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FRAUD

Internal Monitoring

Prevention and Detection

For internal and external fraud.

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THE BACKGROUND

We monitor for various reasons, regulatory rules, legislation, business practice, fraud detection / protection, simply being one of them, however, without a good robust monitoring system, we cannot survive. We have all heard the following industry words:

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Risk Based Approach;
Record Keeping;
The Compliance Monitoring Plan;
Evidence;
Internal and External Fraud;
FSA Rules / Systems and Controls;
Senior Management Responsibilities,

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As an

“MLRO”

Just how bad can it be ?

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Statistics published last year in the USA,
coupled with FBI investigations
advised us that organised crime where
now targeting individuals above a
certain income in the USA - \$50,000

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Statistics

63% of bank fraud is conducted with the
use of an insider.

43 billion euros is said to be laundered
through the UK every year.

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Fact.

News service subscription.

(Compliance Online)

Almost every day you hear of AML busts around the globe, some for millions and some for hundreds of millions.

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Fact.

Sumitomo Mitsui Banking Corporation

Court case.

Heard at the Snaresbook Court re an attempted fraud at Sumitomo for £230m.

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People trafficking.

UK number 1 in Europe (40B)

Drugs abuse (Cocaine 2008 5th year running highest use in EU)

UK number 1 in Europe

People incarcerated

UK number 1 in Europe

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Credit card fraud in the U.K..

50% higher than our nearest rival.

Up 14% in first half of 08.

Total in 08 estimated at £600m.

**1 in 4 credit cards used in fraud
in the last twelve months.**

190% increase in cloned cards in last 3 years.

poll

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UK Dog walkers beware.

*London: 100 dogs stolen a week,
most at knife point, then
sold to by drugs.*

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Short stories:

Manger.

Helicopter.

Cash Vault.

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More fraud cases were tried in UK Courts in 2008
that at any other time since 1995;

- Company managers, employees and customers were tried
for fraud relating to £300m last year, three
times the 2007 figures;
- More than £1.1 billion of fraud cases came to Court last
year, the worst hit sector was the financial services sector,
which suffered £388m of fraud in only 63 cases.

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- Company Policy (procedure);
- Notification (employment contract);
- Access to E-mail boxes;
- Who is monitored (ex staff timing);
- Other e-mail boxes (Corporate ones ?);
- How is the monitoring recorded.

What to look for:

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E-Mail Monitoring

- Times of e-mails;
- Subjects;
- Attachments;
- Destinations;
- E-mails sent to home/personal address's;

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E-Mail Monitoring

- E-mails sent / received in other languages;
- E-mails sent to other employees (internal).

A great deal can be learned from this type of monitoring.

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E-Mail Monitoring

“Instant Messaging”

Self protection

YOUR Detective ability

Culture / training / awareness

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Telephone Monitoring

Again the reasons for doing this are self evident, NIBC certainly make sure everyone is aware our telephones may be recorded, unlike e-mail monitoring which is monitored covertly, telephone monitoring is announced.

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Telephone Monitoring

My monitoring form (evidence) is aligned to the recording system, this makes life very easy, I also have the ability to place calls onto a CD (*CD Policy*). I use the risk based approach, in other words:

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Telephone Monitoring

- Monitoring frequency (*change / audit trail*);
- Business area / type;
- Special Investigations (*Intensive Care*);
- CMP;
- Employee (type e.g. Temporary, Permanent, industry known etc).

NIBC Bank N.V.*www.mlros.com***External Post**

Company procedures?
Company mail only;
Audit Announced;
(if unannounced, still inform HR);
What to look for?
CMP.

NIBC Bank N.V.*www.mlros.com***Clear Desk**

- Policy and procedure in place;
- Frequency / when audited / size;
- Cabinets and pedestals locked overnight, company letter headed paper, business cards, fax headers, portable equipment;
- Recorded and statistics disseminated.

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- Policy and procedure in place;
- Surf Control;
- What exactly are you looking for (*Control F Key Word Search*).

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- The TEN day rule;
- What exactly are you looking for;
- Compliance sign off to exceptions;
- (HR issue as well – *H and S*).

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Financial Soundness

- Annually;
- Credit Checks performed by HR;
- Problems notification;
- Do HR know what to look for (training).

Recorded – HR training and of course the monitoring.

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Access Monitoring

- Recording system?
- Are you informed of unusual hours working?
- If so, is this monitored?
- Resignation / garden leave (*procedure*)
- Again, Culture, challenge the abnormal

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- Systems and Controls (HR, Management and Compliance awareness);
- CV's;
- Compliance Induction (Within two days);
- Day one Handout Pack (*must read* AML procedures);
- Early days monitoring;
- Concern monitoring (Intensive Care).

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- Big enough problem in itself
- The Fraud Risk Sleepers
- Is this an at risk time for a fraudster to strike

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IT checks ?

- Systems (access rights – internal staff moves)?
- PC's

Reported to you ?

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Transaction Monitoring

Reviews - High Risk

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Defensive Compliance the only way to survive

Evidence *(protection, FSA, LEA, IAD)*

Culture *(how do you achieve)*

Authority *(YOU must be seen to have)*

Procedures *(In place, followed, known)*

Systems *(ML Trac – Sindicatum/Michael Wheelhouse fines)*

Protection *(Do what you can, resources)*

Knowledge *(Are you confident you are aware)*

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Chairman

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