Combatting ML/TF during the Pandemic – Supervisory and Regulatory Measures
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The pandemic has heightened ML/TF risks and vulnerabilities

Changing risk and business landscape.

- High demand for medical equipment and supplies, decreased mobility, increased internet use (e.g. teleworking and online transactions)
- Criminals adapting and taking advantage of virus-related fears and anxiety

Led to increasing ML/TF risks and vulnerabilities, amongst others:

- Financial fraud and scams
- Corruption and misuse of funds
- Cyber crime
- Increased remote financial transactions
- Unfamiliarity with online platforms
- Emergence of unregulated financial services
How can AML/CFT supervision and regulation respond to the pandemic?

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<th>Within supervisory body</th>
<th>With regulated entities</th>
<th>Inter-agencies</th>
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<td><strong>Fully leverage risk based supervision</strong> by prioritizing higher risk areas. Continue to monitor COVID-19 impact and risks.</td>
<td><strong>Provide certain regulatory flexibilities</strong> where risk is low or can be adequately mitigated</td>
<td><strong>Closer collaboration with other key stakeholders</strong> of the AML regime to ensure issues/risks are promptly identified and mitigated in a coordinated manner, this includes <strong>public-private partnerships</strong></td>
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<td><strong>Undertake pragmatic supervision, while exploring new approaches;</strong> e.g. limit on-site examination for high risk entities, use teleconferencing for engagement with regulated entities and other digital solutions</td>
<td><strong>Strengthen communication</strong> to provide additional AML/CFT guidance to regulated entities</td>
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<td><strong>Educate and inform public at large particularly on fraud/scam relating to the pandemic</strong></td>
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In adapting to COVID-19, here are some examples of what countries are doing:

• Provide **additional guidance on the application of KYC/CDD measures** in adapting to the pandemic, in particular on digital and other non face-to-face identification and verification measures

• **Extension of submission deadline** for regulatory or supervisory reporting

• Sharing of **risk typologies and threats** relating to the pandemic, and maintaining **open communication** with regulated entities either through direct channel, industry associations or public-private collaboration

• **Provide time-bound regulatory/supervisory flexibilities or exemptions**, with intention to facilitate efficient implementation of stimulus package or ease operational burden due to pandemic restrictions

• **Provide relevant information to public** particularly on fraud/scams or accessing financial services during the pandemic

• **Adapt risk-based supervisory approaches**: Postpone or limit on-site examination for high risk entities or activities, shift to virtual supervisory engagement approach, requiring entities to submit digital documents/records, amp up off-site supervision/analysis for a more targeted follow-up supervisory activities

Sources: Public disclosure of AUSTRAC, UK FCA, US OCC/FinCEN/Federal Reserve, HKMA, and MAS.
More importantly, how do we move forward to ensure a stronger and more resilient AML supervision?

The pandemic is an unprecedented time, but this is also an opportunity to push forward stronger

- **Digital adoption** - Transforming or accelerate digital adoption by the industry as well as supervisory tools and approaches

- **Sharing of information** – How can we improve this, while respecting the boundaries of laws? Opportunity to leverage technological solutions

- **Cooperation** - How do we work better together to combat financial crime? Domestically, regionally and globally
How can the IMF assist member countries?

The IMF conducts various capacity development services and policy advice relating to AML/CFT. This is being done through customized technical assistance, training, and other programs, in areas such as:

- Implementation of international standards
- Legislations, regulations and guidelines
- Risk-based AML supervisory frameworks, structures and tools
- National or sector risk assessments
- Financial Intelligence Units
- Anti-corruption and governance measures
- Other financial integrity issues (e.g. tax crimes, fraud)

“Hope for the best, and plan for the worst”
Kristalina Georgieva

THANK YOU