

Banking

Implementing **FIC compliant** anti-money laundering software for a bank

BSG assisted a large South African bank to comply with the **new Financial Intelligence Centre (FIC) Amendment Bill** by implementing goAML, an integrated anti-money laundering (AML) reporting platform which combats terrorist financing to ensure the security and stability of the bank and South Africa's financial system.



Overview of the client's needs

- Gap analysis of the existing reporting landscape versus the requirements of the new FIC Amendment Bill
- Project management and implementation plans for a high-level solution
- Participation in a pilot, inclusive of milestones, dependencies and assumptions
- Facilitated goAML roll-out



Objectives of the engagement

- The overall project objective was to effectively create cash threshold reports (CTR), terrorist property reports (TPR), electronic funds transfer reports (EFTR) and suspicious transactions reports (STR) and deliver them to the FIC
- Complete the full end-to-end analysis across the bank's franchises, to determine and support required changes for process, system, people and artefacts across 52 interfaces



Benefits of the change

- Improved data quality resulting from the Know Your Client (KYC) customer onboarding requirements e.g. field remediation, zero defect reporting, automation of manual reporting and more informed decision-making
- Reduced risk of suspect individuals transacting with the bank, due to tighter data control automation
- Creation of a common data model for regulatory reporting, that can be reused for other reporting projects



BSG partnered with the bank to **implement the goAML software** and **ensure** the provision of **high quality, timeous financial intelligence** for use in the fight against crime.

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Global facts on economic crime

In a 2016 Global Economic Crime survey, PwC revealed global money laundering transactions are estimated at \$1-2 trillion annually. The United Nations Office on Drugs and Crime (UNODC) believe less than 1% of global illicit financial flows are currently seized by authorities.

Other relevant facts revealed in the PwC survey included:

- More than one in three organisations have been victimised by economic crime
- Cybercrime is the second most reported economic crime impacting organisations
- 1 in 5 financial services have experienced enforcement actions by a regulator

Engagement Overview

goAML is an integrated software solution developed and maintained by the UNODC, specifically for use by financial intelligence units (FIU) around the world. The solution provides intelligence analysis, while having the ability to process business requirements. Hence FIC chose goAML as the preferred system to handle the reporting, data collection, analysis, case management and secure communications required for its daily operational functions and requirements.

The bank volunteered to run with a pilot, to allow other South African banks to learn from their goAML implementation and thereby create a reference for the industry.

The project was split into four phases and successfully achieved the following:

- **Phase 1:** Gap analysis – system-focused and included data mapping, high-level implementation plan and recommendations for participation in the pilot
- **Phase 2:** Phased pilot which included all of the client's business units and accountable institutions reporting relevant transactional and customer information for all product types. This involved the testing of the FIC connection with the bank and reporting null values for the data not yet implemented
- **Phase 3:** Full solution roll-out of all impacted interfaces, processes, systems and artefacts, achieved with zero defects. Submission of data to the new data warehouse from the different franchises and the reporting of CTRs, STRs and TPRs from this warehouse
- **Phase 4:** Implementation of the IFTR (International Funds Transfer Reporting) requirements, which included updating of the Product Codes and Function Codes to include cross-border transactions and submission of test data to the FIC.

Solution

South Africa's FIC was established in terms of the Financial Intelligence Centre Act No 38 of 2001, which was amended in 2008. The FIC supervises and enforces compliance with the FIC Act, as South Africa's national centre for the development of financial intelligence, in accordance with international standards and requirements.

The FIC Act put a policy framework in place to combat money laundering and the financing of terrorism. It places compliance obligations on financial institutions and other businesses deemed vulnerable to money laundering. The client, therefore, asked BSG to partner with them to comply with the regulatory demands.

BSG undertook a gap analysis to identify the requirements of the new reporting landscape under the FIC Amendment Bill. Upon completion of this, all the bank's system and product owners were engaged to define how the changes would be implemented across the business. BSG took a pragmatic approach to define and compile a product catalogue across all franchises within the bank, to determine which products had reporting characteristics. This enabled the BSG team to tailor the implementation approach to the specific product areas requiring changes, while ensuring all products comprising reporting characteristics supplied data to the warehouse and reported to the FIC successfully.

Working with the identified business units and in line with the identified gaps, BSG supported the development of business-specific requirements, rolled out using an Agile approach. Core systems were implemented first to ensure minimal impact to the business. A backward service compatibility approach was utilised to ensure any interfaces that were impacted, would not fall over during the various iterations of the system rollouts. A total of 52 interfaces were changed to align with the new goAML reporting software.

The full scope of the project included:

- Updating all customer-facing and transactional systems impacted by the FIC Amendment Bill with the relevant data fields, across the four franchises of the bank
- Updating of internal processes to include the changes required to enable compliance
- Creation of communications and disseminated to all the bank staff, to enable them to understand and better embed the change
- Training all relevant staff on the new goAML platform and submission processes
- Reporting of CTRs, STRs and TPRs successfully implemented and submitted to the FIC

By designing and creating goAML User Training Guides, the BSG team ensured the changes to the reporting platform were embedded into the business.

goAML was implemented successfully by the bank with zero defects. This is largely due to accurate data being captured on the interfaces that made the relevant changes to align to goAML.

BSG making a difference

A senior stakeholder at the bank advised that BSG did exemplary work on this project and played a key role in quantifying and enabling the change to goAML. "BSG are the big picture partners we want and they consistently exceeded expectations. Despite pushing the team and always demanding more, BSG delivered far more than was committed, showing great practicality and a flexible approach."

The training guides BSG developed were submitted and reviewed by the Regulator, who advised these are the best they have seen to date and will be using them as the baseline for other South African banks.

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