



Combating 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**
- **Increased remote financial transactions**
- **Corruption and misuse of funds**
- **Unfamiliarity with online platforms**
- **Cyber crime**
- **Emergence of unregulated financial services**

Organized crime groups are infiltrating the legal economy following COVID-19 crisis, says latest UNODC Research Brief



13 July 2020 - The health emergency caused by the COVID-19 pandemic has brought about severe human and economic damage across the world. Governments have issued restrictions on economic activity and mobility to stop the spread of the novel coronavirus. With numerous governments forcing closures of non-essential businesses, an economic downturn has been inevitable.

A new Research Brief published by the United Nations Office on Drugs and Crime (UNODC) analyzes the impact of the COVID-19 pandemic on organized crime infiltration in the legal economy and illegal governance.

The pandemic has both reduced certain organized crime activities, while, simultaneously, providing opportunities for new ones. Organized criminal

INTERPOL report shows alarming rate of cyberattacks during COVID-19

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COVID-19 IMPACT

Home > News and Events > News > 2020 > INTERPOL report shows alarming rate of cyberattacks during COVID-19

Shift in targets from individuals to governments and critical health infrastructure

An INTERPOL assessment of the impact of COVID-19 on cybercrime has shown a significant target shift from individuals and small businesses to major corporations, governments and critical infrastructure.

With organizations and businesses rapidly deploying remote systems and networks to support staff working from home, criminals are also taking

Coronavirus is testing op risk managers to the limit

No amount of stress testing can prepare firms for the risks they're facing, says Ariane Chapelle





How can AML/CFT supervision and regulation respond to the pandemic?

Within supervisory body

- **Fully leverage risk based supervision** by prioritizing higher risk areas. Continue to monitor COVID-19 impact and risks.
- **Undertake pragmatic supervision, while exploring new approaches;** e.g. limit on-site examination for high risk entities, use tele-conferencing for engagement with regulated entities and other digital solutions

With regulated entities

- Provide certain **regulatory flexibilities** where risk is low or can be adequately mitigated
- **Strengthen communication** to provide additional AML/CFT guidance to regulated entities
- Educate and inform public at large particularly on fraud/scam relating to the pandemic

Inter-agencies

- **Closer collaboration with other key stakeholders** of the AML regime to ensure issues/risks are promptly identified and mitigated in a coordinated manner, this includes **public-private partnerships**

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

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)**

Further reference: <https://www.imf.org/external/np/leg/amlcft/eng/aml3.htm>

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

Kristalina Georgieva

THANK YOU