# BATTLING MONEY LAUNDERING

## Using Profiling to Identify Dodgy Customers

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For the past 10 years, Mr Tan's company has been the dream customer of every property agent. His company buys and sells properties worth millions of dollars in Singapore and overseas. But the joy of the property agents soon turned to dismay when Mr Tan was convicted of money-laundering offences through the sale and purchase of his company's properties.

A money launderer does not identify himself. He could be the person standing next to you on the MRT, or queuing up in front of you to buy coffee. But through profiling, or customer due diligence, you may just be able to spot the occasional bad apple in a portfolio of customers.

The essence of profiling is that you need to know who you are dealing with – in other words, who your customers really are. Not only do you need to verify your customer's identity, more importantly, you need to identify who ultimately "controls" your customer. Information about the customer, such as business and risk profiles, where the monies come from, and patterns of transactions also enable you to form expectations of how your customer may behave, which will help to detect suspicious activities in a business relationship.

Profiling may sound like a lot of work, and it may only be in the initial stages, when you are doing it for the first time, such as for a new customer. Understandably, at the start, you may know nothing or very little about your potential customers, but over the years, you progressively find out more about them. The time invested in having a proper process to profile your customers may well be the saving grace for potential legal woes in the future.

### HOW DEEP SHOULD YOU DIG?

There are varying intensities of background checks on customers. For example, if a well-known public figure or company knocks on your door, it is not necessary to do extensive checks as there would likely be a lot of information in the public domain. The frequency of


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ongoing monitoring can also be reduced if the customer is subject to regulatory disclosure requirements, such as the case for listed companies, or when reliable information on the customer is publicly available.

Without strong anti-money laundering systems and controls, which encompass customer profiling, criminals may exploit unsuspecting firms and professionals to facilitate their money-laundering activities. When that happens, ignorance is not bliss. Under Singapore's anti-money laundering laws, a person can be held liable if evidence shows that based on the circumstances, he ought to have suspected that money-laundering is occurring or has occurred.

A good defence would be to demonstrate that robust customer profiling has been performed and other sound anti-money laundering systems and controls are in place. For those in search of a guiding light to strengthen their anti-money laundering armour, the new Ethics Pronouncement (EP) 200 *Anti-Money Laundering and Countering the Financing of Terrorism – Requirements and Guidelines for Professional Accountants in Singapore*, developed by ISCA is one such beacon. Benchmarked to international recommendations, EP 200 will help to mitigate such anti-money laundering risks. For example, when checking the background of a corporate customer, you need to verify its name, whether it is a company, partnership or another legal form, and whether it still exists as a legal entity. The Accounting and Corporate Regulatory Authority has also adopted EP 200 for public accountants and accounting entities to follow.

Getting to know your customer may appear cumbersome but it is the shield you need to keep you safe from money launderers. So the next time you see your long-time customer Mr Tan and think you know him well, think again. He may not be the Mr Tan you know. ISCA

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