



# Reasons for Anti-Money Laundering and Know Your Customer Rules

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# WOULD YOU...

- Lend your money to a perfect stranger who you know absolutely nothing about (no phone number or address)?
- Leave your baby in the care of someone you are meeting for the very first time and who will care for your child while you are away at work?
- Allow your car to be driven by someone who you have never seen drive a car (and you have no idea if they even have a driver's licence)?



# WHY NOT?

- Could it be the fact that:
  - TRUST is important...
  - And TRUST in another person is built upon knowledge of that persons **character** and **competence**



# ONE MORE QUESTION FOR YOU...

- Is it important for us to know about the character and competence of persons who offer us financial services?
  - The answer is “yes” because bankers, insurance agents, and investment advisors are all persons in whom we place **TRUST**
  - The law therefore requires that these persons be “fit and proper” meaning that there is nothing in their past which would suggest that they are persons of bad character or that they are incompetent to handle your money properly.



# HOW DOES THIS TIE IN WITH AML and KYC?

- As customers we put trust in financial institutions that they will handle our money appropriately.
- Financial institutions in turn are trusting that the money YOU are giving them is not **criminal property**.
- There is therefore a need for trust on all sides.



# WHY ARE THEY CONCERNED ABOUT WHETHER MY MONEY IS CRIMINAL PROPERTY?



- The answer is simple...
  - Banks and other financial institutions do not want to be facilitators of money laundering
  - Money laundering is the process of concealing the source of money obtained by illicit means

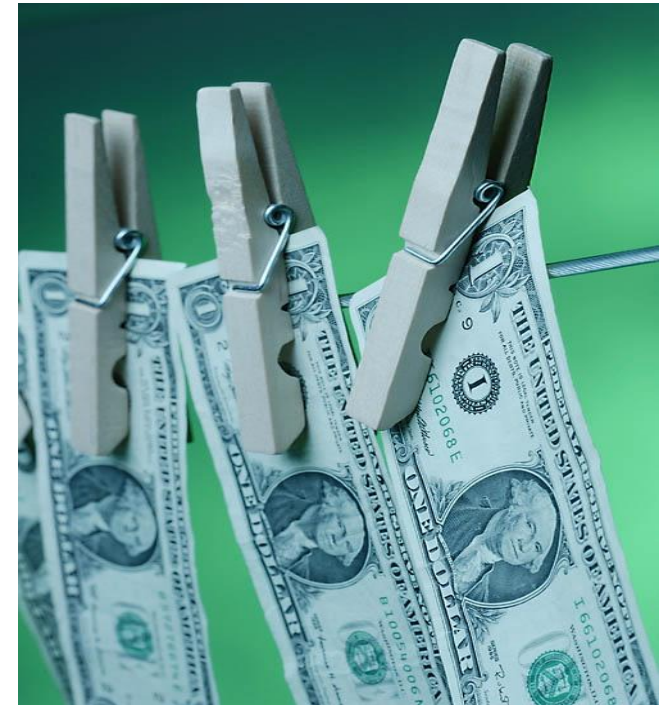




# MONEY LAUNDERING



- Money Laundering entails -
  - distancing the proceeds of crime from the crime itself in a way that conceals its illicit origin and
  - putting those proceeds back into the legitimate economy under the control of the criminal.



# MONEY LAUNDERING

- The three conventional stages in the money laundering process are:
  1. Placement of funds obtained from criminal activity in a legitimate financial account
  2. Layering through a series of complex transactions
  3. Integration by returning the funds to the criminal as if it originated from legitimate activity
- Money Laundering is dangerous because it facilitates criminal activity that undermines the peaceful and orderly functioning of our society.

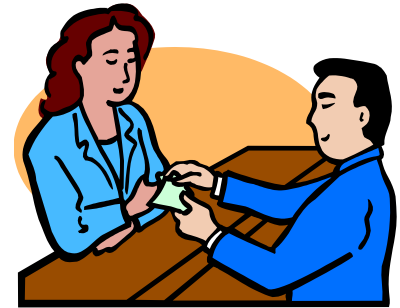




# IT IS VERY IMPORTANT TO KNOW WHO OUR CUSTOMER IS IN ORDER TO FIGHT MONEY LAUNDERING



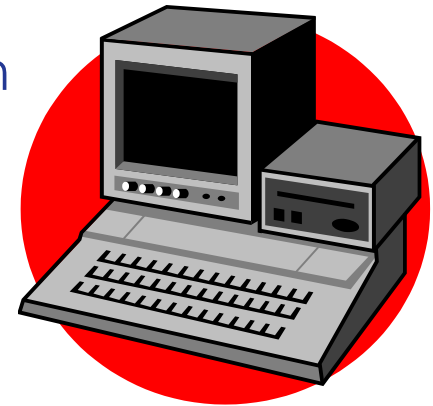
- Banks therefore have a real need to find out and verify their customers':
  - Identity (name, date and place of birth)
  - Source of income and wealth
  - Residential address



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- Banks also monitor the patterns of transaction conducted by customers through their accounts and compares those patterns with the information they gathered on the customer, such as the expected frequency and size of:
  - Deposits
  - Withdrawals
  - Wire transfer (in and out)



# THE FIGHT AGAINST CRIME AND TERRORISM



- Because these matters (crime and terrorism) are so dangerous to our way of life, Jamaica's parliament has passed two important laws:
  - The Proceeds of Crime Act
  - The Terrorism Prevention Act
- These laws place obligations on banks to put in place "know your customer" programmes and to report unusual activity to the designated authority (FID)
- The effect of these laws are good since they help our Government to maintain and preserve law ,order and safety for all citizens of Jamaica





# IN CONCLUSION

- Persons in the ordinary course of doing business have a need to TRUST the other party they are dealing with...that trust can only be based on KNOWING who it is that you are dealing with.
- Banks because they do not want to facilitate money laundering and criminal activity have designed KNOW YOUR CUSTOMER policies and procedures.
- Our laws and regulators support us in the fight against money laundering and terrorist financing.

