

**ANTI-MONEY LAUNDERING PRACTICES WITHIN THE GHANAIAN
BANKING SECTOR: A CASE STUDY OF STANDARD CHARTERED BANK
(GHANA) LIMITED**

By

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DECLARATION

I hereby declare that this submission is my own work towards the Masters of Business Administration (Finance Option) Degree and that, to the best to my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

Money laundering has augmented in scope and is believed to play a major role in the disruption of the financial system as it also uphold drug trade, trafficking of women and children for commercial sex, weapon smuggling, and terrorist financing. It is not only conducted by traditional criminals, but is often backed by corrupt institutional financial officials. Also financial havens and automated payment technologies supporting unidentified customer relations have also in turn offered prospects to launderers to transfer illicit proceeds without any suspicion from public authorities. For this reason, in the late 1980s an international anti money laundering (AML) offensive body was instigated to check the operation of money launderers. Under the direction of the Financial Action Task Force (FATF), universal standards were established and implemented within numerous countries' national policy structures to help in this fight. Ghana being a member of this body has also taken serious measures to protect it banking institution from being use as financial heavens in championing this course. However, in as much as regulatory bodies are doing their best in the fight, financial institutions seems not be cooperating fully in ensuring the soundness and safety of the banking system. This thesis examines the anti-money laundering practices within the Ghanaian banking sector using Standard Chartered Banks as a case sturdy to determining whether or not financial institutions in the country are cooperating fully with regulatory authorities. The study brought to light the control measures such as incomprehensive KYC and CDD on customers, inadequate training of staff and non-reporting of all suspicious transactions in connected with extreme desire for increased deposits, staff conspiracy with criminals, non-compliance with FATF and BOG/FIC recommendations and guidelines respectively were some of the inherent weaknesses that made banks conduit for these crimes. The study concluded with the contention that lack of cooperation between the financial institution, the regulators and law enforcement agencies were the main reasons why money laundering could not be stopped completely. It was also recommended that for an economy to have an operational Anti-Money Laundering practices, there should be a comprehensive internal control measures, adherence to FATF and BOG/FIC Recommendations and Guidelines respectively, cooperation among relevant partners, harmonization of laws, effective supervision by regulatory authority and availability of a national data base system for use by the financial institutions to confirm the identity of both individuals and institution.

DEDICATION

I dedicate this work to my Parents, Mr. and Mrs. Asante - Okoto and to all my Siblings for their prayers and encouragement. God Bless you.

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I wish to express my sincere gratitude to God Almighty for preserving my life through this period and making this research a success. To Him be the Glory and Honour. Amen!

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LIST OF ABBREVIATIONS

AML	Anti-money Laundering
AMLRO	Anti-money Laundering Reporting Officer
BOG	Bank of Ghana
BSD	Banking Supervision Department
CDD	Customer Due Diligence
CFT	Combating Financing Terrorist
EU	European Union
FATF	Financial Action Task Force against Money Laundering
FIC	Financial intelligent Centre
FSD	Financial Stability Department
PEP	Politically Exposed Persons
G7	Group of Seven
IMF	International Monetary Fund
KYC	Know Your Customer
NCCT	Non-cooperative Countries and Territories
OFC	Offshore Financial Centres
RO	Relationship Officer
RM	Relationship Manager
SCB	Standard Chartered Bank
UN	United Nations
UNODC	United Nations Office for Drug Control and Crime Prevention
US	United States
USA	United States of America

CHAPTER ONE

INTRODUCTION

1.1 Background of study

‘Money laundering’ and financing of terrorist raises important issues in many countries with respects to detection, prevention and prosecution. What adds to the complexity of the issue is the unique technique used by these criminal to push this money through the system. You will be surprise to know that these unique strategies used might be backed by numerous financial institutions and the use of financial intermediaries such as financial advisors of the institutions, accounts personnel, ‘shell’ organizations and other service providers form other countries other than theirs, and especially the use to different financial mechanisms This criminal act has come to be realized as a simple concept whereby monies made from illegal activities are disguised to cover their source.

In practicing money laundering, launderers push illicit funds through channels that in a way seems legal but not in the actual sense to cover their illegal source, whiles terrorism financing involves in allocation funds that may be legal or illicit in origin in such a way as to cover up their root and absolute use, which is backing of terrorist activities. When these activates go through successfully these criminals benefit as their source of activities is not covered.

In 1996 the International Monetary Fund came out with an estimate that a substantial amount of the world’s economy got into money laundering. However, sources including FATF, has disclosed that, it is difficult and to come out with reliable estimates showing the exact of amount of monies that is laundered and that FATF won’t be in a better position to announce any figures with respect to that. (Reuter and Truman, 2004)

According to MacDowell (2001), the effect of money laundering on an economy can be very devastating. It set as a platform for dealers in drugs, illegal dealers in arms and

corrupt high rank government and non-government officials to manoeuvre and grow their illegal operations. In current times this form of crime has risen in numbers as a result of advancement in technology and the on-going relationship between financial services world-wide.

Whiles these crimes needs to be investigated and the perpetrators brought to book, there are substantial advantages associated in incorporating money laundering into the investigation and enforcement effort of the security agencies of countries. Strong action by both the law enforcement and regulatory agencies can help limit the destructive crime that comes with money laundry practices, by making it more difficult for criminals to reap from these unlawful activities which will eventually lead to their capture. Focusing on money laundry also helps upholds the integrity of a country's financial system, making clients feel confident that they are not unwittingly complicit in supporting crime as patrons of banks. (Shehu, 2010)

As a role of the government in combating money laundering, agencies have been set up to analyse information received from covered units and persons pursuant to money laundering. Such agencies are usually known as Financial Intelligent Units. Ghana on the 8th of February, took a giant step by tightening its rules on money laundering, with its Parliament adopting the Anti-Money Laundering (Amendment) Bill 2013 from its sub-committee on Constitutional and Legal Affairs (The Chronicle, 2014). Currently the country has amended its current law to be in line with that of generally accepted practice. The objective of the amendment Bill is to make the law consistent with that which is accepted worldwide by the Financial Action Task Force and to also enhance financial integrity of the country. This will set Ghana on a better positioned to fight money laundering and to make it worthy of its admission into the prestigious EGMONT Group

to foster teamwork and facilitate exchange of financial intelligence. (The chronicles 2015)

1.2 Problem statement

‘Money laundering’ has currently been acknowledged as great problem that requires great response and has consequently become a top priority of the all financial service industry and authorities in most developed countries such as Ghana. According to Bartlett, (2002) the effects money laundering has on economic growth are very hard to measure. When not checked appropriately, this could harm institutions in the financial sector that are critical to economic growth, causing a reduction in productivity in an economy’s real sector.

Whilst criminals are being rewarded for involving in such act, these acts also demoralise the integrity of financial institutions as well as harming the countries reputation. Although money laundering is normally link with banks in most instances, experts has it that equity markets and non-banking institution such as insurance companies also serve as a fertile grounds for illicit funds to be laundered both locally and internationally (Bartlett, 200).

In regards to this, financial institutions more especially the banks have been noticed to provide a conducive environment for these monies to flow. This has made the financial system the pivotal area of anti-money laundering initiative where illegal monies are first familiarized into the financial system (Fundanga, 2003). Also, differences in the anti-money laundering legislation and the execution of international standards such as, customer identification, ‘Know Your Customer’ principles, as well as laws on banking secrecy, have led to supervisory arbitrages. This fact put together has been an advantage

for money launderers since they are able to move the illicit proceeds from their criminal act to a zone that is less regulated in connection with money laundering.

Current development on money laundering has revealed that, corrupt officials in Banks do assist criminals to facilitate the process without the notice of the banks these officials are operating. This therefore has high consequences on the banks if effective measures are not put in place to zoom out such corrupt officials.

Though there have been previous search conducted on this subject, more especially on the negative effects money laundering has on an economy, much focus has not been directed towards that of Ghanaian context specifically when it comes to counter measures these banks are practicing in dealing money laundering, not forgetting the inherent weakness constraining full cooperation with regulatory and enforcement agencies.

For this reason, this study seeks to look into the anti-money laundering practices which Ghanaians Banking institutions have put in place to counter this act and to determine the weakness of these banks which does not promote full implementation of these Anti-money laundering /Combating Financing of Terrorist practices.

1.3 Objective of the sturdy

‘Money laundering’ has increase in scope and has currently taken new and diverse forms. In countless cases, there is reliance on banking officials who are corrupt, relatively because of the introduction of the various internet banking.

The general objective of this sturdy is to examine the anti-money laundering practices put in place by banks in Ghana as a way of combating money laundering.

1.4. Specific Objectives

The specific objectives of the study are as follows;

1. To assess the measures put in place by Standard Chartered Bank in dealing with money laundering and financing of Terrorist
2. To identify the weaknesses in Ghanaian banks that encourages money laundering and financing of terrorism
3. To determine what is expected of Standard chartered bank and other commercial banks by regulatory bodies in combating Money Laundering and Financing of Terrorist
4. To determine whether regulations of FATF, the Financial Stability Department of Bank of Ghana and Financial intelligence Centre are being complied with by Ghanaian banks.

1.5. Research Questions

In connection with stated research objective, the following research questions stated below will be answered;

1. What measures have been put in place by Standard Chartered Bank to deal with money laundering?
2. What does Bank of Ghana (BOG), the Financial Intelligence Centre (FIC) and other international regulatory bodies expect from Standard Chartered Bank and Commercial Banks in the fight against Money Laundering and Financing of Terrorist?
3. What are the inherent weaknesses within Ghanaian banks that encourage money laundering and Financing of Terrorist among Ghanaian Banks?

4. Are Ghanaian banks complying with BOG/FIC and international anti-money laundering regulations in the fight against money laundering and Combating financing of Terrorist (AML/CFT)?

1.6. Significant of the study

The study seeks among other things to determine how banks in Ghana are cooperating with regulatory agencies to combat money laundering and financing of terrorist. Because the banking system serves as a focal point of money laundering initiatives, lack of cooperation on the part of the banks will prove futile in the fight against this illegitimate act.

This study after analysing the available information gathered will bring to light the contribution of Standard Chartered Bank in the fight against money laundering. It will also aid us to know if Standard Chartered Bank Ghana LTD among other banks in Ghana is complying with international standards and that of BOG/FIC regulations. Again the study will also provide a guide for further studies on anti-money laundry practices and existing weakness contributing to compliances of anti-money laundering rules. Also, the study will add to available stock of discoveries that other researchers have conducted in previous time.

Lastly Recommendation given at the end of the study will again help banks alleviate money laundry related activities associated with their operations to strengthen their Anti-Money Laundering activities

1.7 Scope of the study

Although other financial institutions play key roles in the fight against money laundering, this study was specifically limited to Banks in Ghana, precisely Standard Chartered Bank Ghana LTD, leaving out other financial institutions like insurance companies and microfinance organizations because banks are habitually the channel mostly used to launder monies.

The study did not only cover what banks do generally in the fight against money laundering but also hinted on the unique practices implemented by Standard Chartered Bank Ghana LTD which is in line with international and BOG/FIC regulations.

1.8 Limitations of the study

In undertaking the research, the following challenges were encountered. The greatest limitation was getting appropriate literature on money laundering and financing of terrorism in Ghana's banking sector since it is a new phenomenon which is currently being researched on. Second to the first limitation was the stress in getting officers from the selected institutions, BOG and FIC to grant me interview for the study. There were frequent visits to the offices of the parties selected for the study to make room for the interviews to be conducted.

Moreover the study is also exposed to the limitations of using primary data of which might be subject to respondent bias or interviewer bias.

1.9 Organisation of the study

This thesis is structured into 5 chapters. Chapter one being an the introduction of the research contains the background of the study, Problem Statement, Objective of the Study, Research Questions, the Significant of the Study, Scope and limitation of the Study. The second chapter of the study also gives a review of already existing literature relevant to the subject matter of this study. However, chapter three describes the methodology adopted for the study. Chapter four also focuses on analysis of data, discussion and interpretation of the result from the findings. The final Chapter being the fifth chapter shows the summary of the finding, conclusion and recommendation made base on the available information collected.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter observes relevant literature and findings on money laundering which also forms the academic background of the thesis. Its discussions focuses on areas such as money laundering, money laundering processes and methods, and ML impact on developing countries. The chapter also discusses on countermeasures and the role of World Bank, IMF, FATF and other regularity bodies in the fight against money laundering.

