# NICE Actimize

TACKLING MONEY LAUNDERING THROUGH CAPITAL MARKETS

Capital markets offer diverse, and globally connected financial instruments for criminals to exploit, making detection and prevention challenging. Capital markets risk is usually associated with market abuse, but not anymore. By understanding the broader typological risk criminals use and putting in appropriate controls, firms can effectively manage risk within the capital markets sector.
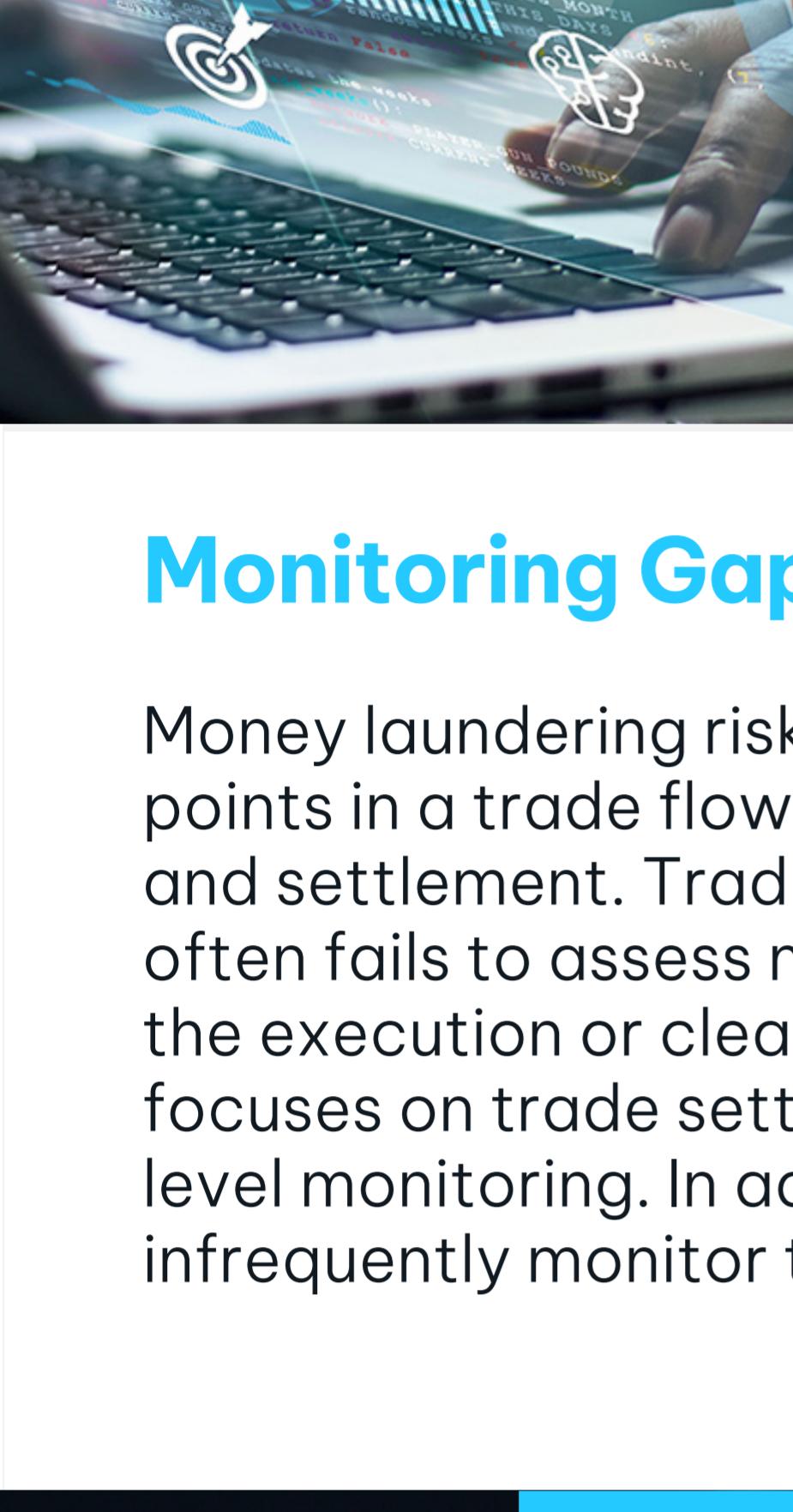
Criminal enterprises launder up to $6 trillion annually.

