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AML/CTF AS OUTSOURCED SERVICE

– Experience-based specialist view of AML
operations in bank

BACHELOR'S THESIS | ABSTRACT

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AML/CTF AS OUTSOURCHED SERVICE

- Experience-based specialist view of AML operations in bank

Preventing money laundering is a nationally and internationally significant work, but in financial terms it is often very unproductive. Therefore, anti-money laundering work should be as optimized and cost-effective as possible, while also maintaining a qualitative perspective.

The aim of this thesis is to find out why a small and medium - sized bank or credit institution should outsource anti - money laundering services. And what are the key factors influencing this. In addition, the aim of the work is to clarify what is meant by money laundering and terrorist financing and preventing it, and to explain money laundering as a phenomenon.

The work is a qualitative study that utilizes an observational perspective. This way primary data is specialist own observation and views analyzing internal materials and processes. Secondary data comes from literature on the field and the publications of the authorities.

The different sections of the work focus on service outsourcing, money laundering and terrorism financing as a phenomenon, money laundering and terrorism financing prevention and its influencing factors, know your customer, supervising authorities and notifiers, and the three main outer factors impact on job optimization.

The end result of the work is that the prevention of money laundering is a very broad and well-regulated entity in the financial sector with a considerable number of dependencies. This makes the work challenging, but at the same time offers several potential targets and processes to be developed. Work can be made more efficient by centralizing and outsourcing work, developing the process itself, interpreting and updating regulation. The best result is achieved when the process is developed by the authorities together with the notifiers.

KEYWORDS:

money laundering, anti money laundering, terrorism financing, know your customer, reporting, outsourced service, bank,

Patricia Pilpola

RAHANPESUN JA TERRORISMIN RAHOITTAMISEN ESTÄMINEN ULKOISTETTUNA PALVELUNA

- kokempuspohjainen asiantuntijan näkemys AML toiminnoista pankissa

Rahanpesun estäminen on kansallisesti ja kansainvälisesti merkittävää työtä, mutta rahallisessa näkökulmassa usein hyvin tuottamatonta. Siksi rahanpesun estämisen työ tulisi olla mahdollisimman optimoitua ja kustannustehokasta säilyttäen myös laadullisen näkökulmansa.

Tämän opinnäytetyön tavoitteena on selvittää miksi pienen ja keskisuuren pankin tai luottolaitoksen kannattaisi ulkoistaa rahanpesun estämisen palvelut ja mitkä ovat keskeiset tähän vaikuttavat tekijät. Lisäksi työn tavoitteena on selvittää mitä tarkoitetaan rahanpesulla ja terrorismin rahoittamisella ja niiden estämisellä sekä tutkia rahanpesua ilmiönä.

Työ on laadullinen tutkimus joka hyödyntää havainnoivaa näkökulmaa. Työssä käytettiin pääosin asiantuntijan omaa näkemystä sekä havainnoiteja sisäisistä materiaaleista ja prosesseista. Lisäksi lähteenä on alan kirjallisuutta ja viranomaistahojen julkaisuja.

Työn eri osiot keskittyvät palveluiden ulkoistamiseen, rahanpesuun ja terrorismin rahoittamiseen ilmiönä, rahanpesun ja terrorismin rahoittamisen estämiseen ja siihen vaikuttaviin tekijöihin, asiakkaan tuntemiseen, alan viranomaisiin ja niiden alla toimiviin ilmoitusvelvollisiin sekä kolmeen päätekijään jotka rajoittavat rahalaitoksien rahanpesun estämisen työtä, ja joiden merkittävä kehittäminen tuo suurimman ulkoisen vaikutuksen työn optimointiin.

Työn lopputulema on se että rahanpesun estäminen on rahoitusalaalla hyvin laaja ja tarkoin säännelty kokonaisuus, jossa on huomattava määrä riippuvuuksia. Tämä tekee työstä haastavaa, mutta samaan aikaan tarjoaa useita mahdollisia kehitettäviä kohteita ja prosesseja. Työtä voi tehostaa keskittämällä ja ulkoistamalla työtä, kehittämällä itse prosessia, sääntelyä tulkitsemalla ja päivittämällä. Paras tulos tavoitetaan kun prosessia kehittävät viranomaistahot yhdessä ilmoitusvelvollisten kanssa.

ASIASANAT:

rahanpesu, rahanpesun estäminen, terrorismin rahoittaminen, asiakkaan tunteminen, ilmoitusvelvollisuus, ostopalvelu, pankki

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LIST OF ABBREVIATIONS

AML	Anti-money laundering
CTF	Counter-terrorism financng
FATF	Financial Action Task Force on Money Laundering
FFI	Financial Finland
FIN-FSA	Financial Supervisory Authority
FIU	Financial Investigation Unit
GDP	Gross domestic product
KYC	Know your customer
NBI	National Bureau of Investigation
OECD	The Organisation for Economic Co-operation and Development
PEP	Politically exposed person

1 INTRODUCTION

The topic of my thesis was selected based on my professional experiences. I have worked in the finance sector and in back office positions since 2017. This bank outsourced all back office work to a company that the bank owns. On my career path, I found myself in a situation where I had to work and developed extensive knowledge about anti money laundering (later AML) and know-your-customer (later KYC). Despite my young age, I was able to participate in a small team from the beginning to develop an outsourced AML service for a Finnish banking group. I also got a chance to develop the service, so I gained extensive substance knowledge of the entire AML processes which is the reason why I can use a lot of my own professional experience for a base of my thesis.

It is noteworthy that AML is a relatively young phenomenon as a common international set up for the fight against money laundering the Financial Action Task Force has also established only in 1989 (FATF 2021). I feel it has only become trendy in recent years in Finland from a media perspective. In addition, the prevention of money laundering and terrorist financing is an international dimension affecting all countries and several sectors of business and economy. My work concentrates on Finland. All in all, money laundering and terrorism financing should be strongly not acceptable in a normal society because it causes for example tax losses for the country and taxes are used for society's welfare.

The aim of this thesis is to find out why a small and medium sized bank or credit institution should buy AML outsourced service. And what are the key factors influencing the decision of outsourcing this activity, what resources and benefits can be identified and which risk factors and challenges can be specified. And this way answer research questions like: 1. How outsourcing offers more efficient way to achieve AML functions in banking sector? 2. What advantages bank can achieve by outsourcing and what factors supports outsourcing? 3. What are meant by money laundering? 4. And how money laundering works? 5. What other factors there are which developing has the greatest influence to AML work? I believe my work highlights emerging development proposals based on my experience as an AML specialist to help understand how the process can be further streamlined and to create the conditions for a functioning AML functions as a purchasing service.

The chapter two of my thesis deals with the research method I used, the research questions as well as research objectives and evaluation of used sources.

In the next chapter, we will take a closer look at money laundering as a phenomenon, as well as its forms and the prevention of money laundering and terrorist financing, and how they differ. I also describe the proceeds of anti-money laundering operations, the suspicious notices themselves and the features that are important to them. In addition, I open authorities and their statutory obligations that have been assigned to credit institutions.

In the fourth chapter, I present my opinion about the three most important factors which bank itself can not affect but by developing together with authorities and other whistleblowers can improve the prevention of money laundering at whole significantly.

In the fifth section, I first deal with the outsourcing of services and risk factors related to it. I also present my findings through SWOT analysis why AML work would be the most optimal to produce outsourced. As well, I compile the key factors based on my own experiences for optimal AML team.

Last section summaries my final conclusion and estimates my thesis process and offer the most crucial development guidelines and possible research ideas for the future.

Last but not least I want to thank my partner and my family for all the support to finish my thesis. I appreciate all the selfless support and presence during the writing process. Especially I want to thank my father M. Sc. Lasse Pilpola for professional encouragement and numerous discussions to get perspective to my thesis work. I also want to thank Turku school of applied sciences for its flexibility and my instructors Ajaya and Nicolas a chance to finish my studies in bachelor of business administration.

2 RESEARCH METHODS

In this section I explain more detailed the theoretical framework, research method, research questions, selected sources and the aim of the work. Research method is usually choosed between qualitative or quantitative method depending on the matter of research. Qualitative research involves collecting and analyzing non-numerical data to understand concepts, opinions, or experiences. It can be used to gather in-depth insights into a problem or generate new ideas for research. (Bhandari P. 2020.)

2.1 Research method

Quantitative research method lies more on so-called cold countable data which could have been on option to approach the topic I chose. Since I do not have commissioning organization which could have offered this kind of data like decreased work hours compared to used time in bank without outsourcing AML services or increased amount suspicious notices after outsourcing. But since my research concentrates more a qualitatively optimized process and its essential features as well as the money laundering as a phenomena, I feel that qualitative research is a better way to approach this topic.