2.2 Brief History of Money Laundering

It is being said that the exact amount of monies being surfaced when money is not really known. However, researchers are sure that such practice has long been going on several years. From "Lords of the Rim" Sterling describes how in 2000 years BC, some merchant in Chine were hiding their wealth from authorities who in those days took all their wealth from them and then banished. (Nigel Morris-Cotteril, 1999). As a result, these wealthy men will invest in business in remote province or even outside their country –China. These where exactly the principles of money laundering which mean hiding, moving and investing in wealth of which someone else has acquired. (Nigel Morris-Cotteril, 1999)

According to Shehu (2000), some people believe that money laundering is a fresh phenomenon due to lack of documented history kept for reference over a long period of time. This is not true because the history of money laundering could be trace as far back as 1930, following the activities of Lasky who is believed to have started off-shore account in Swiss banks back in 1913, (Shehu, 2000)

2.3 What is money laundering?

The term money laundering means different in other countries. In other part of the world, many countries have restricted the classification of crimes that should be regarded as underline crime for money laundering. Therefore in some parts of the world, conduct of people that calls for conviction might be regarded as predicate crime whiles in elsewhere such same conduct will be referred to as creating Dirty Money'. A further twist is that some countries might allow a person to be persecuted for laundering the money from his /her criminal activities overseas only when such a conduct has been established as crime in both jurisdictions. (Nigel Morris-Cotterill, 1999)

Money laundering is the process by which criminals paint a picture that monies they are using or spending is actually from a legitimate source and that is actually theirs to spend. The term 'Money Laundering' is usually said to have generated at a time of a prominent American gansterism that came up at the time of prohibition and forbidding the sale of alcoholic drinks. (www.antigraft.wangonet.org). There are different ways that launderers use to disguise the source of the large amount of monies generated through the import and sale of alcohol and other ' racket' such as gambling which as at that time was prohibited. Ironically, gambling was one of the methods used by these criminals to conceal the source of money. (Counter, moneylaundering.com)

Goba in 2003 also define money laundering as a criminal process of converting or cleaning of property for the purpose of disguising it source, knowing that the property in question is bought form serious crime. This it to say that is the act is not just about knowingly collecting stolen goods or being found in possession with a property which sources believe you stole but you not able to give evidence as to how that property got into your possession. Therefore a person engages in money laundering when the person

is aware, or ought to have reasonably be aware of what they were doing and those they were engaging in it with.

Goba, (2003) again realise that over that years, money laundering has become a tool for most organised criminal activities which is most often associated with illicit drugs trafficking. This led to it recognition in the United Nation Convection against illegal trafficking of Drugs in 1988, which has developed, leading to international recognition that is not limited to only drug trafficking but also associated with other crimes including common law crime of fraud, bribery and murder

FATF, a policy-making body states that “the goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act”. (courtenaycoye.com). Difference in the explanations and definition of the act does not change the meaning of the term itself but rather underline tractions being conducted after consideration would tell whether it is money laundering..

2.4. Who launders money?

The easiest answer to this question was given by Morris-Cotterill, 1999 which states that “criminals launder money”. Though this answer sounds too small and short, the underling fact is that those who are into such act can be found in all works of life. Is unfortunate we are not able to recognise them till they are caught since most of them act innocently.

However, persons who assist these criminals to push their way through a system is also said to be a launderer according to most jurisdictions. This to say that persons such as lawyers, accountant, bankers, car dealer, and business operators become launders if they give room for these criminals to use their entities to launder the proceeds of their crime.

Often the only defence used by the above mentioned participants is that they did not know the intentions of those criminals. This will often be difficult to substantiate because in most jurisdiction as stated by Morris- Cotteril, (1999), “the burden of proving their innocence passes (either because of an express provision of the law or because of presumption raised by facts produced in evidence) to the defendant” (www.counter.moneylaundering.com)

In many countries, people other than the businessmen and criminals themselves can become money launder either through possession of assets that represent proceeds of the crimes. The unfortunate part of this is that which has to do with the wives and girlfriends of these criminals who are aware or suspect their partners or boyfriends to use the proceeds of this crime to buy their property and jewellery.

The last group of money launderers are persons who help to create the scheme, even if he does not take active part in it. For instance, if an accountant recommends a tax evasion scheme to a launderer, He himself a money launderer.

2.5 Criminalization of money laundering

For a country to set up or improve its AML framework, the first step is by making money laundering an offense in its country. The main purpose of criminalization is that. “First, it helps in the observance with AML preventive measures. Second, it turns acts that may emerge innocent to outright criminal activity, i.e., the actions of the party processing illegal proceeds are made a criminal act. Third, it establishes a specified basis for greater international co-operation in this critical law enforcement function” (www.dmlri.gov.np) “Due to the criminal nature and the global aspects of money laundering crimes, capable authorities within a country have recourse to powerful international tools, especially

mutual legal assistance mechanisms and, thereby, can more effectively track, enforce, and prosecute international money laundering.” (www.dml.gov.np) “ The criminalization of the money laundering should be done in line with the UN Convention against in Narcotic Drugs and Psychotropic Substances Trafficking (Vienna convention, 1988) and the United Nations Convention which is against Transnational Organized Crime ,2000 (Palermo convention).”(www.dml.gov.np) the appropriate provisions available of this these conventions are Articles 3 (1) (b) and (c) Of the Vienna Convention and Article (6) (1) of the Palermo Convention. Therefore FATF first recommendation is Criminalization of money laundering according to those articles mentioned earlier. Even though many countries have signed and endorse these conventions that are not enough to comply with the FATF Recommendation. Rather it is required of these countries to these implement internally the requirement of the relevant Articles. (Schott, 2006)

2.6. Money Laundering Process

The main problem is that at stake is that money laundering began with its early association with drug trafficking agency. The objective of drug traffickers was to turn more often small denominations of currency into bank accounts, financial instruments, or other available assets that will suit this course. Today, ill-gotten gains are produced by a vast range of criminal actions some of which are political corruption, sales of illegal weapons, and abuse of human beings. Despite the consequences of the crime, money launders adopted “placement, layering, and integration” in the process of spinning monies earn from criminal activities into apparently legal monies or goods.

Money laundering is usually said to go through three processes mentioned below;

- The placement
- Layering and
- Integration

2.6.1 Placement

According to Allan Schott (2006) “the initial stage of the processes involves introduction of illegal derived funds usually through a financial system. This can be accomplished by depositing cash into a bank account. Large amounts of cash are broken into smaller, less conspicuous amounts and deposited over time in different offices of a single financial institution or in multiple financial institutions”. The replacement of one currency into another, as well as the changing of smaller notes into bigger value may occur during this stage. Besides, illegal proceeds may be changed to other financial instruments, such as money orders or cheques, and mix with legitimate funds to cover suspicion by regulatory agencies. In addition, placement may be attained through the cash purchase of a security or a form of an insurance contract. (Allan Schott, 2006)

2.6.2 Layering

Layering which is the second stage of the laundering occurs after the ill-gotten gains have been pushed in to the financial system, where the funds, securities or insurance contracts are transformed or moved other institutions, to more separate them from their criminal source. These proceeds could then be used to purchase other securities such as insurance contract or other easily transferable investment instruments then sold through other institution as well. The funds could also be transferred by any form of negotiable instrument such as ‘cheque, money order or bearer bond’, or they may be transferred electronically to other accounts to different countries. The launderer may also

masquerade the transfer as payment for goods or services or move the funds to all shell corporations. (Allan Schott, 2006)

2.6.3 Integration

After a Launderer has succeeded in the first two stages to push the monies through, they then moves them to the third stage which is the integration stage where the funds get back in the legitimate economy (FATF, 2015). This is accomplished through acquiring of assets, such as real estate, ‘securities or other financial assets, or luxury goods’. These three stages are also same when it comes to terrorist financing schemes, with the only exception that the third stage involves the distribution of funds to terrorist and their supporting organizations, while money laundering which has been touch on already goes in the opposite direction which the integrating of criminal funds into the legitimate economy. (Allan Schott, 2006)

Morris – Cottrell (1999) classified the methods of money laundering under each of the process mention above and explains each method below:

2.7.1 Methods of placement

The process of placement can be carried out through many processes including

1. **Currency Smuggling** – “This is the physical illegal movement of currency and monetary Instruments out of a country. This various methods of transport do not; eave a discernible audit trail” (FATF 1996 – 1997)
2. **Bank Complicity** – this is when a financial institution, such as bank, is owned or controlled by persons suspected of being in business with drug dealers and other organized crime group. This makes the process easy for launders. The complete liberalization of the financial sector without adequate checks can also provide fertile grounds for these criminals

2. **Currency Exchange** – In a number of transitional economies the liberalization of foreign exchange markets create good room for movements of currency and that such policies benefit the money laundering schemes.

4. **Securities Brokers** – Brokers can smooth the progress of money laundering through structuring large deposits of cash in a way that covers the main source of monies.

5. **Blending of Funds** – one of the best places to conceal money is doing that with a lot of other money. Due to this, financial institutions may be vehicles for this act. The alternative is to use the money from illegitimate activities to set up “front companies”. This enables the funds from unlawful activities to be buried in legal transactions. (Allan Schott, 2006)

6. **Asset Purchase** – The purpose of assets bought with cash is also a common money laundering technique. The major reason is to modify the form of the process from noticeable bulk cash to some equally valuable but less noticeable figures. (Morris-Cotterill,1999)

2.7.2. Method of layering

The known methods used in layering are:

1. **Cash converted into Monetary Instruments** – once the placement is successfully placed within the financial system, these proceeds can then be changed into monetary instruments such as banker’s drafts and money orders. (Morris-Cotterill, 1999)

2. **Material assets bought with cash then sold** – Assets bought through illicit funds can be resold at various places where these properties become more difficult to mark out and thus confiscate. (Morris-Cotterill, 1999)

2.7.3 Integrating methods

The known methods used in the integrating methods are:

1. Money laundering has it has been identified, gears toward secrecy and do not lend itself to statistics to be analysed. This is not to say that launderers do not document the extent of their actions or publicize the amount of their earnings made. Moreover, because these criminal activities take place on a broader basis, it makes it difficult to estimate the total sum involved. Thus, reliable estimates on the size of the money laundering and terrorist financing problems on a global basis are not in existence. With regard to money laundering only, the International Monetary Fund has estimated that the cumulative amount of funds laundered in the world could range between 2 and 5 percent of the world's gross domestic product. The 1996 statistics show that these percentages would approximate between US\$590 billion and US \$ 1.5 trillion meaning by any approximation, the size of the problem is very large and merits the complete attention of every country. (Tanzi 1996)
2. **Property Dealing** – selling of property to push laundered money back into economy is a common act amongst these criminals. For instance, many criminal groups use shell companies to buy possessions to cover up their illegal proceeds. (Morris-Cotterill, 1999)
3. **Front Companies and False Loan** – Front companies that are companies incorporated in countries with corporate secrecy laws, in which criminals gives out monies in sustaining business or as loans to legitimate businesses

4. **Foreign Companies and False Loans** – Money laundering using known foreign banks represents a higher order of sophistication and present a very difficult target for law enforcement. The willing assistance of the foreign banks is frequently protected against law enforcement security. This is not through criminals, but also by banking laws and regulations of other sovereign countries.

