

The War Between Professional Money Launderers and Anti-Money-Laundering Professionals?

Vinod Kavali and Kumail Jillisger

The United Nations Office on Drugs and Crime estimates only 1% of the money laundered annually (US\$800 billion to US\$2 trillion) is confiscated. This is too minuscule an amount, given the efforts of law enforcement and regulatory bodies in fighting money laundering. Financial institutions are considered the first line of defense in this fight. At one end, financial institutions have been increasing their budgets (both people and technology), and at the other end hefty penalties are levied on them for non-compliance with [KYC](#), [AML](#), and sanctions (over US\$30 billion in 10 years).

Does this mean we are winning a few battles, but losing the war against money laundering? Why are professional money launderers (PML) faring better than anti-money-laundering professionals (AML)?

Team: Both PMLs and AMLPs are experts in designing money laundering frameworks and anti-money-laundering policies and procedures, respectively. The stark difference is visible at the level of foot soldiers. Financial institutions deploy large teams of L1 analysts, but they comprise resources who are generalists and not specialists (in law, finance, or economics). More often than not, the team consists of resources who have just secured their first job. Compare this with PML foot soldiers, who are apt at finding newer loopholes.

Training: Financial institutions design training programs that focus on theory, at times conducted by seniors in the team. The training program focus on different checks and balances, it fails to explain different AML typologies and specific checks on how to identify and mitigate risk. It is also easy for PMLs to get their hands on training manuals and know exactly what the AMLPs look for.

Process: There always exists pressure on businesses to activate new accounts faster than before, on sales to take exception approval thereby **reducing the outreach to the client**, and on resources to complete reviews within agreed timelines. This has led to compartmentalizing a process, **more a factory model** where work is divided in to many parts to achieve standardization and faster processing. How many L1 resources have a holistic view of a customer? How many of us perceive ourselves as an investigator and not an analyst?

Technology: PML are miles ahead of AMLP in adapting next-generation technologies. Financial institutions are debating on the effectiveness of artificial intelligence/machine learning in

transaction monitoring, whereas PML are already using cryptocurrencies as a money-laundering tool. When will financial institutions and regulators catch up on technology?

What would it take to:

- Hire specialists? Hire resources who understand nuances of regions and practices?
- Shift the training approach from theoretical to practical? Have law enforcement/regulators impart training?
- Incentivize AMLP to become investigators?
- Use technology to exchange red flags among financial institutions on a near to real-time basis?

These measures, if implemented would increase financial institutions' budgets. At the same time, it will not be an understatement to say we will witness a proportional reduction in fines. No matter what the challenges are, AMLPs will fight every battle, and every battle won will hold protect the last frontier .

How can Acuity Knowledge Partners Services help you?

Acuity's brings together a combination of people, data, and technology to strengthen financial institutions' first line of defense by providing [customized solutions for their KYC/AML framework](#). Explore our bespoke services for due diligence reporting and transaction monitoring support.

About Acuity Knowledge Partners

Acuity Knowledge Partners is a leading provider of high-value research, analytics and business intelligence to the financial services sector. The company supports over 400+ financial institutions and consulting companies through a team of over 4,000+ subject matter experts who work as an extension of the clients' teams based out of various global delivery centres.

We empower our clients to drive revenues higher. We innovate using our proprietary technology and automation solutions. We enable our clients to transform their operating model and cost base.