My research do not have so detailed research plan. I made a timeline which defined each topics material handling order and time. Unfortunately my commissioner withdrew from the project in the last meters for reasons of change in my job description so this affected strongly to the research plan and some of the available material for research.

2.2 Research questions and aim

I setted few research questions for my research:

- How outsourcing offers more efficient way to achieve AML functions in banking sector?
- What advantages bank can achieve by outsourcing and what factors supports outsourcing?
- What is meant by money laundering?

- How money laundering works?
- What other factors there are which developing has the greatest influence to AML work?

My research aim is to find and analyze reasons why for small and middle sized bank or credit institution should outsource AML services. Find the bottlenecks of the process and identify the quality and efficient key factors of the process. In addition, the aim of the work is to clarify what is meant by money laundering and terrorism financing and preventing it, and to explain money laundering as a phenomenon.

2.3 Sources

Primary data of my research is collected by observing and analyzing internal documents and processes during my work years. Since observation was choosed because I have strong background of producing AML processes in bank. This way I have deeper understanding of those processes and practices through my work.

As a secondary data I have used both literature books and e-material and it is literature of the field, Finnish authorities publications, other researches and so on. These sources were gathered in quite short time window so the amount of sources I have used is limited and I realize that it affects the reliability of my thesis. But the literature is quite fresh and it can be mainly trusted because it is in many cases produced by authorities so it has certain reliability. And I think literature quality replaces the amount of it. While seeking sources I found it interesting the amount of literature has increased in few years but I could not find literature researching AML functions outsourcing and this is a gap that my study fullfills.

I also realize that despite the fact that I use observation as a primary data and I count on my views and discoveries and AML specialist in another bank may see it differently and this also affects the reability of my thesis. Like I mentioned in the introduction I have been working already few years on the branch and I have had the opportunity to be involved in setting up an outsourced money laundering team for apporimately 20 independent banks that wanted to centralize and outsource their aml operations. That team worked for a company owned by those independent banks. In this team I have been creating best practices in setting up the service, cutting back on inefficient work steps and developing it along the way. I have also done the AML work myself and I

have been service owner for anti money laundering support functions. However, I feel that I am relatively young with such experience, which makes my findings still even more valuable. I could have added interview to my sources and it would have been supportin my thesis' reability but since the time was limited I could not do so. And it might also would have been hard to find AML specialist to interview since many of my colleagues sees the topic sensitive and highly classified information.

So as a conslusion one of the most important factors of research is its reliability and validity because the value of a study is determined by its reliability and validity. (Välismaa R. 2013.) To the reability of my thesis affect the limited amount of sources and that the primary data comes from my observation. But can be said that qualitative research validity is more important than reliability. (Hirsjärvi S. 2009.) And validity expresses how well the research measurement measures the charateriscotics which the researched phenomenon intended measure. (Hiltunen L. 2002.) Since my thesis aim is to identify key factors and what can be anchieved by outsourcing observation supports this really well.

3 ANTI MONEY LAUNDERING AND COUNTER TERRORISM FINANCING

This part of my thesis concentrates on explaining money laundering as a phenomena, it forms and acts against it. We take a deeper sight to differences between anti-money laundering and counter-terrorism financing and the products of it such as suspicious notices. I also present the authorities connected to AML actions and what kind of requirements it imposes on operators in the financial sector. In addition, I will clarify what it means to know your customer, what role it has in preventing money laundering and what kind of aspects should take into consideration by developing that process in bank.

3.1 Authorities

With regard to money laundering, the OECD's Intergovernmental Panel on Money Laundering and Terrorist Financing (later FATF) plays an important role. EU money laundering regulations are based on FATF recommendations. (Andersén 2020.) FATF was established in 1989 in G7 countries Head of States meeting for against drug related crimes and money laundering. 130 experts from 15 countries were used to plan its activities. FATF monitors and reports progress of anti-money laundering actions in its countries. (Huhtamäki 2000.) National Bureau of Investigation (later NBI) in Finland responses to it and Financial Investigation Unit (later FIU) operates under NBI. FIU tasks include preventing, detecting and investigating money laundering and terrorist financing. FIN-FSA Financial supervisory authority (later FIN-FSA) is the authority that supervises notifiers. Bank for example is notifier and notifiers make suspicious notices for transactions that they detect suspicious to FIU.

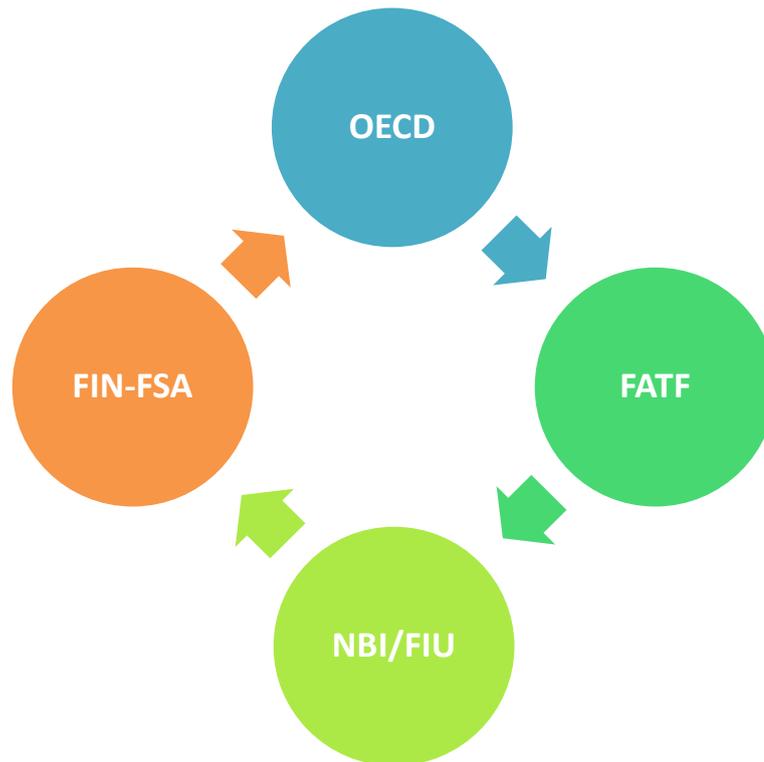


Figure 1 The supervisory authorities (Pilpola 2021)

The reason why the AML and CTF work are done is based on anti money laundering laws. Laws can be divided into three main sections; obligation to identify, due diligence/obligation to investigate and obligation to report. (Finlex 2021.) Obligation to identify is described in more detailed under the section of know your customer.

Bank itself is not an authority and it is not the bank's job to convict but they have the obligation to notify authorities about suspicious customers and transactions. However, the bank's activities are very similar to those of public authorities make and the bank can make similar decisions such as closing accounts or freezing funds. Noticeable is that bank's protection in these situations is very weak because bank does not have some kind of laws like example law (325/2013) behind like FIU or local police has. (Rahanpesu.fi 2021) And sanctions are still severe if the bank notices but fails to report or to prevent the transaction. Bank can be blamed for the blatant breach of obligations. (Lassila A. 2020) Therefore, it is also the bank's interest to report the situation to the authorities as comprehensively and quickly as possible. And this way bank can have the FIU's decision to freeze the transaction, which gives a stronger reason to take more drastic action against the bank's customer.

3.2 Money laundering & forms of money laundering

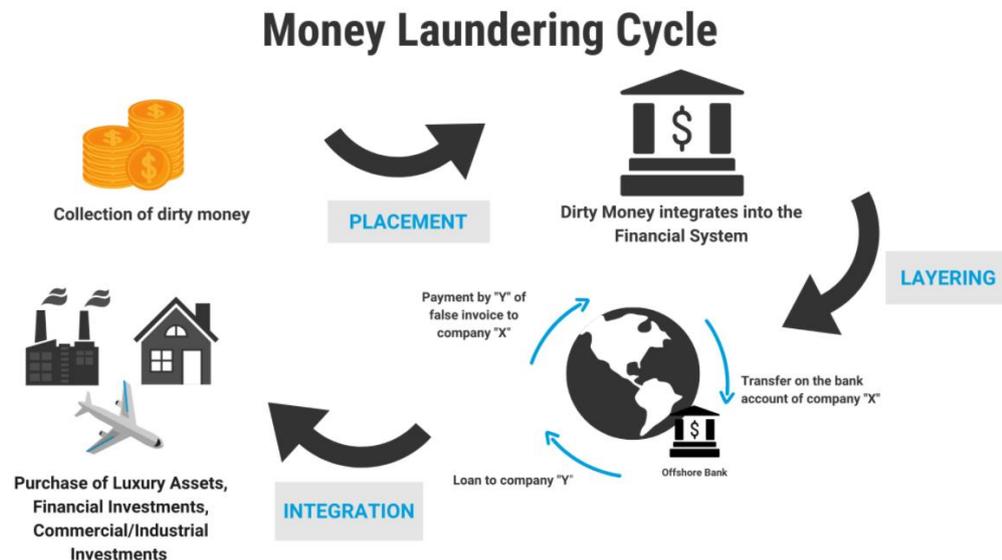


Figure 2 Money laundering cycle (United Nations 2021.)