5. **False Import/Export Invoice** –The use of false invoices by import/export companies has proven to be a very operative way of fusing illegal proceeds back into the economy. (www.coumtermoneylaundering.com)

2.8 Magnitude of Money Laundering

2.8.2 Money Laundering Centres

The membership of the FATF (2003) extends beyond the G7/8 countries and incorporates thirty-three countries. The main aim of FATF (2000: 1-13) aims is to reduce money laundering blacklisting countries that do not comply with these standards. These countries are referred to as ‘non-cooperative countries’ and ‘territories’ (NCCTs). According to the FATF, (2003) nine countries were listed as NCCT. These were the Cook Islands, Egypt, Guatemala, Indonesia, Myanmar, Nauru, Nigeria, Philippines and the Ukraine. In the year 2006, the FATF reported that only Myanmar still remained on this list. The reason why there are so few NCCTs was due to the “scramble for respectability” (FATF 2006). According to James and Peel (2001), “many banks were not in the position to transact with clients who are listed in NCCTs, have accounts that are established in NCCTs or operate branches in these countries” to ensure that their “reputation were not sullied” and would “clearly will prefer to be in a location which is not targeted by the FATF or anyone else. “The move towards enforcing these international standards by the various countries may thus be prompted primarily by

commercial self-interest as both banks and clients want to preserve their reputations and do not want to associate with the negative public relations implications of dealing with or operating out of a NCCT” (upetd.up.ac.za). This view seems to be supported by Ignatius (200) who observed that the FATF’s policy of “naming and shaming” these countries, exerts financial pressure on them to address any shortcoming. Denny (2001) also supported this viewpoint, by observing that “egregious offenders face financial sanctions from the FATFs 30 members if they do not amend their law”. The threat of sanctions and the financial implications thereof combined with reputational loss would have proved to be a strong means of maintaining conformity with FATF standard

Similarly, the focus on addressing money laundering by financial Centres could also be attributed to the move to curtail funding to terrorist organization in the wake of the Worlds Trader Centre bombing, according to the US House Committee on Financial Service (2003). Fields (2002) expressed the same view and pointed out that “this has even influenced the way in which correspondent banking is being undertaken in the US”. Currently FATF in 2014 “has updated its public statement identifying jurisdictions with strategic deficiencies in anti-money laundering /countering the financing of terrorism measures. FATF calls on countries to apply counter-measures to run and the Democratic People’s Republic of Korea. FATF also calls its members to consider the risks emanating from Algeria, Ecuador, Indonesia and Myanmar”. (FATF 2014)

2.9 The Effect of Money Laundering On a Bank

As you may be aware, due to banks’ confidentiality principle and their capability to handle huge cashless transactions, and transmit funds efficiently, they are normally the targets of money laundering activities. In doing so, banks also suffer serious consequences from money laundering, which include:

2.9.1 First, reputation risk

Banks become vulnerable to reputation risk because they easily become a vehicle for a victim of illegal activities perpetuated by their customers. Once banks are associated with such activities, their reputation in the market becomes tainted and they risk losing customers. Banks therefore, need to protect themselves by continuously and vigilantly evaluating their customer base. The quest to mobilize deposits and improve liquidity must not be an overriding factor to accepting money from questionable sources. (Asian Pacific Group, 2011)

2.9.2 Second, Legal risk

Banks may become subject of lawsuits resulting from failure to observe 'know your customer' standards or from failure to practice due diligence in customer evaluation and acceptance. As a result of this, banks can suffer from criminal liabilities, supervisory fines and other penalties. (Asian Pacific Group, 2011)

2.9.3 Concentration Risk

Banks are expected to have information system to identify credit concentrations and to set prudential limits to restrict exposures to single borrowers or groups of related borrowers. The challenge for banks therefore is to vigorous programmed for the detection of suspicious transactions, since failure to report transactions under the new money laundering legislations may subject the bank to criminal sanctions. (Asian Pacific Group, 2011)

2.9.4 Relationship with Correspondent Bank Risk

lack of anti-money laundering practices in a bank may also affect its relationship with correspondent banks reputable international banks would not want to be associated with banks that do not practice basic anti-money laundering techniques, and therefore be a threaten to their own operations. (Asian Pacific Group, 2011)

2.10 The Economic Effects of Money Laundering

2.10.1 Undermining the Legitimate Private Sector

One of the most serious microeconomic effects of money laundering is felt in the private sector. Money launderers often use front companies, which co-mingle the proceeds of illicit activity with legitimate funds, to hide the ill-gotten gains. In the United States, for example, organized crime has used pizza parlours to mask proceeds from heroin trafficking. These front companies have access to substantial illicit funds, allowing them to subsidize front company products and services at levels well below market rates. In some cases, front companies are able to offer products at prices below what it costs the manufacturer to produce (The Asia Pacific Group, 2011).

2.10.2 Loss of Control of Economic Policy

Michel Camdessus, the former managing director of the International Monetary Fund, has estimated that the magnitude of money laundering is between 2 and 5 percent of world gross domestic product, or at least \$600.00 billion. In some emerging market countries, these illicit proceeds may dwarf government budgets, resulting in a loss of control of economic policy by governments. Indeed, in some cases, the sheer magnitude of the accumulated asset base of laundered proceeds can be used to corner markets-or even small economies. Money laundering can also adversely affect currencies and interest rates as launderers reinvest funds where their schemes are less likely to be detected, rather than where rates of return are higher. Money laundering can increase the threat of monetary instability due to the misallocation of resources from artificial distortions in asset and commodity prices. In short, money laundering and financial crime may result in inexplicable changes in money demand and increased volatility of international capital flows, interest, and exchange rates. The unpredictable nature of

money laundering, coupled with the attendant loss of policy control, may sound economic policy difficult to achieve. (Asian Pacific Group, 2011)

2.10.2 Advantage over legitimate Firms the draw capital funds from financial markets

“This makes it difficult, for legitimate business to compete with front companies as their prices are subsidized. This situation can therefore result in the crowding out of private sector business by criminal establishments. It is also clear that the management ideologies of these criminal enterprises are not in line with normal traditional free market principles of genuine business, which results in negative macroeconomic effects” (The Asia Pacific Group, 2011).

2.10.3 Loss of Control of Economic Policy

Michel Camdessus, the former managing director of IMF, estimated that the magnitude of money being laundered fall within the range of 2 to 5 percent of the world GDP, or at least \$600,000 million. These illicit monies in some developing countries may distort government budget resulting in government losing control of it economic policy

Undeniably, the sheer magnitude of the collected asset in connection with laundered proceeds can be used to cover markets- or even small economies. Money laundering can also in way affect currencies of countries and their interest rate as laundered funds are reinvested in areas where their schemes will not be detected. Money laundering can also result in the threat of monetary instability in an economy as there are misallocations of resource from artificial distortions in asset and prices of commodity. In short the result of money laundering could lead to incomprehensive changes in demand for money and the increases volatility of international capital flows, rate of exchange and rate of interest and exchange. (The Asia Pacific Group, 2011).

2.10.4 Economic Distortion and Instability

Profit generation is not the main interest of many launderers. Instead, their main aim is to rather protect their illegal earned proceeds and to be able to invest their money in areas that are of not economic benefit. In some countries for example, money launderers could be running industries such as Hotels, Construction, not because of their demand but because to the short term interest to hide their proceeds. Should these industries no longer need their need, they ignore them causing a great collapse in these sectors which goes a long way to harm an economy. (The Asia Pacific Group, 2011).

2.10.5 Loss of Revenue

There is a reduction in government tax revenue which in short run will indirectly harm genuine taxpayers. It also creates difficulty in collection of tax by the government. (The Asia Pacific Group, 2011).

2.10.6. Risk of Privatization Effort

Money Laundering break down the effort many government or exhorting is developing their countries to result in economic reforms. Though the significance of privatisation is to benefit an economy, money launderers are also using it as a great opportunity to cover up their illegal actions. In the time past it came to light that these criminals could even own Banks, purchase marinas, resort casino among many other things to cover their illegal financial gains

(The Asian Pacific Group, 2011)

2.10.7. Reputational Risk

Countries in the world cannot afford to have the statues and financial institutions stained as a result of associating themselves with money laundering. The negative reputation that results from these activities weakens legitimate global opportunities and sustainable growth in an economy with unwanted reputation and short- term goals. The result could

be reduction in economic growth in such economies. With a damaged financial reputation, countries face difficulties in retrieving back such a good image since it will require significant resources to correct such a problem that under normal circumstance could have been prevented with proper laid down anti-money laundering controls. (The Asia Pacific Group, 2011).

2.11 Initiatives in Combating Money Laundering

Pursuing ‘money laundering’ has been part of the agenda of several international organizations which has also been fused in the legal frameworks of an increasing number of countries, which bears witness to the precedence given to breaking the laundering cable available. There are still parts of the world that are not controlled, but it can be argued that the fight against money laundering is starting to reach global extension. Considering the status of FATF as a standardizing AML body, its role is emphasized. Under its guidance, AML developments have followed a two-track approach beached in the 1988 Vienna Convention concerning the solidification of the criminal law with the Basle Committee Statement of Principles focusing on preventive role of the financial system (Castle & Broomhall 1998:6). In view of this, FATF has outlined measures to assist in the execution of international AML principles. These procedures are performed by the use of electronic payment systems which will be used as a source of information. This demonstrates how ICTs, or more precisely technologies payment systems, can be used to battle money laundering.

1. Initiators Stage of ML Countermeasures

The initializing stage of international money laundering countermeasures occurred when “The UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances was approved in Vienna in the year December 1988”. Designated to combat

the laundering of funds from trafficking of drugs, the signatories of the agreement agreed to criminalize the act of money laundering and intensify universal cooperation, as well as to pass regulations to facilitate tracing, confiscation, and seizing (Castle & Broomhall 1998:6-7). One vital implication of the Convention in Vienna was the imposed compulsion to offer far-reaching mutual legal assistance by deserting the traditional clause of secrecy in banks (ibid). To solve the problem of extensive use of financial institutions in money laundering structures, the Basle Committee on Banking Supervision issued its “Statement of Principles on the prevention of criminal use of the banking system for the purpose of money laundering” (Castle & Broomhall 1998:6) in December 1988 (Castle & Broomhall 1998:6). The Basle Committee comprises of representative from all the central banks and supervisory authorities of the G10 group of countries that advanced. In a Statement was conscripted by United States representatives, the USA promised support preventive laws of the banking sector through adopting policies of customer identification, avoiding of suspicious transaction and keeping records of all transactions. In line with the Vienna Convention the Statement demanded for “cooperation with law enforcement authorities, although in accordance with once national concealment principles” (Castle & Broomhall 1998:6).

3. The Financial Action Task Force (FATF)

The Financial Action Task Force is an “inter-governmental body which was established by the Ministers of its Member Jurisdiction in 1989” (Williams & Baudin-O’Hayon 2002:137). Though an autonomous intergovernmental body, its primary objective is to yield the political will to bring about national governmental and regulatory reform to identify and seize laundered proceeds and to replace financial secrecy with that of transparency. FATF role is threefold. It ensures the construction of effective AML systems in its member countries, reviews laundering techniques and promotes expansion

of international AML as it encourages the execution of money laundering countermeasures in countries who are not members. (Williams &Baudin-O'Hayon 2002:137). Currently there are 34 FATF member countries and jurisdictions¹⁴ while its secretariat is lodged by the OECD. Presidency rotates on a one year term basis and its working structure is regulated around multidisciplinary groups epitomized by national delegations (Williams &Baudin-O'Hayon 2002:137)

3. Egmont Group

The group that offers a global communication system based on extensive reaching criminal databases and analytical services is the Egmont Group. Nevertheless, money laundering forms part of its itinerary. Currently consisting of 139 member countries is also an international grouping that focuses specifically on money laundering on money laundering too (Anti Money laundering and counter Terrorist Financing Unit, 2015). Different from Interpol, the Group has an informal obligation. Accordingly, the basis of this grouping is to make available financial information to the national authorities' and then stored on a web page that is encrypted. It permits members to "access information on FIUs, money laundering trends, financial analytical tools, and technological developments" (Gilmore 1999:73). As a way of obtaining a mutual international understanding of the washing techniques, the Egmont network practiced modes on recent lines of action while same time use the network to inquire about members countries' experiences.