# Challenges in Managing Money Laundering Risks
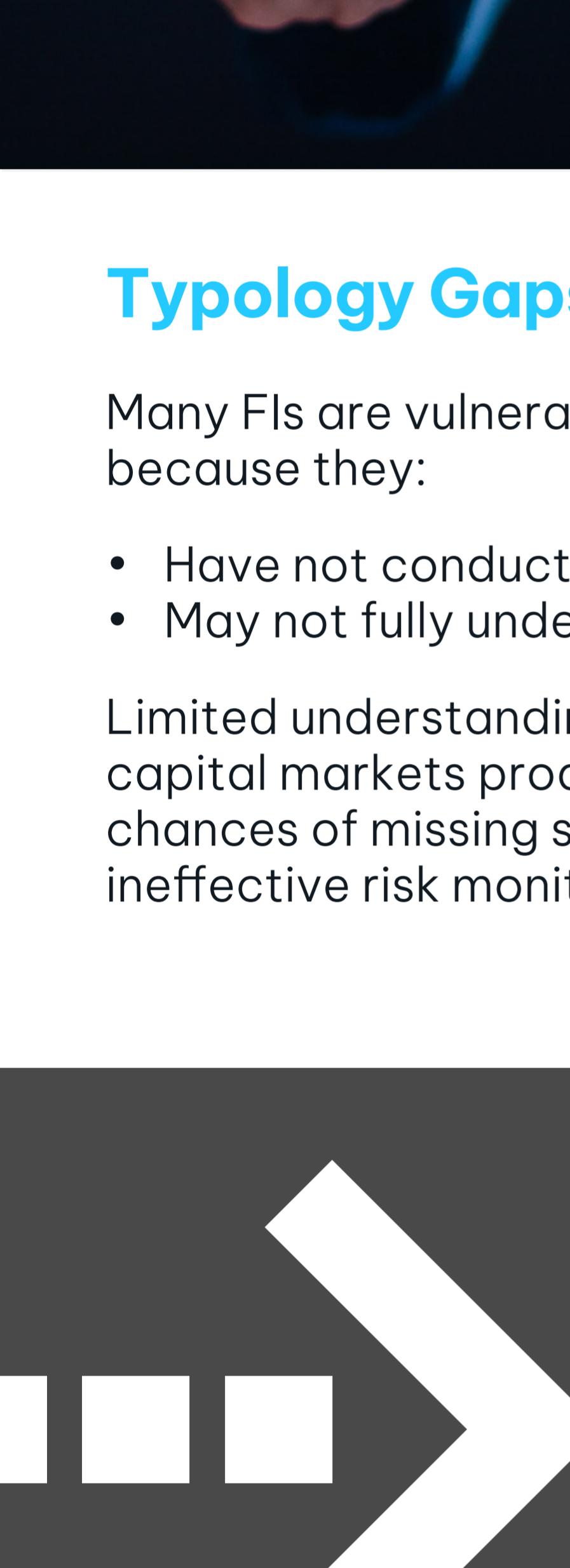
1 Siloed Systems and Processes

Many firms have siloed detection and investigation processes. Trade surveillance and AML systems often operate separately, with with differing, focuses, teams, and expertise.

This increases the risk of money laundering (ML) through capital markets going undetected.