Money laundering is the process by which one conceals the existence, illegal source, or illegal application of income, and then disguises that income to make it appear legitimate. (Huhtamäki 2000.) I noticed that the term of money laundering is used very widely but in fact it can and usually is something else than direct money laundering. It can be for individual needs like giving gifts or inheritance without paying taxes and search economical advantage this way. Other way could be drug dealing business or other financial crimes connected to companies and injecting money from illegal activities into legal business activities. When criminal acts grow there might be all mentioned above.

One form of money laundering is financial crimes and grey economy. Financial crimes usually includes fake companies and invoices and so called shell corporations. (Dun & Bradstreet 2021.) Financial crime means committing crimes in the context of economical life in order to earn money. The concept of the grey economy is usually associated with more legal actions. What makes it grey is that the legal transactions in question are not disclosed to the tax authorities or other supervisory authorities which gives a chance to avoid for example VAT (value added tax), excise duties, income and wealth taxes and employer contributions. (Huhtamäki 2000.) By laundering money criminals seek first of all economical benefit but also power and in some cases

competitive advantage. It depends on the case but person who seeks benefit by illegal ways may justify that it has a right to do so like hide inheritance from tax authorities. The dead person has already paid taxes by earning the wealth but our welfare state still condemns this action. Other kind of example can be seen in foreign scam call-centers which usually locates mainly in Far East where the scammers justify that they need money and this is job for them like any other job. This can be seen for example in BBC's article Confessions of a call-centre scammer. (Vaidyanathan R. 2020.)

In Finland money laundering is smaller problem but I think we have a few reasons for that. First of all, our economy is smaller, this way it gives narrow space for criminals to launder money. Finland does not have a strong tradition of AML activities. Thirdly our geographical location, although Finland is affected by Russia's proximity. (Andersén 2020.) But on the other hand we are surrounded by more or less conservative Nordic countries and our commonly known strong bond to European Union and the frame it is given by. Finland also has image of a country known for low corruption. I also found noteworthy the finnish culture. It's said that a Finn would give 100€ that his neighbour could not get 50€. People are more willing to give a hint to authorities if they find something unexceptional. In Finland, citizens have free access to tax information so it is easier to notice if someone takes advantage of grey economy or has access for exceptional amount of cash. (Tahkokorpi M. 2012) In Finland the cases that are presented public are considerably smaller, but can be said that all cases which emerge will be investigated.

Money laundering is not a small hassle for criminals, in fact it is more likely referred to a large-scale activity. Money laundering moves more money every year than, for example, is moved in the oil and gas industry. The size of the monetary benefit is estimated at 2-5% of world GDP which is about 1600 to 4000 billion euros annually. By comparison, Finland's GDP in 2017 was 224 billion euros in 2017. If the phenomenon is similar to the rest of the world money laundering should occur 4,5-11 billion euros in Finland annually. (Andersén 2020.)

3.3 Counter-terrorism financing

CTF comes from word counter-terrorism financing. Counter-terrorism financing is comparable to anti-money laundering but there is some special characteristics which are opened more below.

Terrorism is often characterized by a certain kind of politics and purposefulness. Basically, terrorism is violence that seeks to pursue political and religious goals by provoking widespread psychological reactions in the general public. (Palonen U. & Laitinen K. 2011.) In its current form, the international fight against terrorism originated in the 1960s and 1970s as a result of increased terrorism against air traffic. (Kimpinmäki 2011.) The history of international fight against terrorism is still relatively short. Terrorist acts are perhaps, in their own way, more modern type of crime related to religiosity and ideologies. The problematics connected to short history of AML and CTF are often related to the fact that money laundering laws did not yet exist in large scale or those are loosely interpreted, which causes difficulties to hold responsible for the crimes committed.

My finding is that the viewing point differs depending on which party is monitoring the customer even the goal is same. The police is interested in the whole arc of a crime, starting from planning and recruitment to implementation. While banks primarily seeks to detect the collection of funds inter alia to finance terrorism with various frauds and scams to finance dormant terrorism cells and to purchase explosives such as fertilizers excetera.

Financing terrorism is similar in this case to money laundering, as it often involves the search for funds by preventing the financing of terrorist attacks, freezing the assets and seizure of perpetrators of terrorism and prohibiting the provision of financial services to terrorists. Money laundering and financing terrorism have something in common also in issues related to money movements and ownership. But these also differ because, in the case of money laundering, above all, the origin of money is essential, when the purpose of the use of funds plays more important role when financing terrorism. (Kimpinmäki 2011.)

Financing terrorism might be a combination of legal and illegal money and this makes it more complicated. Financing terrorism differs from money laundering in the way that terrorists use various and often even smaller sources of money. And money usually circulates through covert companies, individual persons and it has many intermediaries at home country and abroad before it reaches its final destination. So, if one possible cash flow is blocked, money keeps still flowing through other ways. Legally collected money for terrorist purposes are usually mainly donations from individuals and collected by charity organizations. Illegal money instead usually comes from different kind of frauds and scams or selling pirate products. Frauds can be for example love or

investment scams or credit card frauds. Other violent means to earn money could be extortion, smuggling drugs, kidnapping or asking protection money. Violent means are not so in common in western countries. (Portaankorva 2011.) Like earlier was mentioned financing terrorism does not always need big amount of money. Sleeping terrorist cell can be able to remain viable only for 40€ per month. This causes difficulties for example banks, because it is easier to detect bigger money movements. And these collected money moves fast through by cash, wire transfers and unofficial banking activities like hawala-organizations.

3.4 Anti-money laundering

AML comes from words anti-money laundering. Anti-money laundering is term for operations against money laundering. Operations that are based on laws and acts which are run by financial sector actors like companies and banks. Money laundering has also other tools to support like PEP- and payment monitoring and international financial sanctions. In all simplicity the aim is to catch uncover criminal activities through their money flows.

People can travel with 10 000€ cash in one country to another for example in Finland. (Tulli 2021.) And on the other hand transferring big amount of honest money with a proper documentation and a good reason is not a problem if you inform the banking system and your country where the money is from and where you are planning to use or storage it.

In money laundering there are many parties involved. There is first of all the money launderer and possible victim, then there is the platform where money laundering happens like banks services or bitcoin trade platform. Then we have the preventing side like banks AML functions and authorities like FIU, local polices and later the prosecuting institute and money laundering lawmakers. Succeeding in this process requires common goal and acts towards the matter that the criminals are helded accountable for their criminal activities for common good. By increasing supervisory responsibilities countries are trying to increase social stability and security. (Andersén 2020.) It is clear that this type of money laundering activity is not acceptable in a normal society because it causes for example tax losses for the country and taxes are used for society's welfare. Money laundering activities are like a snowball effect, if it can run free it increases and supports crime. It should be remembered that not all

criminals are fools, if they really want to avoid authorities and AML functions and commit crimes they will succeed in it. The key factor is to make it as difficult as possible and keep AML on top of the money laundering trend.

Unfortunately, however, the social debate mainly highlights the changes and disadvantages that affects consumers. Consumers find the tightening of financial and economic data surveys by financial institutions embarrassing without realizing that they are aimed to prevent crime and terrorism. (Andersén 2020.) Actually, it is weird that Finnish media reacts only slightly while our neighbour countries like Estonia, Denmark, Sweden are in the middle of one of the biggest money laundering scandals in history which involves also Finns. And meanwhile AML supervisory responsibilities have increased we are in between even greater social change where thousands of whistleblowers are monitoring economical activities of Finns and, when asked, we are obliged to prove that we are not laundering money. Both of the sides are not clearly aware of their new roles and the seriousness of the supervision, even it affects in our everyday lives. (Andersén 2020.) It is clear that normal households does not have anything to do with money laundering. It is only a smaller group inside this party or group that are involved as a victim of scam. The real problem is with organized professional criminals and intentionally chained companies.