4. Financial Sector Engagement: the Basle Committee and the Wolfsberg Group

Law enforcement officials currently rely on traces of Millions of wire transactions made a day by banks, insurers, exchange bureaus and other financial mediators to unveil transaction a that are illicit In nature. This mechanism used by law enforcement officials in money laundering schemes has triggered financial sector engagement. Also potential repercussions of getting involved in laundering scandals have stimulated attention on public confidence and credibility maintenance, as to evade negative publicity affecting severely the business. By adapting to the contents of the 1988 Basle Committee Principles a financial institution stands a chance of avoiding such situations. Besides, the year 1997 the Committee Core Principles for Effective Banking Administration inspired most banking supervisors to have sufficient deterrent policies, which made it possible by putting together supervisory capabilities of central banks and other financial intermediaries (Pieth and Aiolfi 2003) . Pieth and Aiolfi (2003) claim that banks requested the movers of the G7 countries and others to clamp down on illegal drugs markets in 1988. However the imposition of AML instruments on the banking world in the 1990s was poorly accepted as many banking institutions were unprepared because the instruments represented something different and controversial to many countries. This led to the uneven implementation which left banking institutions with discernments of tension between AML cost and the benefits associated with containing financial crimes, as well as the risk of losing once customers to other players who are offering weaker regulation.

(Pieth and Aiolfi 2003:3).

5. New Arrivals: the IMF and the World Bank

As discovered above, rigorous action has been taken by many important international bodies and organizations as a way of combating money laundering. A similar activity from the IMF and that of the World Bank has been much expected by the international community (Sharman 2004:22). The FATF strategy of naming and shaming has so far turned out to be efficient in terms of aiming non-compliant actors; however, in 2003 this was ignored by replacing it with a more consensual and inclusive audit of offshore jurisdictions under direction of the IMF (Sharman 2004:22). The audits by IMF are published by approval of each jurisdiction. In the period between 2002 and 2003 the IMF and the World Bank had twelve month pilot program valuation of international standards which was steered in both industrialized and developing countries, in a teamwork with international colleagues. This has resulted in IMF receiving as many as 100 requests from countries to help establish their AML frameworks (Sharman 2004:22). As at March 2004 the boards of the Banks and the IMF had agreed to take on comprehensive action by putting in place compliance assessments in connection with international standards among its member countries and provide them specific technical assistance to those in need of it. As a way of providing assistance, the two institutions have organized workshops for regional bodies to develop a methodology for assessing compliance with aid of the 40 Recommendations. (Sharman 2004:22).

CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

This chapter presents the methods used in collecting the relevant data in achieving the subject objective.

3.1 Research Design

The main purpose of this study was to determine the Anti-Money Laundering practice's put in place by Banks in curbing money laundering among Ghanaian Banks with particular emphasis placed on Standard Chartered Bank Ghana Ltd.

This purpose was achieved by adopting a case study approach. According to Sharma and Gupa (2008), conducting a case study meant "to investigate something which has implication beyond limits". Case study approach are usually used to give a deeper meaning of the process which already been recognized on the discipline to bring concrete findings. Face to face interview was conducted to gather the needed information for this study.

3.2 Source of Data

The study conducted, relied on both primary and secondary data source. To collect data means to gather needed information in addressing issues that needs attention and have already been acknowledged in the study. Healey (1997) defined data as any information collected as part of a research projects. For the purpose to this research, data was sorted form two sources namely the primary and secondary source. The primary source was made up of data composed directly from "First –Hand" facts. Data from such sources are usually useful since it provide latest information in the issue being studied. On the other hand, secondary data was collected from the Banking Act, Anti Money Laundering Act, Banking Amendment Act, 2007 (Act 738), Anti-Money Laundering/Combating the

Financing of Terrorism (AML/CFT) Guidelines for Banks and Non-Bank Financial Institution in Ghana etc. It is normally easy, quick and inexpensive to get access to this type of data. The primary sources for this research included in-depth and one-on-one interviews with the officials of Standard Chartered Bank, the Central Bank (BOG) and the Finance intelligent Centre, while secondary data was collected from the BOG/FIC Guide, FATF Recommendation, AML Act 2008, The Banking and Financial Laws of Ghana and the Amendment Act 2007. Data on internet were cited by the use of search tools such as Google and Mamma.com

3.3 Sampling Techniques

Sample refers to the process of choosing adequate and demonstrative elements from the population of study. A purposive sampling technique was adopted for the study. Talking about purposive sampling, we mean a carefully planned selection done in a ‘non-random’ manner for the achievement of a certain purpose. (Childrenmercy, n.d). This method of sampling was chosen by the researcher to select those who are appropriate for the study. According to Kumar (2005), the main purpose behind the use of purposive sampling was to help researcher find people who in his or her opinion are likely to have the needed information which is vital to the study and are also willing to share such information.

For this purpose, the Director of Financial Stability Department of Bank of Ghana, the Head of Legal and compliance Department of Standard Chartered Bank Ghana Limited and the Chief Executive Officer of Financial Intelligence Centre, were the targeted respondent for the interview. The researcher chose these respondents because their activities had a direct relationship with issues covering money laundering and combating financing of terrorism.

3.4 Data Collection Instrument

A qualitative data collection and analysis strategy was adopted. The use of interview was used to collect data from the Central Bank, Financial Intelligence Centre and Standard Chartered Bank. All three questionnaires had portion for bio data. The questionnaire for Bank of Ghana and Financial Intelligence Centre were further divided into three parts. The first part focused on the weaknesses in the Banking system, while the second part of the questions addresses the compliance of the banks to established laws. The final part focused on cooperation of banks with law enforcement agencies respectively.

The interview guide designed for Standard Chartered Bank was divided into two parts which covered areas such as control measures in the bank and Compliance with law enforcement agencies.

The data collection for the study lasted for a period of four weeks. Data was also collected by the researcher himself. Prior to the interview, the researcher visited the above mentioned officials in their various offices to discuss areas of the questions and the exact time of the meeting

3.5 Data Analysis

The research made use of 'content analyses of which step by step approach was adapted in analysing various answers given by the interviewee to the research question.

3.6 Organisational Profile

Standard Chartered Bank Ghana Limited is a Ghana-based bank. Standard Chartered Bank Ghana Limited dashes its roots to 1896 when it existed as Bank of British West Africa. It was indeed the first bank to operate in Ghana which also acted as the central bank in those years. The bank had a change of name to Bank of West Africa after Ghana gain independence. It was later changed to Standard Bank Ghana Limited.

“The financial institution was licensed as a limited liability company on September 18, 1970 before later becoming a public company in 1971. After the merger between Standard Bank and Chartered Bank (BOTH OF UK), Standard Bank Ghana Limited automatically became a member of the Standard Chartered Group”.
(<https://www.sc.com/gh/about-us>)

“SC Bank operates Retail Banking, Corporate and Institutional Banking. It also offers a wide range of personal banking products and services within it 21 branches nationwide. The bank offers its local and international clients all –inclusive banking solutions. The bank offers products in areas such as lending, financing trade, cash management and treasury

The Bank current has a network 27 branches and 56 automated teller machines across the country”. (<http://in.reuters.com/finance/stocks/>)

“Standard Chartered Bank Ghana Limited is a leading financial service brand in the Ghanaian economy which has listing on the Ghana stock exchange. The Bank has operated over 118 year in the country and is still becoming the highest price stock on the stock exchange market. The focus of the Bank which is on commitment to create profound relationship with its clients and customers has driven it steadily growth in recent years.

SCB is committed to building a supportive business over the long term period in Ghana and to uphold high standards of corporate governance, social responsibility and employee diversity” (<http://in.reuters.com/finance/stocks/>)

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 INTRODUCTION

The significant role played by Banks in an economy is outstanding especially when it has to do with transfer of fund, payment of salary, making deposit and withdrawal of savings. This role played by SCB has resulted in the abuse of the banking industry by certain entities including politicians to serve their personal needs, using the Banks to launder moneys.

Through the use of the bank, the source of moneys acquired through illegal means are disguised and pushed into economies other than their own economy with the motive of skipping taxes, financing of terrorism and to cover its source.

The abusive nature of the banking system has instigated both domestic and international communities to enact law and regulations to control the operations of SCB so as to protect the integrity of the banking system.

This chapter presents the result and findings using as structured interviews as well as literature review. This chapter also gives detail information of the finding of the study, which will be used as background for recommendation conclusion.

4.2 Data Analysis and Presentation

The study looks at Anti- Money Laundering Practices within the Ghanaian banking sector. Data was collected from the Legal and compliance department of Standard chartered Bank, the Financial Intelligence Centre and the 'Financial Stability Unit' of Bank of Ghana by the use of structured interview.

Each institution provided representatives who were in the persons of Madam Naomi of Standard Chartered Bank, Mr. J. Kofi Amoa-Awah of Financial Stability Department and Philip Danso of Financial intelligence Centre. All questionnaires where returned with 100% responds level.

4.3 Profile of Questionnaire Respondent

The table below indicates that all respondents have over 10 years of experience in their field of operation which makes their contributions vary reliable as far as this sturdy is concern

Table 4.1: Profile of respondent

	Respondent	Minimum Academic Qualification	Banking Experience
1	Legal and Compliance Officer, SCB Gh Ltd	Master's Degree & Professional	Over 10years
2	Assist Dir. FSD (Bank of Ghana)	Master's Degree & Professional	Over 10years
3	Head of Reporting and Evaluation .FIC	Master's Degree & Professional	Over 10years

4.4 Established Rules and Regulation Relating to Banking In Ghana

In addressing this question, the respondent both from The Financial Intelligent Centre and the ‘Financial Stability Department’ the Bank of Ghana an interview made it clear that in ensuring sanity and safety in the Ghanaian Banking System, the government of Ghana has passed banking laws such as ‘ Bank of Ghana Act 2002(Act 612), Banking Act 2004(Act 673), Banking Amendment Act 2007 (Act 738), Banking and Financial Laws of Ghana 1998-2006 and Banking and Financial Laws of Ghana; 2006-2008. Furthermore, there is the Anti-Money Laundering Act, 2008 (Act 749) which seeks to maintain the integrity of the financial system from abuse by criminals such as money launderers. Linked to this is the Ant-Terrorism Act, 2008 (Act 762).

Aside ensuring safety and reliability in the Banking System via protecting the integrity of the banking system against any criminal abuse, these laws are meant to regulate the banks to among other things, ensure customer sureness and to protect Ghana’s banking status in the international arena so to attract foreign investors as well.

The interview further revealed that the supervisory arm of BOG and the Financial Stability Department (FSD) is required to regulate the activities of banks in Ghana to ensure acquiescence to rules and regulations relating to banking in Ghana.

In support of this, the respondents made reference to sections 2(1) of the banking Act 2004(Act 673) which states that “The Bank of Ghana shall have an overall supervisory and regulatory authority in all matters relating to banking business and shall be responsible for following;

- (a) Promoting an effective banking system;
- (b) Dealing with any unlawful or improper practices of banks, and
- (c) Considering and proposing reforms of the laws relating to banking business.”

(The Banking Act, 2004, Act 673, Section 2)

To make Ghana the financial hub of West Africa to be able integrate with the global financial system, the Banking Amendment Act, 2007 (Act738) was enacted by the Parliament of Ghana to among other things begin offshore banking services.

4.5 Expectation by the Regulatory Bodies from Standard Chartered Bank as well as all Banks in Ghana on Money Laundering

In responding to the issue on the role commercial banks are expected to play in curbing money laundering, both respondent of Bank of Ghana and Financial stability Centre made reference to the document prepared by both parties captioned “AML/CFT Guidelines for Banks and Non-Banks Financial institution in Ghana published in December 2011.

The Guideline which was released in Dec 2011 captured area such as; ‘Monitoring and Responding of Suspicious Transaction’, ‘Record Keeping’, ‘Reporting Officers description’, ‘Reporting requirements’, Compliance with supervisory authority and ‘AML/CFT Employee Training Program’. According to the two respondents, since the country is a member of FATF the guide book is in line with the 40+9 recommendation which spells out the entire requirement that Banks and other financial institution should follow in the combat against money laundering. Below are some important areas proposed in the BOG/FIC Guide Book on what is expected of Ghanaian Banks.

