Effects of COVID-19 on Financial Crime and Compliance

In addition to the multitude of negative consequences of the COVID-19 virus, the Financial Action Task Force (FATF) warns that the pandemic also increased financial crime. In a communication issued on May 4, the FATF outlined how the pandemic can increase crime that could result in money laundering or terrorist financing, such as fraud through fundraising by fake charities, sale of counterfeit medical equipment, fake phishing emails allegedly sent by an official organisation or fraudulent investment schemes.

In addition, the various isolation and shelter-in-place restrictions imposed by governments around the world result in an increased use of non-face-to-face financial transactions. This means that financial institutions might have to adapt their due diligence and ongoing transaction monitoring measures. Trade based money laundering should also be a primary area of focus at this time, according to Detective Chief Inspector Richard Barrow of the RCIPS. As jurisdictions race to acquire vital supplies from foreign suppliers, criminals elements will manipulate cross -border invoicing and banking processes to capitalise on this illicit activity. It is important for financial institutions to ensure their systems are capable of handling the analysis of these transactions, many of them now being done remotely.

In the Cayman Islands, while the COVID-19 restrictions have had an impact on how regulators supervise and communicate with regulated entities, supervisors and law enforcement agencies continue to prioritise enhanced AML/CFT regulation and compliance. Entities that need to file a suspicious activity report with the Financial Reporting Authority can now do so electronically via email. Instructions are provided on the website of the Financial Reporting Authority. Persons who wish to donate to a charitable cause should verify that the charity collecting donations is registered with the Registrar of Non-Profit Organizations.