In AML functions can also come out many other misuse. All this may not be directly punishable misuse like someone using another persons internet bank codes or parents misuse their childrens money. These kind of misuses should be noticed in the bank and the bank should act to eliminate it. It is a clear risk factor which can escalate quickly for bigger criminal cases. Then it is clear that people start to look to sought a party liable for misuse. Bank can easily restrict services based on account terms and conditions.

3.4.1 Suspicious notices

The notice that for example banks make when they inform authorities of possible money laundering is money laundering report in other more describing word suspicious notice. A money laundering report does not constitute a report of an offence, and one can be filed without knowing the quality and identifying characteristics of the crime. To make a report, it is sufficient for the supervised entity to detect suspicious or unusual activity with regard to its customer. It is possible that the supervised entity does not

detect a suspicious or unusual transaction until later. A report must be filed regardless of whether a customer relationship has been established or refused, or whether the transaction has been completed, suspended or refused. (FIN-FSA 2021.) In recent years, the number of bank's suspicion notices have clearly increased. This can be seen in FIU's figure below.

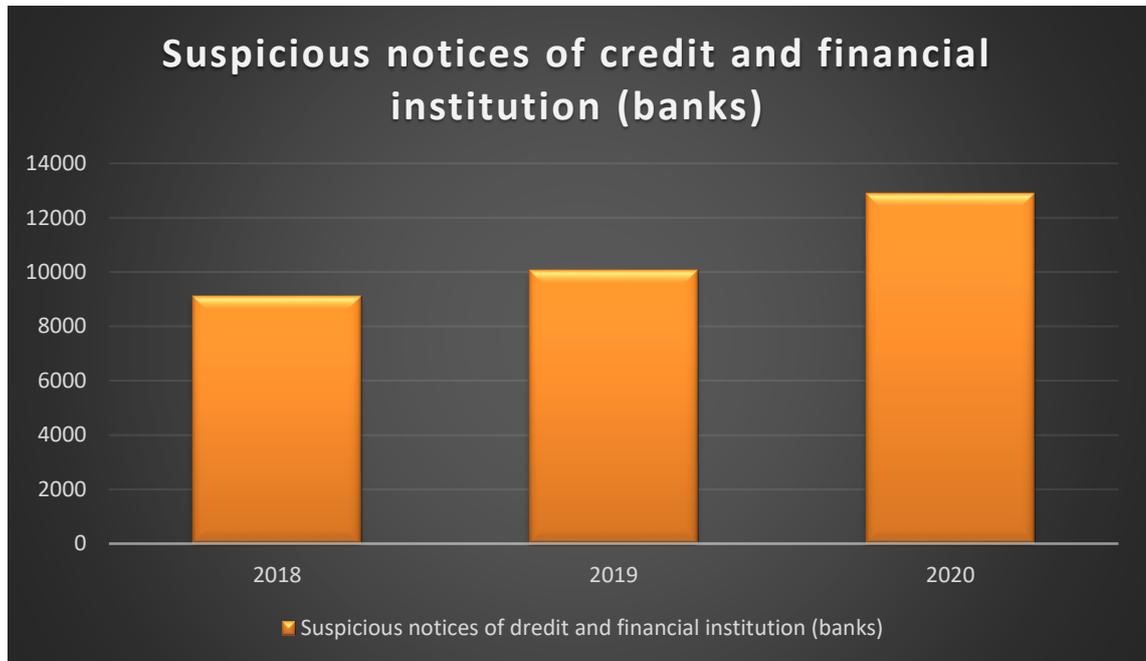


Figure 3 Development of banks suspicious notices (National Bureau of Investigation 2020.)

These increasing numbers can be explained by regulatory changes as well as the active operations in Nordic banks. The key issue here is to minimize false positive alerts for example when bank sends notice to FIU but it does not cause any anti criminal activities to authorities. It can be stated that the notifier's process is essentially functional and pursues the matter referred to it when follower aspects fullfill. Suspicion notices should be sented in large scale to the authorities. FIU fixes errors and adds missing information to suspicion notices. In best situation notices should also be about cases that don't cause any activity, but in small amounts, because if there is no false alerts it most likely means that the investigation process does not fully work. It can be compared to human, if human does not make any mistakes it most likely do not do enough or anything at all. Suspicion notices that already has connection to a crime case, or in best situation suspicion notices that causes whole new investigation. There should also be notices concerning terrorism financing, inheritance and tax avoidance,

individuals and companies. It should also match to other bank group's amounts in scale and margin of notices and of course noticing the size of the bank and steadily growing trend in notices' volume. Suspicion notices' core are transactions. Transaction describes money's movement. But in fact, the transaction is not meaningful, but what is important is the information about the transaction, the parties, the timing, terms and conditions and in particular the price at which the value of affinity associated with. (Andersén 2020.)

The increasing amount of suspicious notices is a problem for example in United States where banks does not have similar possibility of discretionary than Finnish banks have. In States bank have to make, almost without exception, declaration of all charges over 50 000\$ (~40 000€). There is a huge mass of announcements to be reported in a country of this size. So processing these announcements alone is so laborious that it hardly serves its purpose. This is a cause of AML actions because The States wanted to drastic measures to combat drug trafficking. (Huhtamäki 2020.)

Suspicious notices core is not the transfer of one account to another or the transfer of a bundle of cash from one hand to another is only a small part of financial transactions. The most relevant is information about the subject of the transaction, the parties, the timing, the terms and, in particular, the price at which the value is transferred. (Andersén 2020.) I think it is important to lower the threshold to report and detect suspicious transaction, in banks through training and practical examples. I have observed many cases, situations are encountered where a bank employee has a clear understanding of a suspicious customer or transaction, but the decision to report is not made for one reason or another. One strong aspect of this is the inadequacy of time and the notification process is unclear or complex. It is also possible that there is no understanding of the consequences if the case is not reported. I am sure that in many cases the employee suspects one's own ability to identify. And then there is fear of possible time-consuming and consequent additional work caused by the notice. The process needs to be brought clear, transparent, easy and fast enough. And to be support to report and encourage through training and best practices should be highlighted.

Banks appear to be making money laundering reports to secure their back. If suspicious transactions lead to a criminal investigation, banks say that they have done their duty. But first, banks have snapped their own service fees off. (Hänninen 2020.) Hänninen has a point because it is very important that the AML actions in the bank are

also done with a genuine desire to catch criminals and not only to clean up the bank's customer base of such customers. I should be taken into consideration that even this work is not bank's core business its effort is not seeming and in fact the laborious investigation is carried out due to costs and unproductivity in business. And that there is no situation where commission income is accepted and suspicious transactions are made at the customer's request and only then the authority is notified.

3.5 KYC – Know Your Customer

The supervised entity establishes its customer due diligence procedures and minimum criteria to be observed in its customer relationships applying the risk-based approach. The supervised entity must assesses the risks of money laundering related to its customer relationships and activities, and how it identifies and knows its customers and monitors their customers transactions and use of services. (FIN-FSA 2018.) This can be called knowing your customer.

So, knowing the customer in everyday life usually means from the perspective of the banks customer answering odd questions which makes customers feel unpleasant. (Siponen S. 2017) Of course it depends how the banker asks them. Questions like do you have bank services in other banks? Do you have tax connections to USA? What I you gross and net salary/month? Country of birth? If all this is part of normal conversation, customers usually take them more open minded. But very common questions from the customers are; Why are you asking these? And these information does not belong to my bank. I feel that it is many ways harmful that media highlights the changes and disadvantages for consumers instead of the meaning behind these actions. My opinion is that Financial Finland (later FFI) should create a more positive image of anti-money laundering work through the media. Most AML work-related news, regardless of media, are very negative in the sense that we are talking about increasing amount of scams and tightening regulation. (Taleva K. 2019) The media should be more guided by the umbrella organization FFI for positive direction. Direction where media opens up the reasons for the importance of anti-money laundering work. And how everyone can support and even help in it and thus eradicate so called rotten apples from society that eats national security and common tax resources. Because, I think, it is a dangerous road to take where consumer's confidence to credit institutions is beginning to falter. I have countered many situations where bank's customers don't

want to give their ID or social security number to bank because they felt that they can not trust and as a banker I feel really odd when banking secrecy is no longer trusted among customers.

