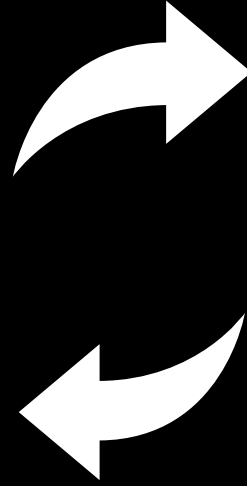
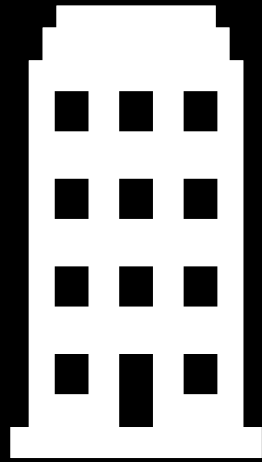
No online presence, despite the multiple financial services offered and the volume of clients it serviced



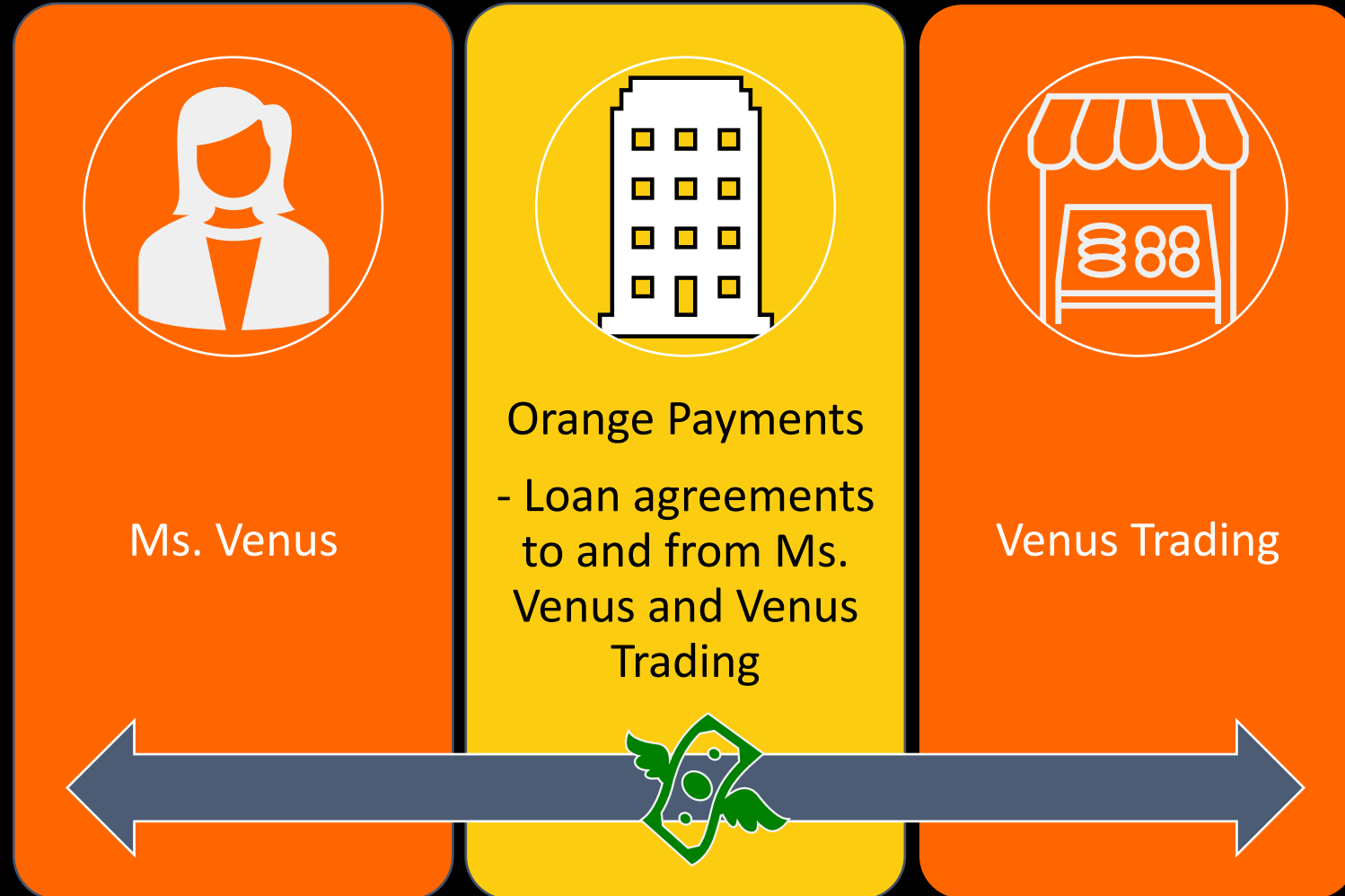
Once the transactions were processed, Orange Payments ceased operating



Medium-risk customer



- Loan agreement between Orange Payments as the **LENDER** and Ms. Venus as the **BORROWER** for Euro 5.3 million
- In less than 2 years, Euro 7.2 million were transferred from Orange Payments to Ms. Venus
- During this 2 year period, Ms. Venus entered into another loan agreement with Orange Payments, however, this time she was the **LENDER**
- Ms. Venus lent Euro 4.5 million to Orange Payments, at the same time that she had borrowed and was paying the loan of Euro 5.3 million





Adverse media reported

Adverse media also included reference to the scheme that was taking place



Key take-aways

- Documentation – why is it collected?
- Transaction monitoring tools should be proportionate to the business activity of the SP
- Be aware of patterns
- Do not overlook the most obvious checks – language, currencies, dates, involved entities, generic details, too nice, no online presence
- An adequate risk assessment is the engine of compliance
- Invest in your people