2 Monitoring Gaps

Money laundering risks can arise at various points in a trade flow: execution, clearing, and settlement. Traditional AML monitoring often fails to assess money laundering risk at the execution or clearing level because it focuses on trade settlement and account level monitoring. In addition, legacy systems infrequently monitor trades post-execution.
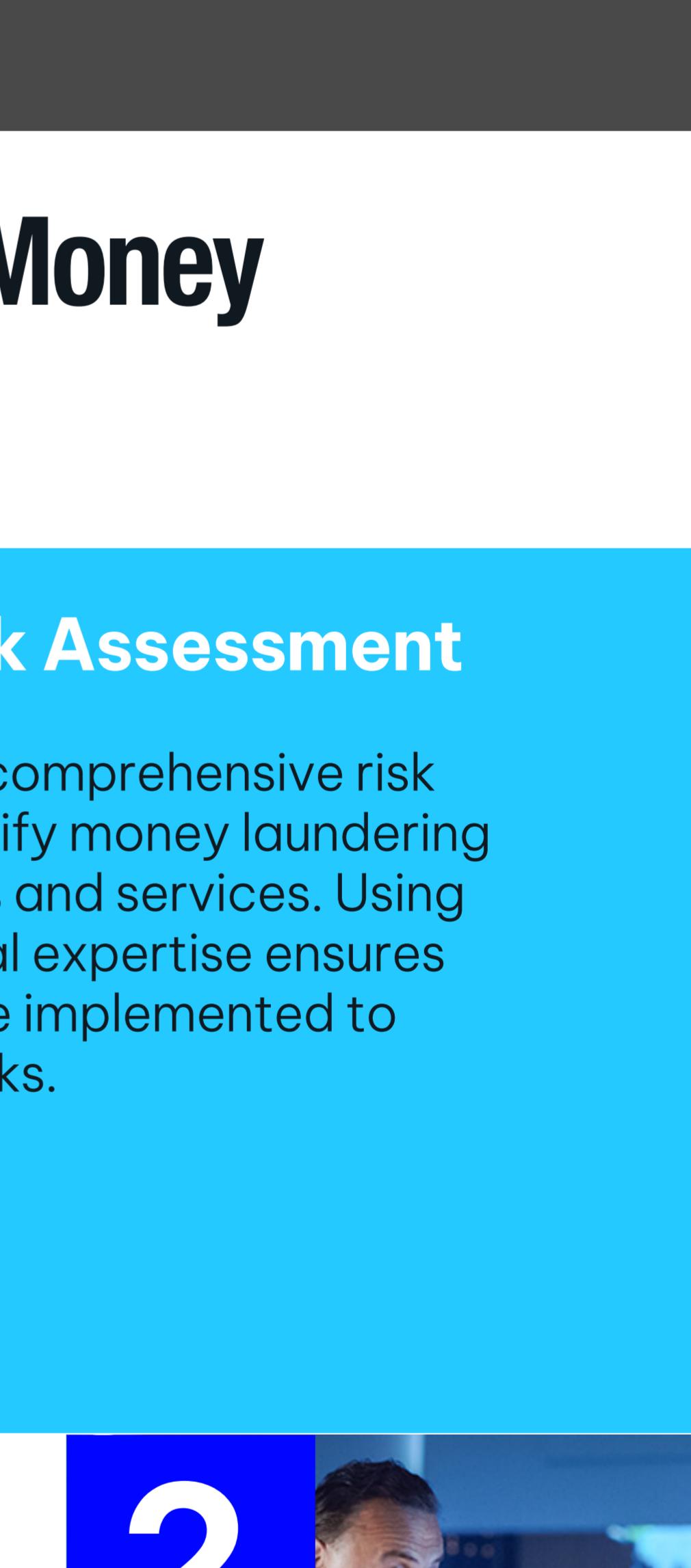
3 Training Gaps

With training gaps, market surveillance and AML teams lack:

- A holistic understanding of capital markets products
- Understanding how these markets are used for money laundering through capital markets

Surveillance teams can miss the red flags that indicate money laundering activity.

4 Typology Gaps

Many FIs are vulnerable to more risk because they:

- Have not conducted a full risk assessment
- May not fully understand typologies

Limited understanding of typologies and capital markets products increases the chances of missing suspicious activity due to ineffective risk monitoring.

In 2017, a major European bank was fined $630 million for failing to prevent $10 billion in suspicious trades and lacking effective monitoring controls.

Strategies for Mitigating Money Laundering Risks

1 Conduct a Risk Assessment

Firms must conduct comprehensive risk assessments to identify money laundering risks in their products and services. Using in-house and external expertise ensures effective controls are implemented to address identified risks.

2 Break Down Silos

AML and Capital Markets teams should collaborate closely, ideally in the same location. With increased data and knowledge sharing and integrated technology, they can improve ML detection and investigations. Collaboration enhances understanding and stops bad actors.

3 Employ the Right Technology

Effective monitoring requires the right technology, using trade, account, and party data for holistic oversight. Monitoring must extend beyond settlement and account levels to include execution and clearing activities. Extended monitoring and appropriate detection uncover new typologies that can only be revealed during trade execution.

Adoption of advanced AML technology solutions can lead to a 75% reduction in false positives.

Capital markets are global, fast and complex. Operational risks are high, yet many firms have not taken decisive action. Advanced monitoring technology helps FIs proactively detect and investigate ML. Mitigate risk, safeguard your firm's reputation, and ensure regulatory compliance using the latest technology from NICE Actimize.

Speak to an Expert