Obligations concerning customer due diligence are customer identification and verification of identity identification, necessary verification of the beneficial owner (identifying ownership exceeding 25% and control relationships in the customer) identification and verification of the customer's representative, obtaining information on the customers' activities, the nature and extent of their business, the grounds for the use of the service or product, retention of customer due diligence information, obligation to obtain information and report suspicious transactions, to have internal instructions, training, contact persons, decision-making process for due diligence, to have developed and use of risk-management and continuous monitoring methods for due diligence. Information obtained to fulfil the obligation to obtain information and the reporting obligation must be kept separate from the customer data. The customer does not have the right to check this information. (FIN-FSA 2018.) Identifying customers like George and George's sole trader company George's Garage is not rocket science. But when bank tries to identify big multinational companies and not always even big ones is a whole another thing. These companies might operate abroad, individuals behind the company does not want to be recognized so finding those ownerships and identify those customers are next level.

The longer it has been without asking these information from the customers the harder those information is to gather. First of all the number of questions are abundant and amount of the questions are increasing year by year. The more often information is asked the easier it is to ask, but nobody wants to interview the customer too often. And it is clearly unproductive to go through the same questions in every encounter. In case of incomplete data collection, the sanctions are severe. (Harjumaa M. 2019.)

Good example of this is case of S-Pankki where they were on the news for their neglect on money laundering obligations and they received a huge sanction and they started strongly restrict customer services, if the customer had not updated their information. (Harjumaa M. 2019.) This approach was definitely efficient to S-Pankki but caused a lot negativity among customers. My opinion is that this probably was their only option to react fast since the problem had already escalated to such a big problem. On the other hand, it may be wrong to punish it solely on your own customers, as knowing the KYC is bank's responsibility not the customer's. At least for

existing customers, it does not pass to responsibility the customer until the bank has done its part.

It is best to take a position where you can require that no services will be opened or assignments are done before customer gives these information. It is a relief that this information can be asked when opening the customership, everytime the customer is in contact to the bank by phone or online meeting. All these manners offer number of possibilities and contact channels to the customer to give information to the bank. Company can also ask the customer to fulfill these information all by itself online in internetbank via phone, tablet or computer.

From my point of view the starting point for everything in knowing the customer and perceiving an unusual transaction is, in all its simplicity, the real knowing of customer. This may not be fully achievable even in small banks, but locally yes. The local bank office has a huge amount of valuable tacit information which makes it possible to make realistic assumptions about the customers. How such information can be utilized is very much limited by GDPR (general data protection regulation). When information about the customer can only be collected to the extent necessary. To detect a suspicious transaction, a bank clerk can bring his own local knowledge to help him make a suspicious notice to the bank's AML team. The decisive factor in this case is the training of the cashier to detect the situations. When going to larger multinational banks, this local knowledge reduces when customers are driven to operate with digital services situation where the bank does not even have office where the customer could come in. In this case, the information collected, its integrity, timeliness, and utilization during the process are the most important factors in knowing the customer. For the information to be as valid as possible, it must be equally understood, up-to-date and realistic. In many cases, this information may be deficient or incorrectly filled in the bank, and the more AML processes you want to outsource or bring under AI (artificial intelligence) and automation, the more information must be error-free so that the hits picked by the automation are real anomalies.

My observation is that it should be unambiguous to the customer what is meant by the requested information. When the customer is in a situation where he fills in the information alone. Maybe in some cases it is better to fill the information rather together with a competent bank clerk of the bank than alone. The data should also be validated, if possible with each contact with the customer or at least more frequently than every two years. It is normal that the contact information of settled family and its members

does not change very often, but the longer time from the previous contact, the greater the extent that those may have changed. But let's be realistic it is a fact that if you have ever been as a cashier in bank, you do not ask personal information about the customer when there is a queue of other customers behind. The time, customer and situation do not let you. It is not comfortable to the bank clerk or the customer. Nobody wants to tell about their personal matters or gross salary to the whole bank. It is not a problem if the cashier has more closed room or space to interview the customer. AML functions may never be fully automated as even AI cannot interpret transactions and customer profiling to the same extent than human can. But some of the work could easily be automated when there is valid data.

Financial sector is strictly regulated and when opening customership to customers there is a need to sign a massive amount of contracts which binds the customer like account terms and conditions. My opinion is that banks should invoke significantly more to these account terms and conditions, and laws etcetera and this way be bolder and refuse customerships and customers transactions, especially when there is legitimate reason to do so even this might cause reputational risk. It is reality that customer seeking criminal advantage rarely wants more publicity to his or hers actions. Of course this might cause annoyance in some customers but when all banks keeps their line strict it is advantage to all banks. On the other hand bank has actually operated responsibly and responsibility is one of the most important values on banking sector or value in business itself. Customers knowing that criminal activity may occur at a bank is often enough to deter persons from depositing money or purchasing investment items (HG-org 1995-2021) And this way banks also avoid possible other sanctions which may be relatively big. (Siponen S. 2017.)

4 CHALLENGES

The following part of my thesis focuses on banking and its sub-areas which have a significant impact in preventing money laundering. Notifiers and authorities should work together to solve these challenges. This way could be reached situation where AML work could offer better results to authorities, banks could support each others AML processes and money laundering could be more difficult for criminals.

4.1 Banking secrecy

Banking secrecy is provided by law and it is one of the most important laws governing credit institutions. (Minilex 2015-2020.) Duty of secrecy applies relationship between bank and customer and all the information bank receives even before customership starts regardless the fact that customership never started. Bank secrecy content can also vary between different countries.

Banking secrecy binds the bank before the customership starts, during the customership and when customership has ended. (Finanssiala Ry 2021.) Banking secrecy concerns information about the customer which are not commonly known such as personal circumstances, information about political conviction, opinions expressed in the private life of an individual, lifestyle, participation in association activities, leisure time activities, family life or other comparable personal circumstances whether the person is certain bank's customer or not.

The core of banking secrecy has remained same for centuries. The institution behind bank secrecy is based on two parties, the banking operator and the bank's customer. Regular condition to establish a customership has been that the bank receives the information it needs from its customer in order to be able to rely on the customer and, above all, on its solvency. The customer, in turn, has been prepared to provide information about himself to the bank in order to be able to use the bank's services and trust that the information remains confidential between the bank and the customer. (Konstari T. & Katima K. 2002.) This ideology itself is very black and white and easy to understand but nowadays my observation is that it seems like customer unilaterally expects this from the bank but acts like it is not binding on the customer itself. Many customers feels that bank might even violate customer's privacy by asking such

personal questions. Actually banking secrecy can easily be related to the law of processing patient data because of its sensitivity.

The onward disclosure of information covered by banking secrecy is also subject to its own legislation and is important from the point of view of preventing money laundering and financing terrorism. Restrictions on the circulation of information between authorities restrict the ability of authorities to find out whether funds derived from criminal activity. And on the other hand, in some cases banking secrecy might help these funds to get unreachably by authorities. It can be said that the disclosure of information covered by banking secrecy is in conflict with banking secrecy but in some cases authorities have a legal base to receive this information. Main reason for disclosure of information is that the meaning of banking secrecy is not to provide protection for criminals or other illegal activities. In other words banks does not only have a duty but also a right to disclose information under banking secrecy for solving a crime. For example a case where it is justified to suspect that the subject of the request of information is committed to a serious financial crime. This is very common reason for bank to disclose information under banking secrecy. Not only the fact that bank hand over this information if authorities asks but banks must also report any suspects of money laundering which is a different kind of deflection of bank secrecy. §15 in Money Laundering Act also defines that the notifier is not liable for compensation due to the notification. (Huhtamäki 2000.)

Another aspect can be a situation where breaking bank secrecy for advantage of tax authorities can be considered as a social interest to secure statutory tax revenues. There is international contracts and contracts between countries where institutions undertake to disclose the information for example legal aid agreements providing information for the investigation and prosecution of criminal offenses. (Konstari T. & Katima K. 2002.) This can vary between countries, and countries like Lichenstein, Luxemburg and Switzerland bank secrecy can not be broken by tax-legal requirements.

Based on my own experience I believe that most development is needed in the flow of information between banks. Bank secrecy restricts mobility of information strongly, but to enable this changes are needed in laws and it would be reasonable to set up a circle of tips. From an international point of view, this is certainly more difficult to implement, but in case another bank has serious doubt about the possibility of a crime or scam and sees where the funds are transferred, for example, the bank would have access to a register maintained by the police or FIU of the contact details of the AML

operations of the most significant Finnish financial sector actors. The register would include Finnish banks, various financial branch actors, payment intermediaries, payment service institutions, virtual currency trading venues excetera. The threshold for reporting in here should also be low, but still based on strong suspicion. In this case, banking secrecy would not be violated as the bank sees where the funds of the customer came from and/or where those are transferred. In this case the bank could report that they have made a suspicious notice on transfers targeting certain bank's account. In that case, the bank would not disclose information covered by banking secrecy. This will speed up the ability of both parties to have suspicious accounts and customers under monitoring. Also the authority's investigation will be speeded up and the authority will have a more comprehensive picture. This way the process of freezing funds can be speeded up and the possibility to return money to the victim increases and cuts down possible funds for criminal acts. This way funds can be returned to the victim or funds which are assigned for criminal use can be completely prevented.