4.5.1. The appointment of an Anti-Money Laundering Reporting Officer

From the guide, it was indicated that the internal controls of banks are to be superintended by an AML/CFT Reporting Officer. The BOG/FIC Guideline, 2011 makes it mandatory stating that each officer appointed should be of senior management status as required by the Regulation 5(1) of the L.1.1987. The regulation also states that the

officer should also receive suspicious or unusual transaction reports from other officers in the Bank.

The duties of AMLRO shall include the following:

“Developing an AML/CFT Compliance Programme, receiving and vetting suspicious transaction reports from staff; filing suspicious transaction reports with the FIC, ensuring that the financial institution’s compliance programme is implemented, coordinating the training of staff in AML/CFT awareness, detection methods and reporting requirements; and serving both as a liaison officer with the BOG and the FIC and a point-of-contact for all employees on issues relating to money laundering and terrorist financing”.

(The BOG/FIC Guideline, 2011, p 1-2)

The study further revealed that although the law ensures that AMLRO should be of senior status, most of these officers were not of senior statuses as required by the BOG/FIC Guide. This makes them powerless as they are not able to repel certain transactions being approved by senior members of the banks or politically exposed persons. The Director of Financial Stability Department further stated that all financial institutions should put in place a structure that ensures the operational liberation of the Reporting Officers.

4.5.2 The Duty to Co-operate with Regulatory Authorities

It is expected of authorities that all financial institutions cooperate with ‘Bank of Ghana’, FIC’, and ‘Economic & Organised Crime Office’ as well as other regulatory authorities in the fight against Money Laundering and Combating of Financing of Terrorist. The head of FSD during the interview mentioned that, institutions are said to be co-operating with authorities if only they are carrying out instructions directed by the regulatory

bodies and provide appropriate and timely information in a way required by regulatory body in a confidential manner.

4.5.3 Establishment of Internal Controls, Compliance and Audit

According to the BOG/FIC Guideline (2011), it is mandatory that every financial institution establish an internal policy on procedures and controls, which serve as preventive measures used by their institution to stop money launderers and terrorist financiers.

The study conducted revealed that, these internal policies must cover areas such as Detecting Unusual and suspicious Transactions, KYC, CDD and Reporting Obligations among other important areas.

4.5.4 Know your customer (KYC) Procedures.

Bank of Ghana and Financial intelligence centre requires that all financial institutions do not establish any business relationship with any client until all parties involved in the transactions have been duly recognised with the nature of business involved or intended to be established determined. By building up this relationship, the institution is able to recognise any suspicious activities which are not in line with the agreed matters filed or made known at the opening of the accounts.

Both parties of the Bank of Ghana and Financial intelligence unit pointed out that Customer identification should be established at the very beginning of financial relationship to ensure that these customers being dealt with are themselves who they say they are. This the guide stated that as;

“The first requirement of Knowing Your Customer for money laundering purposes is for the financial institution to be satisfied that a prospective customer is who he/she is or claims to be” (The BOG/FIC Guideline, 2011, P.23)

Determining the Identity meant looking out for attributes such as, Date of birth, Name, Place of residence or address which a client can be located. According to the official of Financial stability Department these are the unique features that make up a natural and legal person. He added further that this identification process must continue as long as the bank is in business with the clients due to changes that might result during the time of doing business with them.

A review of some of the account opening documents by the bank revealed that KYC documentation involves; taking personal identification of the customer such as passport, voters ID card, drivers licence, student ID with an introduction letter, a utility bill among others etc.

According to the interviewee, KYC is carried out at the establishment of new business transactions with all new customers. When ask if the financial institution where complying with this requirements, the interviewees responded that absolute compliance with this requirement was difficult due to the fact that some of the transactions requires urgent attention after which KYC is later carry out. For instance, should a customer has to carry out a huge transaction with good profit returns, it will be very tough to go through all the KYC procedures before carrying out the transaction which might sound time wasting. They added that, in recent time where the banks are target oriented, it is difficult to turn away customers due to the absence of certain documents.

4.5.5 Performing Customer Due Diligence (CDD)

As stated in the BOG/CFT Guidelines, “CDD is the identification and verification of both the client and beneficiary including but not limited to continuous monitoring of the business relationship with the financial institution.” (The BOG/FIC Guideline, 2011, P.3)

It continues to say that banks should not operate accounts with fabricated names (The BOG/FIC Guideline, 2011). Customer due diligence (CDD) should be undertaken during

the start of any business relationship. This should be carried out normally on transactions with a threshold of GH 20,000.00 cedis and above (or its equivalent in foreign currency) as could be decided by Bank of Ghana.

In addition to the above, CDD should be carried out when “there is a suspicion of money laundering or terrorist financing, regardless of any exemptions or any other thresholds referred to in the Guideline; or when there are doubts about the veracity or adequacy of information previously obtained on customer identification data.

In conducting CDD, it is revealed that information gathered from clients varies from Natural persons and institution. In addition to this, financial institution should verify theses information gathered with at least one of the following methods;

- Confirming the date of birth from an official document (e.g. birth certificate, passport, identity card, social security records);
- Confirming the permanent address (e.g. utility bill, tax assessment, bank statement, a letter from a public authority);
- Contacting the customer by telephone, by letter or by e-mail to confirm the information supplied after an account has been opened (e.g. a disconnected phone, returned mail, or incorrect e-mail address should warrant further investigation);
- Confirming the validity of the official documentation provided through certification by an authorized person (e.g. embassy official, notary public) and
- any other means of verification the bank deems appropriate

According to the interviewees, all financial institutions should apply the same standard of identification and verification in respect of non-face-to-face customers.

Additional information gathered from the interviewee was that the country does not have a reliable data base to track all individuals and some institutions. This they said made if

difficult during verification with the exception of the Electoral Commission where voters ID Can be verified.

4.5.6 Reporting of unlawful activities

According to the BOG/FIC Guidelines (2011), the fight against money laundering also entails reporting all criminal activities which generate money and is transmitted through the financial system. Financial Institutions are required to report all unlawful activities such as terrorism, terrorist financing, counterfeiting, fraud, corruption and bribery, illicit arm trafficking, sexual exploitation, human trafficking, murder, kidnapping, smuggling, robbery, forgery, piracy, among others. The guide stated further that financial institutions should report, transactions that have no economic measure or visible lawful purpose. Due to this background the purpose of such transactions should be examined and written findings made accessible to assist authorities such as BOG, FIC, auditors and law enforcement agencies (LEAs) to carry out their duties.(The BOG/FIC Guideline, 2011)

According to the interviewees, the Centre or an authorized officer in their outfit may request accountable institution that has made a report to furnish the Centre or body with additional information concerning the report if the need be.

4.5.7 Filing and Reporting of Suspicious Transactions

What constitute a suspicious transaction is subjective according to the interviewees who further stated that suspicious transactions are unusual and irregular transaction. The officer interviewed described it as an unusual transaction with irregular account operation pattern.

Financial institutions are required by the law to provide the authorities with information's of suspicious transaction. In support of this, the Dir. of Financial Stability Department of BOG further stated that the Anti-Money Laundering Act, 2008 Act 749 outline procedures on how suspicious transactions should be communicated to the FIC

and BOG. Section 30, 31 and 36 of the Anti-Money Laundering Act states that A person who or an institution that knows or suspects any transaction should within twenty four hours after the knowledge submit a suspicious transaction report to the Centre. Where a person suspects a transaction to be linked to or used for the financing of a terrorist act as defined by law, the person shall make a report to the Centre within twenty four hours of the suspicion.

FATF's Recommendation provides that if banks suspects or have doubt that the monies involved are from illegal activities or are linked up with funding of terrorism, then the institution is mandated to report the financial intelligence Centre (FIC). During reporting, the BOG/FIC guidelines (2011) added that institutions who detect suspicious transaction should not in any position disclose it the content or the identity of the offer who received the suspected report. In connection with reporting transactions, the interviewee from FIC made it known that before a transaction qualifies for reporting, it will be prudent to look out for certain basic quality which makes it easy in suspicions of money laundering. He further stated that the guide gives a list of transactions which is not exhaustive as indication of potential money laundering features. This they term as Red Flags for suspicious transaction. In preventing misjudgement of certain transactions, the guide made it clear that this features listed in the guide would not necessarily be an indications of money laundering if such activity are part of the normal operations with a customer's legitimate business" (The BOG/FIC Guideline, 2011 P) In other words a transaction can be suspicious if the actions of the customer are not consistent with his/her apparent business.

Potential Transactions Perceived or Identified as Suspicious according to the guide are listed below;

“(a) Transactions involving high-risk countries/jurisdictions vulnerable to money laundering, subject to this being confirmed.

(b) Transactions involving shell banks/companies.

(c) Transactions with correspondents that have been identified as higher risk.

(d) Large transaction activity involving monetary instruments such as traveller’s cheques, bank drafts, money order, particularly those that are serially numbered.

(e) Transactions involving amounts that are just below the stipulated reporting threshold or enquiries that appear to test an institution’s own internal monitoring threshold or controls” (The BOG/FIC Guideline, 2011, p.75, 77-80)

From the study, it was revealed that suspicious transactions must be reported to FIC/BOG within a time period of 24 hours as and when it occurs. Though the compliance officer interviewed agreed that all suspected transaction should be reported, the subjective nature of what constitute suspicious transaction makes it challenging to report all. In addition to that she stated that materiality and significance of the transaction is a key determining factor and may require further investigations. The officer of Standard chartered bank made it clear that frequent reporting on all business suspicious transaction does not make business sense since some calls for further investigation. The officer added that if care is not taken and wrong signals are raised the Banks may lose their private banking clients, whose activities by their very nature, timing and pattern is suspicious. In a counter response by the official of FIC, he said this could create an avenue where certain transactions from certain Politically Exposed Persons (PEPs) and high rank customers will be shielded.

4.5.8 Dealing with Politically exposed persons

Since politicians are prone to corruptions, the authorities do expect banks to take caution in dealing with their customers who fall within this category. The guide defines this group of people as “individuals who are entrusted with prominent public functions both in Ghana and foreign countries and those associated with them”. In dealing with them the guide state how financial institution should handle such clients;

“A) Financial institutions shall, in addition to performing CDD procedures, put in place appropriate risk management systems to determine whether a potential customer or existing customer or the beneficial-owner is a politically exposed person.

B) Financial institutions shall obtain senior management approval before they establish a business relationship with PEP.

C) Financial institutions shall take reasonable measures to establish the source of wealth and the sources of funds of PEP customers, and lastly

D) Financial institutions in business relationships with PEPs are required to conduct enhanced on-going monitoring of that relationship”. (The BOG/FIC Guideline, 2011, p.9)

According to the assistant Dir. of Financial stability Depart of BOG, PEPs may include Members of Parliament (MPs), Ministers of State, relatives of politicians, Ambassadors and High Commissioners among others

4.5.9 Maintenance of Records On transaction

All financial institutions according to the financial intelligent officer are expected to keep record of all transactions locally and internationally for a minimum period of six year even after transaction has come to an end. This period could go beyond that upon request by BOG and FIC in special cases. However, FATF’s Recommendation 11 requires such record to be kept for five years to assist transaction monitoring and

investigations. The research revealed that the reason for the variation between the FIC and FATF was that should any financial institution not meet the requirement of the FIC, they will still fall within that of the international requirement which will not warrant any sanction on Ghana. The FIC officer further stated that records of all transactions should be made available on timely bases to BOG and FIC

4.5.10 Dealing with Shell Banks

According to the interviewees of both BOG and FIC, shell Banks are “banks which have no physical presence in any country”. In an interview with Mr. Awuah of BOG, he said, establishing relationship with institutions which has no physical presence in any country is not allowed by the Bank of Ghana. The Guide made further stated that “financial institutions shall take all necessary measures to satisfy themselves that respondent financial institution in a foreign country do not permit their accounts to use by shell banks” (The BOG/FIC Guideline, 2011, p.15)

4.5.11 Staff Education/Training on AML

In accordance with Sect 1.25 of BOG/FIC Guidelines (2011) Banks are required to organize

Training programs to fully create awareness among its employees and to help equip them with the needed skills relating to Money laundering and combating of financing of terrorism in discharging their duties. In an interview with the FIC Official he mentioned that, although how frequent and which form an institution is supposed to organize the training program is not stated in the BOG/CFT guideline, it is expected that financial institutions hold both ‘In-House’ and ‘Third-party’ training program for it staff as frequent as possible in a year, more especially for officers in the compliance departments appointed by an institution.

