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REPRINTED FROM:  
RISK & COMPLIANCE MAGAZINE  
JAN-MAR 2018 ISSUE



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ONE-ON-ONE INTERVIEW

# TACKLING FRAUD AND MONEY LAUNDERING WITHIN ASIA PACIFIC FINANCIAL INSTITUTIONS

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**Geoffrey Peck** is a managing director in the forensic accounting and advisory services practice of FTI Consulting. His experience includes fraud, corruption and misconduct investigations, fraud and corruption risk management, whistleblower management, anti-bribery and corruption reviews and physical security strategy advice. He has spent 22 years in law enforcement, including seven years with the major fraud group. Mr Peck moved to the private sector in 2000 where he worked in the forensic practices of two Big 4 accounting firms before joining FTI in 2015.

**R&C: Could you provide a general overview of the extent to which financial institutions (FIs) in the Asia Pacific region are at risk from fraud and money laundering activities?**

**Peck:** While all organisations and individuals are at risk of becoming victims of fraud, financial institutions are a particular target for fraudsters because they hold vast sums of cash. Not only do fraudsters, both employees and external parties, target financial institutions directly, they also target the institution's customers and in many cases a loss resulting from a deceived customer is borne by the financial institution. Money laundering is also an ongoing risk that financial institutions must manage. In 2015, the Australian Crime Commission estimated the cost of serious and organised crime in Australia to be at least AU\$36bn a year, and in its most recent report, the Australian Criminal Intelligence Commission identified money laundering as one of six 'key enablers' for serious and organised crime. In order for criminals to freely access this cash it needs to be laundered and of course, financial institutions are a key component in the money laundering process.

**R&C: How would you characterise general attitudes toward financial crime in the region compared to other jurisdictions? Generally speaking, are FIs**

**aware of the fraud and money laundering risks they face?**

**Peck:** Managing the risk of financial crime remains a focus for financial institutions in Australia, though the reasons differ between fraud and money laundering. Managing fraud risk is a focus for financial institutions because it minimises financial loss for the organisation and its customers. Financial institutions in Australia have invested heavily in anti-fraud systems and technology, particularly in the high risk areas of credit cards and online banking. Security microchips on cards, transaction monitoring systems like ANZ's 'Falcon' and multi-factor authentication are just some of the anti-fraud measures implemented by Australian financial institutions. The risk of money laundering is a concern for financial institutions for very different reasons. Money laundering does not necessarily cause a financial loss for a financial institution; in fact, unfettered, money laundering would more likely result in additional revenue. Money laundering risk management is a focus for financial institutions because of regulatory and reputational risks. Money laundering has been heavily regulated in Australia since 2006 and there is a legislative requirement on financial institutions to understand and manage the risk.

**R&C: What legal and regulatory developments have you seen, which are**

## set to impact efforts to tackle fraud and money laundering across the Asia Pacific region?

**Peck:** In Australia, many law enforcement agencies have an interest in fraud as it applies to financial institutions, and in particular, the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). For example, ASIC has focused recently on detecting and reacting to misconduct in financial institutions that manifests itself in what the community would understand to be fraud. Managing the risks of money laundering is an ongoing focus for the Australian AML regulator and Financial Intelligence Agency – AUSTRAC. The regulatory regime has developed over a number of years to address local and global developments in money laundering methodologies and to meet global expectations, and regulatory change is ongoing. We have also seen AUSTRAC becoming less tolerant with entities that fail to meet their obligations under the legislation, with enforcement actions against a number of entities over the last few years.

**R&C:** Can you highlight any recent, high-profile cases which demonstrate how

## fraud and money laundering activities are being tackled in the region?

*“Managing the risk of financial crime remains a focus for financial institutions in Australia, though the reasons differ between fraud and money laundering.”*

*Geoffrey Peck,  
FTI Consulting*

**Peck:** AUSTRAC has a number of enforcement options available to it for breaches of legislation, ranging from written notices and remedial directions through to infringement notices, enforceable undertakings and civil penalty orders. In March 2015, a high profile civil penalty order was levied against Tabcorp Holdings Limited and certain of its related entities, with the Federal Court ordering Tabcorp to pay a AU\$45m pecuniary penalty. In a press statement, the chief executive of AUSTRAC, Paul Jevtovic, said that the civil penalty of \$45m sent an unequivocal message to the financial and gambling sector that if it does not take AML/CTF Act obligations seriously, AUSTRAC will take action.

In August 2017, AUSTRAC initiated civil penalty proceedings in the Federal Court against the Commonwealth Bank of Australia alleging serious and systemic non-compliance with the AML/CTF Act. AUSTRAC stated in a press release that its goal is to have a financial sector that is vigilant and capable of responding, including through innovation, to threats of criminal exploitation and that it believes this can be achieved by working collaboratively with and supporting industry.

**R&C: How do you envisage the fight against fraud and money laundering in the region developing in the months and years ahead? Are you optimistic about the prospects for improved systems that lead to a drop in financial crime?**

**Peck:** The fight against fraud and money laundering is a never ending one. If fraudsters and money launderers are anything, they are innovative. Improvements in systems and technology present

challenges for criminals to bypass or overcome, so financial institutions will need to be vigilant. An emerging risk in the Australian context is the imminent roll-out of the New Payments Platform (NPP). The NPP is described by NPP Australia Limited as a platform that enables real-time clearing and settlement for simple or complex payment solutions, between two people or between many. A challenge for financial institutions using the NPP will be the near-to-instant settlement of a transaction which will impact the opportunity to detect and respond to suspicious transactions prior to settlement. I see a future where financial institutions will need to engage their customer base to assist with the fight against fraud as criminals increasingly target individual customers by, for example, phishing attacks. Also, we will likely see a convergence of cyber crime with financial crime, which will lead criminals to target FinTech companies, cryptocurrencies and other innovative financial products and services as potentially easier targets for fraud and money laundering. **RC**