

Media Coverage

Banks have vital role in fighting financial crime

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Financial crime has in the past had connotations of being 'low impact' but this belies the devastating effect it has on people and societies.

It threatens livelihoods, ruins companies and bankrupts individuals. The United Nations Office for Drugs and Crime estimates that between US\$800 billion and \$2 trillion is laundered globally each year. That represents 2 – 5% of the world's gross domestic product.

But apart from the criminal impacts, there are other societal impacts that might be closer to home. According to the LexisNexis True Cost of Fraud study, every dollar of fraud costs merchants (and ultimately you, the consumer) US\$2.40.

Every dollar that money laundering siphons away is a dollar more that supports drug trafficking, human trafficking, terrorism and organised crime. Every dollar that's lost to tax evasion is a dollar less in social programmes like affordable childcare centres and public health subsidies.

Singapore's economic openness, regional financial hub status and well-developed business infrastructure, means we can never be immune to threats of crime such as corruption, terrorism and money laundering coming from outside our borders.

In the fight against financial crime, banks play a key role and sharing information is vital.

Within the Singapore context, the government, law enforcement agencies and banks are working in concert to gather intelligence and share information. By pooling our combined experience and resources, we can better focus our collective efforts in the fight against financial crime.

Just this past April, Singapore launched the Anti-Money Laundering and Countering the Financing of Terrorism Industry Partnership (ACIP) led by the Money Authority of Singapore and Commercial Affairs Department of the Singapore Police Department. ACIP brings together industry participants, regulators, law enforcement to identify, assess and mitigate financial crime.

Banks exchange data with public authorities inside strictly defined parameters designed to balance privacy and data security with the need to tackle serious problems including human trafficking and terrorist financing. HSBC is one of eight banks involved in this partnership.

As MAS assistant managing director Chua Kim Leng said during his ABS keynote speech yesterday, the MAS - through its bank inspections and engagements - has also heightened its emphasis on banks driving the right 'tone from the top', in order to more fully instil greater understanding of financial crime amongst its employees and embedding a culture of active financial crime risk management.

The MAS also spoke about the importance for Singapore to "work smarter" in how it fights financial crime in areas like banks' approach to their "Know Your Customer" due diligence and through its use of technology.

KYC is critical in the fight against financial crime.

Each bank needs to perform this for all of its customers and, conversely, from a customer perspective they have to undergo this process with each bank they have a relationship with – which can be multiple.

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To mitigate the overlap, the Singapore Government is in the process of trialing the use of MyInfo (Singapore's national digital platform where residents submit their personal data) to enable more efficient KYC that avoids duplication of effort for banks and customers.

The trial is being led by the Island's Smart Nation and Digital Government Office and Government Technology Agency, in collaboration with the MAS.

For its part, HSBC has implemented a globally consistent and improved customer due diligence process over the past few years.

By knowing where customers live and work, the type of business they operate, which products and services they want and how they'll use them, we can effectively assess any potential financial crime risk and help to safeguard our customers.

Beginning in 2012, we have designed and implemented across all our operations - world-wide - consistent global policies on anti-money laundering and sanctions, with standards often extending well beyond local laws.

Last year, we spent \$3 billion on regulatory programmes and compliance, including investment in our financial crime risk programme and we delivered more than 3.1m hours of training to employees.

In keeping with the comments by the MAS, we are trying to work smarter in our adoption of technology too.

We are also trialling the use of Artificial Intelligence to improve our ability to target potential financial criminal activity.

Traditional transaction monitoring systems generate significant amounts of false leads. By trialling Artificial Intelligence and machine learning, we hope to take some of the 'noise' out of the system, meaning we can focus our investigation work more effectively.

Early indicators have shown the number of investigations dropped by 20 percent without reducing the number of cases referred for more scrutiny.

Every day around the world, acts of financial crime like identity theft or card fraud put our customers at risk. These seemingly unconnected acts are often part of a significantly larger issue. Left unchecked, sophisticated criminals use the financial system to bank the profits of systematic illegal activity.

As international markets become more interconnected and complex, and threats to the global financial system grow, we will continue to adapt our approach to stay one step ahead.

Sharing of these technologies and our global experiences, and being active participants in intra-industry collaborations, like the ACIP in Singapore, is how we can do just that.

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