

## PRESS CUTTING

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#### **Malta Forum highlights fight against international fraud and financial crime**

The forum explored the latest ways to tackle financial crime

Fraud awareness, prevention, investigation and recovery were the four key themes discussed at last month's International Financial Crime Forum held in Malta. The well attended event was organized by ICC Commercial Crime Services (CCS) in conjunction with the Malta Financial Services Authority (MFSA) and Malta Financial Intelligence Analysis Unit (FIAU).

Approximately 70 delegates from Europe, the Middle East, Asia and Africa were in attendance, in addition to a number of representatives from Maltese banks and financial institutions. Expert speakers were recruited from around the world to provide their knowledge and expertise regarding various elements of financial crime and its prevention.



Dr S Camilleiri Malta's Attorney General and Chairman of FIAU opened the Forum. He noted that due its vulnerability to money laundering, trade-based financial crime is becoming an important channel for criminal activity.

CCS Director Pottengal Mukundan highlighted a number hot topics in commercial fraud, including; Internet phishing, document frauds, High Yield Investment Programs (HYIP), advance fee frauds and corruption.

Mr Mukundan advised that high commercial crime activity frequently occurs in centres of high commercial activity. In addition, emerging markets such as China, India, Brazil and Russia were potential areas of concern.

Peter Lowe of CCS examined how fraudsters select their victims, as well as how they uncover and exploit their weaknesses. Mr Lowe highlighted the fact that fraud awareness involves understanding the motivation and psychology of financial criminals.

With respect to prevention, a senior representative from a major bank spoke on the issue of detecting fraud and putting appropriate measures in place to prevent it. He explained the process they employed for vetting potential clients, noting that of the 158,000 potential clients reviewed last year, 10% were found to warrant caution. One such individual was Allen Stanford, recently charged with an \$8 billion fraud.

Prevention strategy was also underscored by Pawel Bandurski from GE Money, who introduced ways to stop frauds against banks and financial institutions, and outlined the benefits of constructing risk models, penetration testing and other techniques to help with the management of fraud risk.

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The regulator's perspective was provided by Dr Manfred Galdes of Malta FIAU. He noted the impact of the EU's Third Money Laundering initiative, and emphasized the benefits of moving to a risk-based system as opposed to a check list process.

The last word on fraud prevention went to Dr Max Burger-Schiedlin, Executive Director of ICC Austria, who challenged the audience to consider alternatives to a solely regulation-based response to money laundering and crime.

A number of experienced fraud investigators from other banks provided points of view and valuable insight with respect to investigation of financial fraud. The business of investigation complex frauds is made difficult by the 'smoke and mirrors' tactics fraudster utilize to both commit fraud and then launder the proceeds of commercial crime. Banks were urged to examine the way they configure their compliance and fraud departments, and encouraged to use special investigators when necessary. It was also noted that banks must be more willing to share information regarding fraud and abuse in order to avoid the duplication of commercial crime at other institutions.

Max Vetter from CCS demonstrated to delegates how the vast untapped resources of the Internet can make the fraud discovery and detection process simpler and more cost effective.

A number of speakers provided insightful information regarding the tracking and recovering of stolen assets.

**Stephen Philippsohn from PCB litigation** pointed out that in some instances the chances of recovery are too remote to warrant initiating the process.

Therefore, the first step is often the decision to pursue lost assets or not. This often involves identifying the assets, their location, and their current value. Doing so may involve increased risk to the bank. In many cases, greater resources should be placed on performing stringent and diligent checks in advance, rather than pursuing lost funds.

Martin Kenney from Martin Kenney Solicitors in the British Virgin Islands outlined several examples of asset recovery cases his firm has conducted. He explained some of the restrictions and limitations associated with conducting international investigations in secretive financial centres. He discussed the Tradex fraud in detail, and introduced the human element by stressing that problems can occur when having to deal with victims that are already traumatized by their experience and mentally unprepared for the frustrations of a long process of recovering assets.

Miami lawyer Ed Davis, from Astigarraga Davis, introduced the concept of using a public-private partnership to combat fraud and corruption. Mr Davis suggested that such a team should be comprised of: Public sector representative(s) or prosecutors for the victim government, agency or instrumentality; private sector lead coordinating counsel; private and public sector investigators; forensic accountants; and counsel in the jurisdictions of interest. The premise is that using private sector asset recovery teams under the direction of the victim and in collaboration with public sector authorities will result in concrete recoveries and will act as an important component of deterrence to public corruption and fraud. Mr. Davis illustrated how this structure has been successful in cases of corruption, bribery, and hidden payments.

Summing up the feedback from delegates to the Forum, the first of its kind to be held outside the UK, CCS Director Pottengal Mukundan said that event allowed many attendees to learn new and unexpected elements regarding financial fraud.

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Mr Mukundan stated: "We hope the discussions at this forum will lead the way to increased sharing of timely and relevant information by financial institutions around the world. Our common goal is the prevention of commercial crime and events of this nature afford us the opportunity to work together towards this objective."

ICC Commercial Crime Services (CCS) is the anti-crime arm of the International Chamber of Commerce. Based in the UK, CCS is a membership organisation tasked with combating all forms of commercial crime. Those interested in learning more about services offered by CCS, are asked to contact the organisation via phone at: +44 (0)20 7423 6960, or e-mail: [ccs@icc-ccs.org](mailto:ccs@icc-ccs.org)