4.5.12 Attention to Higher Risk Countries

In an interview with Mr. Awuah of FSD, he spelt it out clearly that there were certain countries which do not fully apply the recommendation of FATF. Therefore special attention must be given to persons who include legal persons and financial institutions in these countries when it comes to transacting business with them.

In addition to this, he edged banks to frequently check the FATF list of countries that are of high risk in connection with money laundry. A statement made currently by FATF on February 27th 2015 “calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction”. Currently, Ecuador and Myanmar have been indicated by FATF this year as countries with “High risk and non-cooperative jurisdictions”. (www.fatf-gaft.org). Financial institutions are therefore advised to exercise caution in dealing with.

4.5.13 Formulation and implementation of internal rules

According to the ‘Anti-Money Laundering Act 2008, Act 2008, Act 749 section 47,” “any “institution shall in discussion with the centre formulate and implement internal rules concerning the establishment and verification of identity of persons whom the institution in requires to identify” (Anti-Money Laundering Act 2008, Act 2008, Act 749 section 47)

This rule in accordance with the Act must be made available to all employees who are involved in the institutions business transactions. At the same time, copies of these internal rules must be made available to FIC and BOG ((Act 2008, Act 2008, Act 749 section 47)

4.5.14 Monitoring of Employees accounts

It is expected that financial institutions monitor the accounts of its employees for transactions that could raise suspicion. Should an employee's account be inconsistent with his or her salary pattern, such an account must be subjected to investigation. This is to prevent that use of staff by launderers to push their way through the financial system. This could be made possible when criminals conspire with a figure in the institution to embark on the laundering business. Contained in the AML/CFT Guidelines Section 1.26 in support of this is;

“Financial institutions shall monitor their employees’ accounts for potential signs of money laundering. They are also required to subject employees’ accounts to the same AML/CFT procedures as applicable to other customers’ accounts. This is required to be performed under the supervision of the AML/CFT Reporting Officer. The staffs own account is to be reviewed by the Chief Internal Auditor or a person of adequate/similar seniority. Compliance reports including findings are to be rendered to the BOG and FIC at the end of June and December every year.” (BOG/FIC Guidelines, 2011, Section 1.26)

4.5.15 Protection of Staff Who Report Violations

Section 1.24 of the guideline requires that institutions should protect staff members when it comes to reporting to encourage them cooperate fully with regulatory and enforcement agencies. It is also expected of financial institution to create a good atmosphere for employees to report any violations to the compliance department for investigations to be carried. Where the violation involve a member of the compliance, it is recommended that a report be made to a higher authority such as ‘Chief internal Auditor’

4.6 Measures put In place by Standard Chartered Bank in dealing with Money Laundering and Combatting Financing of Terrorist

From the interview with the officer of the Legal and Compliance Department of Standard Chartered Bank, and from observations made during the period of the study, the following procedures were identified as SCB internal measure put in place as a way of supporting the fight against money laundering and combating financing of Terrorism;

4.6.1 Setting up a Department for ML Compliance issues

As part of the requirement to be met by the bank in combating ‘Money Laundering,’ the bank has a whole department known as the legal and compliance Department in charge of compliance with trained officer running this department. What made this department effective is the fact that the head of the department is a senior member of the bank of a high status and with a legal background. Some of the officers appointed in that departments also have legal background which from observation gave them an upper hand as far as the AML Laws where concern. This department has lots of functions to play of which a few sighted are; filling of suspicious transaction report, organizing and coordinating of training program to equip it staff in AML/CFT awareness. The department officers also serve as liaison officers between the bank and FIC and BOG on all matters in connection with money laundering and financing of terrorists.

4.6.2 Co-operation with competent authorizes

The Head of legal and Compliance Department said in an interview that in maintain integrity Standard Chartered Bank is required to provide monthly report to the BOG. The report sent to BOG captures all sought of suspected and actual frauds that occurred at a particular period, usually in the month in question. He added that the report must also identify the cause of the fraud either by facilitated by an inside agent or due to certain internal weakness, breakdown of system or breach of measures. All this he said must be

added to the report. The study on SCB revealed that the Bank had never defaulted in rendering its periodic report to BOG. In support of this, the previous report sent to Bank of Ghana was available to me. As to whether the frauds sighted were a true reflection of what actually occurred in that period could not be told.

4.6.3 Established internal Control, Compliance and Audit

As part of the requirement of BOG and FIC, Standard Chartered Bank Ghana Ltd has also come up with its own internal 'Compliance Policy Manual' intended to regulate its internal controls. The manual spells out the policy of the bank in relation to Anti-Money Laundering and measures put in place to guide its operation as their contribution in the fight against money laundering and combating terrorist financing. Viewing the content of the SCB compliance manual, it was revealed that it covered important areas like CDD, How to detect suspicious transactions, keeping of records, retention of records and reporting obligations among a list of other important areas which cannot be stated here. Due to the new developments in recent times in connection with money laundering, the manual is updated and approved annually by the board to be able to meet upcoming developments on this crime. As a way of ensuring compliance with procedures, policy and control there is a department in charge of internal audit who are responsible for conducting all internal audit assignments on all the branches nationwide including the Head Office Department on a regular basis and report on the outcome reported to the Board audit committee. The internal audit department also embarks on regular compliance manual assessments to ensure that it is updated and meets that of the international standard.

4.6.4 Know your customer KYC Procedure

Because customer identification is one important area in connection with Anti-Money Laundering, the officer during the interview said the bank in all instances make sure they are satisfied with the claims as to who a customer is before going into a relationship with. In ensuring that the KYC Procedure are carried on effectively, the compliance officers monitor the KYC Red Flags which includes customer or clients unwillingness to provide relevant information with regards to source of income, nature of business, location of business, diplomatic passport from obscure countries and presentation of documents. According to the interviewee, KYC should be carried out at on-boarding, that is, KYC is carried out at the establishment of new business transactions with all new customers.

4.6.5 Performing Customer Due Diligence

As part of the requirements by BOG and FIC, the study revealed that Standard Chartered Bank performs Customer Due Diligence at the beginning of every new account opening. To prove to that, a tall list of account opening requirement was shown to me depending of the category of accounts a customer is opening. According to the officer the main purpose of carrying out CDD was to ensure consistent monitoring of transaction of customers to ensure that unusual transaction of customer are detected.

The officer further stated that CDD is a continues process to ensure that documents, data or information collected under the CDD process are kept up-to-date and relevant by undertaking reviews of existing records, particularly the records in respect of higher-risk businesses relationships or customer categories.

4.6.6 Reporting and filling Unlawful activities

According to the Legal and compliance officer, the bank has taken it upon itself to report any suspicious transaction as obligatory by the FIC and BOG. The Compliance officer further stated that the bank could face sanctions should they refuse to report suspicious transactions or file unlawful activities. When asked what constituted a suspicious transaction, he quoted the AML Act 2008 (Act 749) which explains suspicious transaction as that which includes transactions which are not consistent and not normally never stated during accounts opening with the clients past level of transaction (Anti-money laundering Act 2008). The officer also added that though some client's level of transaction exceeds that of the expected ones, no report has been submitted to FIC. FIC defines suspicious transactions to include transaction levels of customers which is inconsistent with the usual transactions stated in the customer's declared business, or transaction level and also inconsistent with past transaction levels. In addition to that he added that though some customer transaction levels have gone far beyond the expected level of their declared business, reports have not been submitted to FIC.

4.6.7 Reporting of Politically exposed person (PEP)

According to the Compliance officer, PEP's are "individuals who are or have been entrusted with prominent public functions both in Ghana and foreign countries" (BOG/FIC Guideline, 2011, p9). The reason why such people should be carefully dealt with is that it is perceived that some engage in corrupt practices using the position they hold as a catalyst. In doing so the banks ensure that approval be obtained from senior managements before establishing any business relationship with such customer- PEP. The Compliance officer added that should any anomalies be found in dealing with PEP, as required by the BOG Guide and the Bank own manual, the bank will immediately report to the FIC and other relevant authorities.

4.6.8 Maintain of Record on transaction

According to the compliance Officer the bank maintains important records of every business transaction both local and foreign for a period over 10years even after completion of the transaction. The officer stated that with the aid of electronic data system, all information on clients transaction could be kept in the archive as long as the bank remain in existence where a minimum years could even last more than 10 years. This condition applies whether there is an on-going business relation or whether the relationship has come to an end. Keeping old documents he added has its own advantage aside being a requirement in fighting money laundering. It is also useful for decision making and also serves as a support document to legally pursuit default loans.

4.6.9 Dealing with shell Banks

During the interview, the compliance officer made it clear that the Bank was not in support of banks dealing with shell banks especially those that do not have location physically present in the country. This was part of the banks AML policies sighted. In support of this he stated that FATF's directive for Banks recommend that banks do not to deal with shell banks.

4.6.10 AML Staff Education and Training

Standard chartered bank according to the Compliance officer embark of periodic training section for their staff including even the board members and drivers. The officer added that there are generic and tailor-made training for staff on yearly, quarterly and continuous basis by internal and external bodies. The reason for this consistency he said was due to current evolving nature of crime phenomenon and the rapidly changing of Money laundering and Terrorist Financing with time. This will keep the department and staff abreast with the current changes and form these criminals are adopting. Some of the training being organized was to meet specific needs of particular staff especially the ROs

and RMs. According to the Compliance Officer the training programme sometimes covers control areas such as ‘the nature of money laundering, how to perform customer due diligent, Anti-money laundering regulation and offences, Keeping of proper records, Policy on retention and reporting requirement’

4.6.11 Attention to High Risk Country

Standard Chartered Bank policy on Compliance which was avail to me requires that thorough Due Diligence should be perform on all transactions relating to counter parties within the countries captioned by FATF as High risk countries. He added that currently, FATF has come out with a list of country being indicated as High risk countries. According to him, update to that effect is normally traced from FATF website. Other information that sends caution with regard to these countries is also found on the FATF website.

4.6.12 Monitoring Staff Account

As part of the requirement of Bank of Ghana and the Financial Intelligence Centre, compliance department does regular monitoring of staff bank accounts to check the number of transaction conducted by individual staff accounts. He stated that the purpose for the monitoring will help in the identification of staff who issues dud cheques on account, to monitor staff whose transactions is not in line with their business, salary and finally to bring to light fraudulent or suspicious movement of monies in and out of their personal account. It is believed that unscrupulous people wanting to use the bank as a channel could connive with the staff members or officers to facilitate their criminal activities. He added that should an officer or any member of the bank aid in facilitating these activities would be sanctioned as sighted in the policies with other actions taken again that officer including reporting to the security service.

4.6.13 Protecting of Staff who Report Violation

The Head of Legal and Compliance Department stated that the staff members of the Bank are encouraged to report suspicious transactions during to the legal and compliance department of the bank. The bank's policy according to the officers says that "all report of violations that is linked with money laundering that is received from staff is treated with utmost concealment" (Standard Chartered bank Compliance Manual, 2015)

Every branch is encouraged to report suspicious transactions to the legal and compliance Department. The bank's policy however does stated that not all reports of violations in connection with money laundering attained from staff are treated with utmost confidentiality. The justification of protection was to embolden staff to make such reports as required by the Act without victimization.

4.6.14 Approved compliance Manual

Head of Legal and Compliance Depart said during the interview that the bank has internal

Compliance Manual which is compiled by management and later presented to the institutions Board for consideration and approval. It is also expected by institutions to presented approved copy of their manual to BOG, few months after the release of this compliance manual. All this process he added forms part of the requirements Financial Intelligence Centre and Bank of Ghana.