4.2 Other financial sector actors

It is clear that banking secrecy binds almost all financial sector actors but how tight these actors comply or what level it is implemented varies. Other financial actors can be cryptocurrency marketplaces, credit institutions, bookmakers, currency exchange agencies, insurance companies, real estate agencies, payment intermediary, gambling communities, auction rooms, car dealerships and Hawala organizations. The latter is a very good example of financial actor which contains huge risk of money laundering or terrorism financing.

According to Article 12 of the EU money laundering directive, member states are required to ensure that the provisions of the directive were extended, in whole or in part, to professions and companies which are not credit or financial institutions but whose businesses are suitable for money laundering purposes. However, NBI regretted that these were not reported to the desired extent. (Huhtamäki 2000.)

Section 10 § of the Money Laundering Act also contains an obligation to report. If the obligated bank, for example, has reason to doubt the legal origin of the assets or other assets included in the business, it must immediately notify FIU, with the reasons and related information and documents. However, it is not the duty of the whistleblower to

assess the actual offense or the preliminary investigation of exceeding the threshold, this is the responsibility of the FIU. (Konstari T. & Katima K. 2002.)

On the FIU's figure below can be seen how the suspicious notices have divided between different notifiers in Finland in 2020.

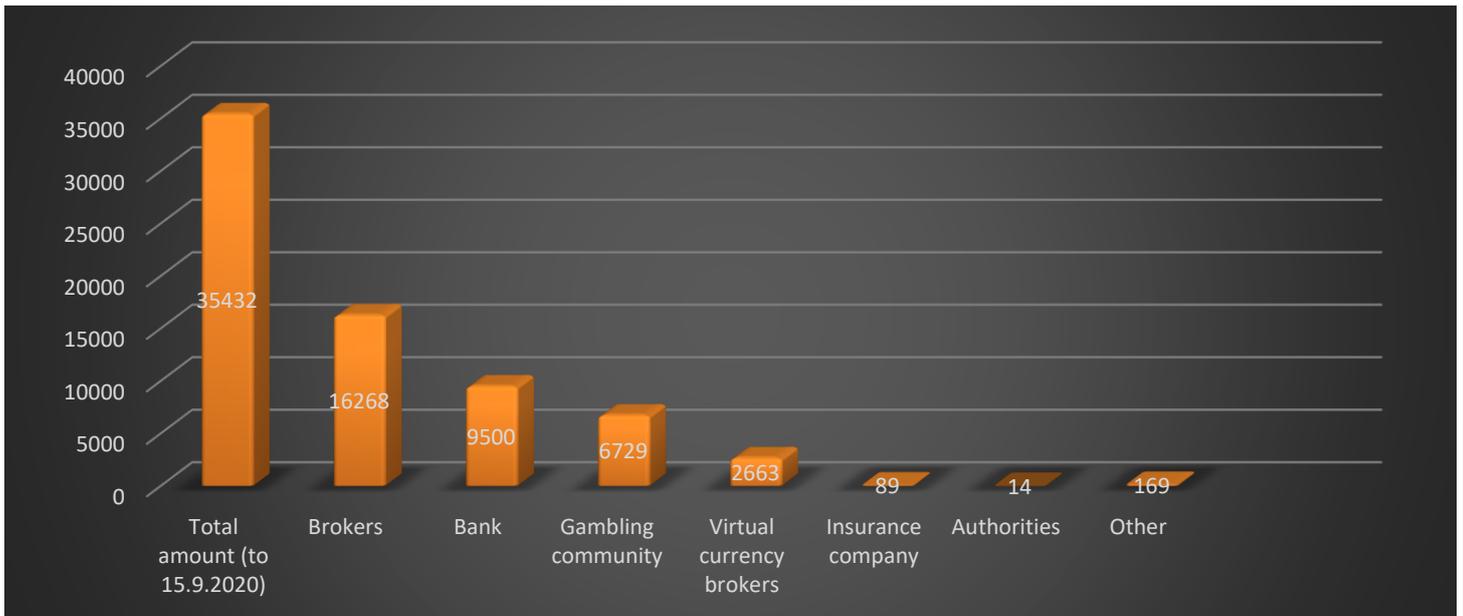


Figure 4 Number of suspicious notices 2020 (Hyytinen T. 2020)

There is not always banking system available or it differs very much from the typical Western banking system. In this case, financial sector actors may cause challenges for the authorities to keep the banking system so-called unbroken. Contrary to what happens if money leaks into the banking system from something whose origin has not been identified or the money is handed over to parties that have not been identified. In such situations, the forfeiture and "depositing" of wealth or money can succeed. In India and Asia these are called hundi or hawala and in China, they appear under the names of chit or schop. These banking systems are known for their cashless and completely undocumented wealth transfer and retention systems. (Huhtamäki 2000.)

4.3 Laws and prosecution

Punishment point of view, it does not matter whether the final act is done or not. But it is essential that the funding accrues to the benefit of a group whose existence, in accordance with the group's will, is linked to the commission of terrorist acts. (Portaankova 2011.)

It is important that in order for a financier to be prosecuted, the financier must be aware of what is being funded. This is a problem under current legislation. It is useless to see a great deal of effort to bring a crime to justice if it is unlikely that anyone will eventually be even prosecuted, FIU has few significant precedents for this. This causes situation where it is not always unambiguous when the financing of criminals becomes criminal from the perspective of the victim or participant. Even money sent to a terrorist organization by a potential victim or participant in the eyes of the law may not yet be a crime unless it can be demonstrated that such a participant has a proven understanding of what potentially terroristic act the funds are being used for. The most important factor here may be the conscious reward of the action or acts if the the victim or participant acts in good faith this may cause or save him from the prosecution.

5 OUTSOURCING AS AN OPTION

In this section of my thesis takes deeper look to the theory of outsourcing and how outsourcing can provide efficient and high quality option to run and develop AML functions. I also identify possible risk factors by pointing outsourcing through SWOT analysis. In the last part I will present my own findings about optimal AML team.

5.1 Outsourcing services

Outsourcing is mainly 21st century's phenomenon. Outsourcing is strongly used in the provision of municipal services. However, it has spread in almost every branch to produce services at least some extent. Outsourcing is offering shifts tasks, operations, jobs or processes to an external workforce by contracting with a third party for a significant period of time. Businesses typically do this to reduce costs or improve efficiency. Outsourced functions can be performed by the third party either onsite or offsite of the business. (Bucki 2018.)

Charging the service is some way tied to the work performed like performance-based charges according to the work done. In clear entities, the parties can also agree on so-called fixed price for particular work package. Usually the price is agreed for a certain amount of work and when the amount of work exceeds the agreed total, the supplier has the option to charge for the excess workload through the agreed mechanism. Other charging mechanisms include hourly charge, where the supplier's charge base is tied to the time worked. In addition, various combinations and hybrid models are constantly growing its popularity. In these models, the supplier's charge is built more and more to the end result of the work performed. (Alamäki 2019.)

5.1.1 Objectives of outsourcing

I feel nowadays running a business is more complex. It is not always about the fact that you want to handle every small detail and field of your business because sometimes it is not possible. You can be for example a seller at a market place with your business but you still need to be able to handle marketing, bookkeeping, selling, producing, logistics excetera and you can not be expert in every field of business. And in banking

business you have to operate under constantly tightening regulation which does not make it any easier. (Nurmela J. 2020) During my observation it seems like sometimes it is better to outsource some operations than do them by yourself. While monitoring banks inner processes I found that outsourcing in its best can help creating clear and smoothly running processes. When the mass of data is being pushed through outsourced process it offers a good way to constantly develop process itself, and make it more streamlined, cost efficient and at the same time increase its quality. Or even better create a condition for business growth. Sometimes outsourcing can also make evaluating the costs more clear. The most important point of view is that it enables company to free its resources to its core competence. (Saarela T. 2008) So that the company or in this case bank can concentrate on its most productive functions. In banking business it is not AML which actually generates nothing but expenses and bank's core business is to make a profit. However, the law requires bank to do so. In this way bank and the company offering outsourcing services can both focus on their core competence and get support from each others when both parties does the business its best can.

Outsourcing is firstly co-operation and partnership between two companies. It is important that both parties are able to create common goals and indicators for the co-operation. Best results will be accomplished with seamless co-operation. For example if cutting costs is one of the goals, supplier should create an incentive which directs the supplier to take the cost of the operation down. In co-operation it is important that both parties can be open and ready to discuss what is the target for co-operation and both aspects are taking in to consideration. If it is optimized only for one party sooner or later the co-operation start to suffer and it might cause lack of trust and lead to conflicts. It can be said that outsourcing is "trust business" (Bucki 2018.) which I deeply agree.

5.1.2 Outsourcing challenges

My opinion is when company outsources its functions, co-operations should work because company takes conscious risk and creates a possible vulnerability for itself by this. The risk lays when you make your business dependent on somebody else. Outsourcing AML might cause different kind of risks like legal risk, security risk, operational risk, and reputational risk, not to mention regulatory fines and potentially

the disruption of business. (Reus D. 2021) My observation has proved if there is no trust it can create a complex set-up when both parties tries to control each others' and the communication does not work. This creates easily a mindset that both parties are competing against each others, and thoughts and ideologies which were shared before sets now competitive position even this makes detriment for both parties. It is also quite common that when something is outsourced for long time the original capability and know-how disappears from the original organization.

When something is done against payment in long run, it is clear that the passion for doing might not be at the same level that the buying organization had. (Pressbooks 2009.) Like mentioned before, cost efficiency is very often reason for outsourcing but it should be noticed that making work extremely efficient is not always good, instead it might cause problems with quality. It is important to notice that in the end buying organization is always responsible of the supplier if something goes wrong this is mentioned in the law. This applies also if the AML work is not done according laws. Of course bank can ask for compensation from the supplier. Legally, the financial institution is ultimately responsible for the quality of work executed by an outsourcing operation. (Reus D.) And if we use bank as an example the bank can outsource some services like data collection of know-your-customer. This does not mean that bank can outsource the knowing of the customer totally, because propably back office does not ever even meet the customer.

5.2 SWOT-analysis

Four-field analysis (SWOT) is a simple and commonly used method of business analysis. The analysis can be used to identify the company's strengths and weaknesses, as well as future opportunities and threats. With the help of a four-field grid, the company can easily evaluate its own operations. (Suomen riskienhallinta yhdistys Ry. 2012-2021.) By SWOT analysis my aim is to just point out the factors needs to be taken into consideration when considering outsourcing in AML activities in bank.

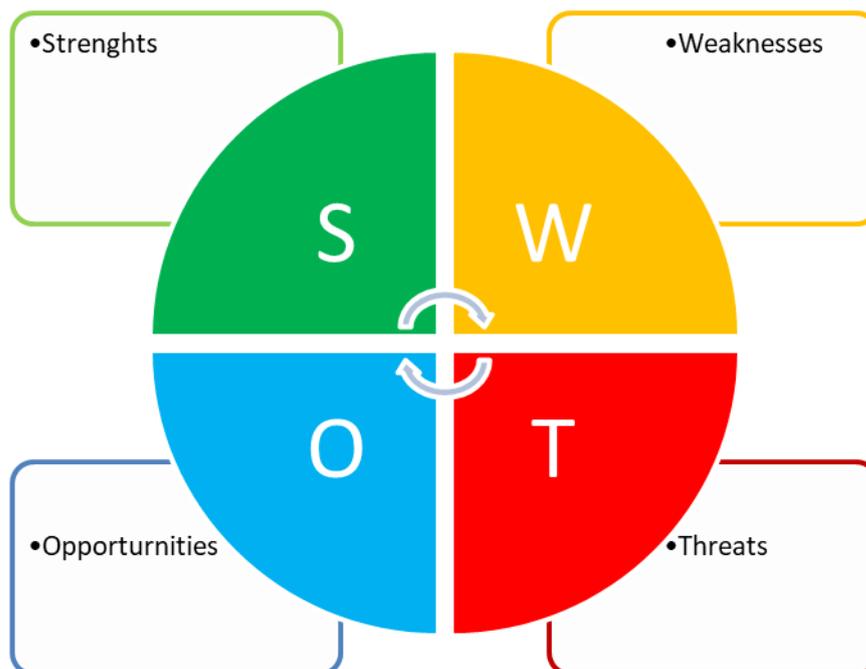


Figure 5 SWOT Analysis (Pilpola P. 2021)

Strenghts

Cost efficiency and unified quality is rather easy to reach by centralizing services.

Work can be rather easy to develop inside team and different ways to operate can be flexibly changed to find the most efficient one.

AML department has its own authority to operate and when operating closely to customer it has certain distance and weight in its contacts.

Opportunities

Optimal resources, some bigger banks might have an army of personnel in AML functions but when the work is actually financially unproductive it is senseless to overpopulate this department. At the same time hundred of thousands of customers should not be investigated by few people without proper automation processes by it's vulnerability.

Properly motivated AML team does not have personal bond to customers so objectiveness is easier to reach.

Co-operation between organization and AML functions, if this in not working many cases are being left investigated.

If the process is moved from bank to outsourced operator there might be lack of infrastructure, but it can offer opportunity to create new one with only the best practices.

Weaknesses

In Finland it is relatively hard to find specialist with wide experience in AML functions. These positions are quite new and there is lack of education, certificates while many companies have woken up in the need.

The race with new expensive technics, many behaviour and phenomena should be recognized before it can be set as a deviation so that technical systems can recognise it. AML functions should be a step ahead of the criminals all the time.

Sensitiveness.

Threats

Proper professionalism on AML activities might disappear in long run from the company. And AML compliance requires a higher level of training in contrast to standard outsourcing tasks. (Reus D.)

Reputational risks are not so easy to manage when the service is given to other supplier but the responsibility stays at the buying party.

Sanctions are huge if instructions are not followed, who has the responsibility in the end.

1.1 As a choice to outsource AML

Nowadays, almost any work and processes can be outsourced, of course taking into account profitability perspective. What comes to large commercial banks and organizations there is not necessarily a need to outsource in case where there is no shortage of resources. But a small local bank may not have the know-how or resources to produce the service by its own. But it is clear that outsourcing bank operations is not always that simple. Especially if it's as sensitive process as AML. Firstly, this cannot be outsourced to any operator, as employees cannot be recruited through staffing company for shift or two. And there may not be even any staffing company providers because of work characteristic and strict regulation. I did some research and it seems like abroad can be found third-party operators that provides AML services, in Finland

instead I found only software providers that not offer AML service. In this kind of situation outsourcing is still an option. Bank could set up a so-called bank-owned and managed company. This company has access to the banks softwares and account information. A subsidiary or product company that invoices the actual bank from the work done. In Finland it is easy to state couple this kind of companies like Opset Oy and Säästöpankkipalvelut Oy which provides specialist services to its own banks in optimal price. (Opset 2021.) Invoicing in these kind of companies are usually based on project-, hour or piece based invoicing but this is not common information. This kind of company does not necessarily seek profit but instead it focuses on stable and optimal price in providing expert services. This type of outsourcing can provide other tax benefits, for example from a term of employment perspective.

My findings are when the operator is not in small local bank, it is also easier for the bank and on the other side the outsourced entity to approach a well-known customer. This entity can be seen an external and more authoritative party, so credibility towards the customer may also be better. And I have seen if the work is done in every independent bank, the process would probably be very burdensome and mainly resonsed to one person. This causes situation where the work is inefficient, the staff member may not have all the support he needs. The quality difference would probably also be considerable big and the way to do would not have found its optimal effectiveness. It may also be intentional to perform the work objectively because the pressure that comes around. This determine the nature of the work too much and way the person performing the work experiences the work remarkably or not.

I have seen long run this can also cause situation where the entity in small independent bank researches various things about customers, including those that might not be necessary to follow. This way finding focus can be difficult and the work would likely be significantly more accomplishing than genuine investigation. AML operations in this kind of situation is too much on the individual's shoulders so that it depends on the individuals desire to develop in their work and the further development of the process itself.

I see that the way of keeping bank's inner process efficient and renewable my point of view centralized service offers clear business advantage. The process is cost efficient, easier to control and measure. The process is also uniform of it's quality and suspicious notices does not personify. This way can be avoided situation that knowing the customer personally affects the reasons not to make a suspicious notice. Clear

synergy advantage can be detected when know-how and substance competence are centralized.

1.2 Optimal team in AML functions

My opinion is that when centralized know-how maintains the best possible ability to react, the team should consist of the widest possible range of expertise and education and it needs to be maintained. My point of view is targeted on training throughout the organization as one of the key success factors. This way whole organization's possible specific competence can support the AML team. It should be taking into consideration that educating personnel on customer service, bank's cashiers or company banker who has deeper look-out for example customer company's book keeping needs different kind of education.