4.7 Inherent Weaknesses in Banks in Ghana

The general weakness of banks to crimes such as laundering of criminal proceeds and financing of terrorism remains unquestionable. The weaknesses are inherent in many factors. Mr. Philip Danso and Joseph Amoa-Awuah both of FIC and Banking Supervision Department (BSD) of BOG respectively during the interview made mentioned of the following as some of the inherent weaknesses of Ghanaian banks in:

Firstly, the banking system is weak in a sense that it legitimizes illegal proceeds of crime. Banks accept deposits from the public belonging to money launderers and other criminals, whose intention is to launder the proceeds of their illegitimate funds, making use of the 3 steps. The three stages available in laundering money (placement, layering and integration) are the channel used to launder money from criminal activity. Normally banks should be able to stop these criminals at the first two stages being used in laundering money before it gets to the final stages. When this is not done, the ill-gotten money not detected at the placement and the layering stages, will be washed to make it clean. In other words, using the bank at the two stages will make it difficult to trace the source of the money which in most cases is illegal sources. The laundered money is then moved into other legitimate businesses in the economy.

Secondly, the banking system offers criminals a good atmosphere to perpetuate their crimes. Convenience comes in handy due to the degree of secrecy the banking system provides to its customers. These criminals use the anonymity that the banking system provides to serve as a shield to launder their proceeds. Related to ease, are the kinds of products and services rendered by the banks to their customers. More specifically, services such as electronic transfer of money and internet banking enable criminals to transfer in most cases huge sums of money to other jurisdictions conveniently without detection. Though most banks in Ghana uphold secrecy of clients and organization as an important strategy as far as their operations are concerned, Terrorists also take advantage of the anonymity in the banking system to transfer cash to their group. Mr. Awuah of BOG added that Terrorist groups such as Al Qaeda were able to transfer cash to its members in the USA by easily defeating the detection mechanisms through money wiring. In sharing a humour he said if all the sophisticated mechanisms put in place among banks in the U.S were defeated, how much more our banks.

Thirdly, because the unbanked population in Ghana is higher than the banking population, there is pressure on the relationship managers and officers of banks to bring in the unbanked Ghanaians into their intuition. As a result, officials of banks carry out transactions without regard to AML/CFT regulations which polarise the already volatile banking system. In Ghana, banks run promotions to attract deposits. Currently many Banks are running deposit mobilization promotion, where the public are being encouraged to deposit money to a certain sum to earn them some attractive prizes. Money launderers can take advantage of this period to launder their illegitimate proceeds, because the likelihood of doing Due Diligence and Know Your Customer measures on such depositors may be relaxed during these promos which flout AML/CFT regulations. Also, it was detected further that staff conspiracy with criminals promoted the act as it made easy to beat the system, especially when it involves a senior member of the bank. With the nature of deposit target being set for managers of branches in present times, it does promote collusion which may take the form of huge deposits from criminals by relationship managers and officers to meet their huge deposit targets. Also, for the purpose of personal gains, even top management members may conspire with criminals to abuse the banking system for laundering and other criminal purposes. Furthermore, lack of adequate training for staff contribute to the inherent weaknesses existing in the banking sector.

BOG/FIC's Guidelines provides in section 1.25 (a) stated that

“Financial institutions [banks] shall design comprehensive employee education and training programs not only to make employees fully aware of their obligations but also to equip them with relevant skills required for the effective discharge of their AML/CFT tasks. Indeed, the establishment of such an employee training program is not only

considered as best practice but also a statutory requirement”. (BOG/FIC’s Guidelines, 2011, section 1.25, p17)

The same Guideline provides in 1.25 (b) that:

“The timing, coverage and content of the employee training program should be tailored to meet the perceived needs of the financial institutions”. (BOG/FIC’s Guidelines, 2011, section 1.25, p17)

However, according to FIC and FSD, staffs of banks are not adequately trained on laws, and regulations relating to AML/CFT.

Lastly, the officials of BOG/FIC mentioned two important control mechanisms that the weaknesses in the banking sector could also be attributed to. According to these officials, the way banks carry out ‘Customer Due Diligence’ (CDD) and ‘Know your Customers’ (KYC) are not effective enough due to some of the factors stated or made mentioned above. This facilitates the swift and smooth laundering of criminal proceeds.

In coming to conclusion of the issue of weakness among banks, the two officials had the same notion about CDD and KYC control among banks. According to them, these are the key central pillars around which the AML/CFT policies and measures revolves and as such should be given a second thought.

4.8 Compliance with International Standards and Bog/Fic Regulation

To maintain the reliability of the financial system, the Financial Action Task Force (FATF) was form to set standards and to encourage the effective operation of the established regulatory and operational measures in the fight to stop money laundering and terrorist financing and other connected threats that stand a big chance of tarnishing the integrity of the all financial systems available worldwide. (FATE 40 Recommendations, 2003)

The Recommendations of 'FATF' are international standards to regulate the international banking system; thus every bank is required to comply with these standards in addition to domesticated ones by member countries. In addition to these standards, FIC and BOG who are the country's local regulators have developed compliance manuals as a requirement by FATF Section (6) to ensure compliance by banks in Ghana.

During the interview, the legal and compliance department of Standard Chartered Bank mention that they comply with all compliance policies laid down by both FATF and BOG/FIC. He added that their internal policy was drafted using these external policies as a guide which the BOG/FIC is aware of. To prove to that, a list of measures they have put in place was sighted in the banks manual. A few of such policies mentioned are as follows; Reporting of Unlawful activities, Establishment of Legal and Compliance Department, 'Customer Due Diligence' and Know Your Customer' Control (KYC), Filling of Suspicious Transaction and Training/Educational Programmes for staff. All this he said was in line with the FATF standard and the BOG/FIC standard.

In connection with complying with local and international regulation, the issue of banking secrecy was addressed. The compliance officer stated that banking secrecy does not obstruct AML/CFT compliance. He further stated that the secrecy of the bank is not above the set AML/CFT regulation, and should authorities request for any information on suspected transaction standard Chartered Bank will provide. In support of this the compliance officer made reference to FATF Recommendation that banks can:

"Not refuse to execute a request for information for mutual assistance on the grounds that laws require financial institutions [banks] to maintain secrecy or confidentiality (except where the relevant information that is sought is held in circumstances where legal professional privilege or legal professional secrecy applies)". (FATF 40 Recommendations, 2003, 4 p)

He also agreed on the opinion that some banks in the industry hold secrecy very high esteem to the extent that they refuse to provide information to assist internal investigations. This way the banking secrecy really will inhibit AML/CFT. The officer added that because of this clause, banks are not willing to divulge information about their customers. The banks may use the secrecy as a cover in shielding certain criminals who happen to be their customers. One problem the officer raise was the fact that there has not been a clear distinguishes between legal privilege and non-legal privilege. This creates fertile grounds to pursue money laundering and financing of terrorism.

Mr. Amoa-Awuah at the FSD of BOG mentioned that, as a way of making the banks comply with the policies put in place with AML/CFT, the Bank of Ghana has set up the Banking Supervision Department (BSD) on regular basis undertake the following activities;

- To conduct on-site examination of the banks not at least once a year
- To make follow-up and perform investigative activities in ensuring that Banks perform appropriately.
- To collect and analyse reports on returns and to other required data during regular intervals
- To coordinate with bank internal and external auditors to ensure that all suspected areas are audited adequately.
- To Regularly meet top officials of banks in the review of their operational gaps
- Collecting and analysing regular reporting returns and other financial data

All the above function can be conducted both on-site and off-site. Giving further explanation he explain off-site monitoring as one that involves the use of Risk Self-

Assessment Questionnaire as the officials BOG access the bank with the answers from the questionnaire without being at the premises of that the banks. On-site monitoring is more of Risk Base Assessment and high risk banks are given wider scrutiny than low risk banks. As an official of Bank of Ghana, currently at the Financial stability Department (FSD) and formally of Banking Supervision Department (BSD) Mr. Awuah stated that Bank of Ghana (BOG) rated compliance level among banks in Ghana at 70%. As to whether a bank had ever been sanction, the responds from the interview revealed that no bank has yet been sanctioned for non-compliance with AML/CFT violations. This however, does not mean that the compliance level by banks is total and absolute since certain investigations are being done on some institutions. Mr. Amoa-Awuah did not hesitate to add that, the BOG does not even have administrative sanctions whiles the judicial sanctions are not attractive to be pursued because it is laborious.

With the exceptions of some few misreporting and compliance breaches, banks especially those with international incorporations of which standard chartered bank is part has complying rate to be very high. It will be surprising to note that irrespective of the robustness in the Banking operation, banks are prone to criminal manipulations. For instance, Barclays Bank Plc is known for its good compliance culture, yet the bank was being investigated by the USA authorities for money laundering activities three years ago. This sends a clear signal that a bank as an institution may put proper measure in place to show its commitment in the war against Money Laundering, yet if should there not any commitment on the part of bank management and officials as well as adequate training on the issues of money laundering and terrorist financing, the AML/CFT regime will be useless.

4.9. Cooperation between Ghanaian Banks and Enforcement Agencies

Cooperation between public and private enterprises with law enforcement agencies is required to ensure that criminals are deprived access to abuse the financial system with criminal activities. This calls for banks to cooperate with enforcement agencies to end these flourishing activities of criminals abusing the financial system. The AML/CFT regime can only succeed when there is complete cooperation between the relevant partners. Recommendations 36 to 40 of FATF encompass international cooperation as that which comprises of ‘international instruments, confiscation and freezing, mutual legal support, arrest and other forms of international cooperation’. (FATF Recommendation 36-40). During an interview with the officer at the Legal and compliance Department of SCB, he responded that SCB is and will always cooperate with the enforcement agencies when it comes to sharing of information. He further stated that since Money Laundering and Combating of Terrorist Financing has become global phenomenon, the only solution is a well establish collaboration between public and private partners since the bank alone is not equipped enough no matter how robots it activities are in the fight against this criminals. In addition he said that they expect to see their efforts accompanied by thorough investigations and prosecution on the part of the enforcement agencies as well. According to him banks are the doorkeepers ensuring that AML/CFT measures thrive. By complying with the directives of the enforcement agencies, the fight against AML/CFT will yield a positive result.

However information gathered during the sturdy from the FIC was that to a larger extent, some banks are cooperating except for some suspicious transactions specially those relating to threshold for Cash Transaction Report (CTR) and Electronic Transfer Report (ETR). The sturdy further revealed that most Banks are not cooperating with regulators because of wilful blindness on the part of front liners to increase their deposit and to

make profit. In effect, cooperation is not complete and this seriously obstructs the effective functioning of the FIC. According to the FIC, lack of cooperation also means absence of data for the FIC to analyse and disseminate to the law enforcement agencies. This becomes favourable to criminals because there will be lack of intelligence report upon which reasonable assessment could be made. In response to this statement by the FIC, the Compliance officer was of the same opinion that they report on what has been reported to them and that an RO or RM of a Bank, who need to meet their deposit targets, may ignore some of the AML/CFT policies.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary and conclusions based on findings made in the previous chapters on Anti Money Laundering practices among Ghanaian Banks with Standard chartered bank Limited as a case study and Recommendation made base on the finding

5.2 Summary

The purpose of carrying out this sturdy was to identify the anti-money laundering practices being put in place by Banks in curbing Money Laundering, to identify the weaknesses within banks that attract these criminals to use these institutions and to determine whether regulations from the regulatory authorities are being complied with. To ensure safety and well-being of the banking system, the government of Ghana has passed banking laws such as the Banking Act 2004 (Act 673). The Bank of Ghana Act 2002(Act 612), The Banking Amendment Act 2007 (Act 738) and the Banking and Financial Laws of Ghana-1998-2006 to clearly describe the roles expected of banks in combating money Laundering. Aside the Acts and Laws formed by the government, all banks in Ghana are also subjected to the FAFT 40+9 recommendations. Out of the 40+9 Recommendation, 12 of them are direct responsibility on all banks as well as other financial institution to be used as tools to fight these criminal acts.