It is highly classified information but some banks use more AI and different kind of softwares and others put more effort on manual investigation supported by automation. And if the bank rely on manual work well-functioning purchasing team should take notice that the work circulates between team members. It is not ideal situation where always the same person investigates same customerships. If human eye chooses all the investigated customerships later on it starts to use the same logic. This causes situation where sooner or later human eye blinds to own investigated cases. In the same time colleague can easily notice in same customership many new aspects on his or hers own base of experience. My opinion is that in addition to every investigated cases should add cases which has validated completely random sampling which does not have any regular logic. This way team can observe imperfections in process like cases that do not fill the criteria of automation or and this way rise up for closer monitoring.

When service is outsourced, cost efficiency is one of the reasons for outsourcing decision (Wu L. & Park D. 2009). I think it should also been taken into consideration that you get what you measure. It is important that the service does not in all circumstances run cost efficiency first. When work is invoiced in long run it might cause quality problems. Quality should be the first criteria especially when the team profiles and investigates customership or in some cases makes suspicion notice from it.

Team's and bank's responsiveness should be fast and logical. Especially in scams and cases where bigger amounts of money is moved team needs to be ready to react fast otherwise the situation is usually over.

My observation showed that the optimal investigating team keeps inside wide range of specialists in different substance grounds. Most critical and also challenging are field of company-, tax-, debt collection- and criminal justice expertise for inexperienced team. My opinion of the ideal expertise inside the team is created with specialist in these areas. Ideal features of succeeding in AML team could be independent way of thinking, manages to perceive overall picture, understands dependencies and is persistence. Important is also to have good human knowledge and high motivation to catch the criminals and the ability to produce a clear and concise description.

6 CLOSING CHAPTER

My thesis deals with the importance of preventing money laundering and terrorism financing. This work is nationally and internationally significant work. This way many identifier fights against general insecurity and misuse of common funds. Providing anti money laundering work is not only for the common good someone has also pay for the maintenance of these processes. Part of it is funded by taxes but credit institutes, banks and many other financial sector actors have to pay it themselves. It has certain advantages to the banks also, bank can clean up the customer base of “bad” customers but this is not a reason to use hundred of thousands annually for cleaning customer base for small a margin of customers. These processes are heavy and unproductive what comes to expenses but preventing needs to be done disbite these crucial facts. Therefore anti money laundering work should be as optimized and cost efficient as possible but remain its quality at least in certain level. None of making business wants to run heavy and expensive processes that don’t generate apparently nothing but expenses. For not producing these activities good enough or at authorities required level you end up to yellow papers headlines really quickly and the possible sactions following are expensive that there is a reason to avoid them. And especially in banking industry responsibility is currency that you don’t have a option to lose.

The aim of my thesis is to find out why small and medium sized bank or credit institute should buy anti money laundering service as an outsourced purchasing service. And what are the key factors influencing this. I also want to clarify in my thesis what is meant by the money laundering and terrorism financing and those prevention. My thesis is qualitative study that utilizes an observative perspective. This thesis combines theory base, strong analyze, detailed observation, identifying different factors and relation of reason and effect and thoughts about future. Combination of history behind certain regulation and ways to act and the connected parties helps the reader of the thesis to have better understanding money laundering prevention’s complexity. If this were easy there would not have this kind of army of authorities to monitor these processes.

Third chapter I move on to explaining anti money laundering authorities, what is money laundering, why it is done and what kind of advantage can be reached that way. What is typical forms of its characteristics. This thesis explains also the parties involved in

money laundering and how it differs compared to other comparable terrorism financing. I also criticize the news around anti money laundering and how it should be the FFI responsibility to change it more positive headlines. I see it really problematic if consumers faith in financial institutions starts to falter and what kind of consequences it may have. I think it can be never high lighted enough but anti money laundering work is for the common good and it is problematic that although consumers do not understand the role of they play but the financial sector actors have also work to do to clarify this. Best possible result can be reached when everyone blows on one coal and takes care of their own plot. I also wanted to have a part in my thesis to point out the suspicious notices ultimate purpose and what can be measured of those end products of identifiers. And I am researching anti money laundering I can not leave know your customer out of it. Knowing your customer is the core of all doing. This is the field which provides the ability to recognize misuse, prevent and take action if someone turns out to be a victim of a crime. This is creating the base to develop processes by automation and AI solutions. This provides the core data for all anti money laundering activities. I also pointed out some crucial factors to improve that data's quality.

The fourth chapter of theoretical part is consecrated on three main fields of sub-areas that guides strongest the development of anti money laundering. These creates the framework which points out whether the authorities ai is to enable or limit the prevention work. I think this part shows the end result of the work. That the prevention of money laundering is a very broad and well-regulated entity in the financial sector with a considerable number of dependencies. This makes the work challenging, but at the same time offers several potential targets and processes to be developed. Work can be made more efficient by centralizing work, developing the process itself, interpreting and updating regulation. The best result is achieved when the process is developed by the authorities together with the notifiers. This part created the most markable factors to develop AML and also points out the crucial challenges and it should be noticed that the process itself is very different on paper and at the level of thought than in practice.

The last chapter before conclusion opens up outsourcing and factors connected to it. Outsourcing is great way to direct work to entity which has core competence on it or which frees time to the buying organization for its core competence. Outsourcing creates situation where buying organization settles itself under vulnerability, sometimes it is a risk to take. I have strong opinion that AML functions is this kind of field where

the risk is worth of taking. In fact it offers more cost effective advantage than risk factors. Main reasons for this is cost efficiency, possible increase in quality and its uniform quality, centralized know-how, process faces more development and critical review. I also pointed out my findings when creating optimal AML team. Such as what kind of expertise is crucial, which characteristics are valuable and I also highlighted some actions in AML processes which supports the team in organization or which actions inside the team and it work offers solutions for keeping the process functional.

I keep it important that my reasearch work answers the research questions settled. And that it recognizes and identifies a lot of detailed information for example about that bank secrecy causes challenges for peventing money laundering. And that I manage to point out my expertise in certain field and to convey to the reader of my thesis keeps inside a wide knowledge of the whole. And it this way points out my deeper understanding of reason and cause -effect. My opinion is that my thesis achieved the goals set for it and I was able to create a comparatively comprehensive overall picture of the cornerstones of money laundering prevention processes and the factors that affects to it. I am also convinced of the topicality of my work and the interest on the topic.

My thesis reliability points out that it can be easily shown that the centralizing AML functions provides increase already in quality and cost efficiency with cold data. Validity can be seen in that this thesis offers many small development proposals and practical notices to take into consideration. And this shows the validity of qualitative research. I also think that my work can provide a good perspective for a local bank or credit institute representative who is considering outsourcing as a possible but is still not so familiar on that field.

As a result I think in my thesis the benefits and opportunities of a centralized purchasing service have been demonstrated in many ways, as well as the not significal but possible risks and limitations. I also underline my personal background concerning this topic and situation where I had to create larger entities about very fragmented knowledge and reach balance with the amount of work and meaningfulness of work when creating the best practices.

The weaknesses of my study may be a light overview of everything but a very in-depth picture is difficult to create revealed secrets is in many situations when the information is classified. But this and the problems to follow the planned schedule was caused by

the fact that commissioning organization left out of the thesis project. This commissioning organization could also have provided the countable data missing. And with this data the thesis could have been more describing like data of saved man-hours, increase of the meaningfulness of the work and be able to present more concrete development ideas leaning on the actual processes behind the team. But on the other hand I have been in the box seat to witness how the created processes offered this and how this could have been offering more facts of the cost efficiency point of view also.

From a learning perspective the writing process was for me a big learning place to structure all my knowledge on the subject and try to dress it as a simple and easy to understand entity from an outside perspective. The task was not easy because the topic is broad, full of complicating terms and has a lot of dependencies on laws and a certain level of classifying. I also noticed that many things and phenomena are so familiar to myself that I need to put effort to notice that I should explain it to the outsider more simply. I think I did it moderately.

If I would make further research in the future, it would be interesting to see what kind of practices remain after the covid-19 pandemic and what kind of lasting changes in the behavior of banks' customers and money launderers remain. In addition, it would be interesting to research two nearly identical AML teams investigating the same customer relationships using different methods. One peer group which investigation base is more on manual work and automation where the data under investigation is filtered compared to a second peer group using for investigation more AI and different alert systems what would be the results on the suspicion notices quality.

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