Also in December 2011 Bank of Ghana in conjunction with FIC, came up with a guide book captioned “Anti-Money laundering/Combating Financing of Terrorism (AML/CFT) for use by both banking and non-Banking institutions in Ghana , which is to also serve as a guide to assist these set of institution’s in designing and implementing of

AML/CTF compliance activities. FATF and BOG/FIC requires that all banks have strong internal control measures to prevent the laundering of money and financing of terrorism as a way of ensuring safety and soundness in the banking system. The study revealed that the control measures consisted of; Appointment of Anti-money Laundering Officer who should hold a management position in the Bank, Know Your Customer before entering into business with them, and Customer Due Diligence to confirm the identity of clients and institutions , Training of staff, Recording and Keeping of Data, Reporting of suspicious transactions, Cooperating with Competent Authorities, Engaging in Internal Control, Compliance and Audit, Maintenance of Record, Avoid dealing with Shell Banks if possible, Paying attention to High risk countries, Consistent Monitoring employee accounts to prevent criminals from taking advantage of the system through the bank staff, Protection of staff who report violation to encourage more of such reporting and preventing victimization, Testing for ability of AML/CFT compliance activities and Putting in place an internally drafted 'Compliance Manual' certified by the institutions Board of directors

As a way of playing a part in the fight against this criminal act, Standard Chartered Bank has also laid down measures in line with that of the BOG and FIC guide. These include; Know Your Customer procedures, Improved Due Diligence on high risk clients of which politically exposed persons are part, Submission of Periodic relevant reports to Head Office, BOG, and FIC, Frequent training of staff on updated AML practices to be abreast with the new forms of

Money laundering, establishing of a compliance unit made up of senior management members and cutting contact and operations with Shell Banks. The study revealed that Standard Chartered Bank has a whole department for legal and compliance. This department is in charge of reporting, training, reviewing of compliance manuals and

serving as 'liaison' between them, Bank of Ghana and FIC. During the study, it came out that the bank has varied AML training programmes for different classes of staff. Some of which are generic and tailor-made training programmes for its staff and in some cases the board members of the bank as well. What makes SCB compliance department unique is that fact that it has a legal touch. The department is also part of the legal department with members very well informed when it comes to the laws governing Money Laundering. It also came to light that the Bank was not in any position to do business with shell banks and high risk countries. Standard Chartered Bank measures being put in place were robust due to its affiliation with its Mother Bank stirring the affairs. Because of image protection in the international market, its headquarters in 1 Basinghall Avenue, London, makes sure that all its banks worldwide work in accordance with FATF recommendations to prevent losing the international recognition they have gained. One challenging area peculiar to Standard Chartered Bank Ghana Limited is the lack of co-operation from other financial institutions in ascertaining the genuineness of client details, which the bank is also guilty of. Notwithstanding, the officer stated that the bank faces lots of challenges in verifying the genuineness of company registration documents and utility bills of clients. This makes it very difficult in detecting the whereabouts of such clients.

Areas of weakness that may not be peculiar to Standard Chartered Banks is the desire to increase deposit targets to increase assets compelling Managers in charge to create all manner of accounts some of which end up being suspicious accounts, inadequate training for staffs, no senior management staff holding the positions of compliance officers, lack of comprehensive 'Know Your Customer (KYC)' and 'Customer Due Diligence (CDD)' due to competition in customer base, staff complicity, products and services risk and banks giving legitimacy to criminal proceeds.

On the level of cooperation existing between the banks and the law enforcement agencies, it was realized that banks are not cooperating fully. According to the compliance officer at SCB, though in some cases compliance obstructs the secrecy doctrine of the bank, they have to comply to show how committed they are in fighting against money laundering and Financing of terrorism. This means lack of cooperation from the banks does not support the AML/CFT regime.

5.3 Conclusion of the Sturdy

The sturdy reveals that commercial banks play a significant role in the fight against Money Laundering since they serve as gate keepers who are to ensure that criminals do not use their banking institutions as a fertile ground to carry out their activities. This role can be undertaken properly if the measures put in place by the regulatory authorities are carried out effectively.

A Sturdy on standard Chartered Banks established that the bank has put in place distinctive measures which are in conformity with the FIC/BOG guide as a way of preventing and tracking of criminals embarking on these activities. This tends to confirm that the Standard Chartered Bank is complying with international standards and BOF/FIC regulation.

However, from the perspective of the regulators it was established that the measures put in place were not adequate and not properly carried out. This then makes room for criminals and political figures to conspire with banking officials legitimately and illegitimately to abuse the banking system. If that is the case, it can be concluded from the sturdy that banks are not cooperating with law enforcement agencies due to the following reasons;

Firstly, it was discovered that Bank officials were hiding behind the banking secrecy laws to withhold important information even upon request. This is in contravention to FATF recommendation 37 (d), which states that financial institutions [banks] should: “Not refuse to execute a request for information for mutual assistance on the grounds that laws require financial institutions (banks) to maintain secrecy or confidentiality (except where the relevant information that is sought is held in circumstances where legal professional privilege or legal professional secrecy applies). This exceptional clause does not allow for Smooth Corporation between banks and regulatory authority. The officer of Standard chartered bank made it clear that frequent reporting on all business suspicious transaction does not make business sense since some calls for further investigation to prevent false alarm to be raised on clients.

Secondly, control measures such as KYC, CDD, and reporting of suspicious were not adequately performed to attain the goal of AML/CFT. The study revealed that the unhealthy rivalry in banks for high deposits was a cause of inadequate KYC and CDD controls. Thirdly, the present laws and regulations concerning money laundering and financing of terrorism are many with different legal systems providing different interpretations and sanctions across nations and thus enabling criminals to use differences in the laws to their advantage. In spite of this, some prosecutors lack the understanding of laws and regulations on money laundering and financing of terrorism. The international legal system should be harmonized as far as the AML/CFT regime is concerned.

On this note, one can conclude that though banks in Ghana have put in place measures in line with international regulatory authorities and that of Bank of Ghana, these measures are not deterring enough in support of AML/CFT crusade. This conclusion was reached from the fact though the banks are practicing this measure, they are been practice in a

relaxed manner with little or no adequate information which could lead to the detection of suspicious transaction shared with BOG/FIC all in the name of Banking Secrecy

5.4 Recommendation.

In the light of the conclusions drawn above, the following recommendations are proposed to enhance the contribution of Ghanaian banks towards the curbing of money laundering in Ghana.

Money laundering and financing of terrorism are international crimes, and combating these menaces will require international cooperation. It will be recommended that there should be harmonization of rules acceptable in all jurisdictions to facilitate efficient prosecution of these criminals. I will again recommend that the Banking Supervision Department of BOG should have adequate regulatory, supervision and monitoring exercise as well as effective proportionate and dissuasive sanctions for banks who deliberately and innocently flout its Guidelines and FATF' 40+9 recommendation, which are accepted as the international standard for the AML/CFT regime. Locally, all relevant partners must ensure compliance with the AML/CFT regime through mutual cooperation for the well-being and safety of the banking system to avoid abuse by money launderers and financiers of terrorism which will prevent criminal from taking advantage of the disjoint rules governing the act.

Because client's information is important in this crusade, I will urge the Banking of Ghana (BOG) in connection with the Banking Association to come up with a database system that provides information on all citizens that operate accounts with any bank in the country. This pool of data will help avoid smurfing by criminals as it information will also help detecting red flags alongside confirming the identity of clients they get in contact with. Since customer identifications has been one of the weakness in carrying out CDD and KYC, I suggest that Electoral Commission and the National Identification

Commission should be able to have a strong and frequent updated information on all Ghanaians both of voting or no voting age. This data could be made available to all the banks even to be able to confirm the identity of the people they deal with. In managing this database, every bank given access should be charge for the management and update of the information.

Lastly I will recommend that the best form of monitoring that will make banks fully comply with regulatory authorities be that of on-site monitoring. In this case, officials of Banking Supervision Department (BSD) of BOG, will be at premises of the bank to actually see for themselves what is really happening on the ground with supporting documents requested to prove their compliance and cooperation with the Regulatory authorities. Here the Banking and Supervision Department (BSD) will not only rely on answers from the questionnaires given by the banks which could be misleading during off-sight monitoring.

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APPENDIX A

INTERVIEW GUIDE FOR THE STANDARD CHARTERED BANK

I wish to introduce myself to you as a Master of Business Administration (MBA) student of the school of business, Kwame Nkrumah University of Science and Technology. As part of the programme, I am required to write a thesis on **Anti Money Laundry practices among Banks in Ghana - A case of Standard Chartered Bank Ghana Limited**. I would be grateful if you could spare some for minutes of your time to answer all the questions before you. This is strictly for academic purpose of which you are assured that all the information you provided shall be treated collectively and not on personal level. Thank you in advance for your co-operation.

Kindly answer each question as frankly as possible, ticking or inserting the appropriate answer.

Biographic Data

1. **Official Title**
2. **Work Experience** Below 5 Years 5-10 years
 Above 10 years Specific

PART A: CONTROL MEASURES IN THE BANK

3. To what extent does SCB consider money laundering and financing of terrorism as a serious concern that needs to be prevented to protect the integrity of the bank?
4. What are some of the control measures put in place to combat these threats?

5. One of the key control measures is K.Y.C. When do you carry it out, i.e. prior to accepting deposits or post-deposit?
6. Reporting of suspicious transactions are obligatory for all banks. What are the key features of suspicious transactions that may call for reporting by your staff?
7. How are suspicious cases handled by Standard Chartered Bank?
8. Are there threshold that may warrant reporting?
9. How do you measure the effectiveness of Standard Chartered Bank control measures in combating AML?
10. How often do you train your staff on AML/CFT?

PART B: COMPLIANCE WITH LAW ENFORCEMENT AGENCIES

11. How does Standard chartered Bank cooperate with Financial Intelligent Centre (FIC), Financial Stability Department (FSD) and Bank of Ghana when it comes to AML issues?
12. What are the challenges the Bank faces as a result of complaining with these agencies?
13. At what intervals do you report suspicious transactions?
14. Do you report all suspicious transactions?
15. What are some of the reasons that may account for non-reporting of suspicious transactions?
16. In what way can the existing cooperation between your bank and the law enforcement agencies be improved?

APPENDIX B

INTERVIEW GUIDE FOR BANK OF GHANA (BOG)

I wish to introduce myself to you as a Master of Business Administration (MBA) student of the school of business, Kwame Nkrumah University of Science and Technology. As part of the programme, I am required to write a thesis on **Anti Money Laundry practices among Banks in Ghana - A case of Standard Chartered Ghana Limited**. I would be grateful if you could spare some for minutes of your time to answer all the questions before you. This is strictly for academic purpose of which you are assured that all the information you provided shall be treated collectively and not on personal level. Thank you in advance for your co-operation.

Kindly answer each question as frankly as possible, ticking or inserting the appropriate answer.

Biographic Data

1. **Official Title**

2. **Work Experience** Below 5 Years 5-10 years

Above 10 years Specific

Section A: INHERENT WEAKNESSES IN THE BANKING SYSTEM

1. What motivate money launderers and financiers of terrorism to use banks as conduit for money laundering and financing of terrorism?

2. What are some inherent weaknesses in the banking system that encourages money laundering and financing of terrorism?

3. Are the banks in Ghana prone to money laundering and financing of terrorism?
4. Are these weaknesses artificially created or due to operational gaps, i.e. do you blame the weaknesses on bank officials or are they systemic?

Section B: COMPLIANCE BY BANKS

6. In December 2011, BOG and FIC issued guidelines to all banks and non-financial institutions in Ghana to combat ML/CTF. Are the banks complying with those Guidelines?
7. What mechanisms do you have in place to ensure compliance?
8. Have there been cases of non-compliance by some banks in Ghana?
9. If yes, what was the punishment? Alternatively, what is the sanction for non-compliance?

Section C: CONTROLS IN BANKS

11. What are some of the tools or controls put in place to enhance transparency of the banking system?
12. From the perspective of a regulator, do banks in Ghana have adequate controls to deter money launderers and financiers of terrorism?
13. How effective has the guidelines on CDD and KYC been, bearing in mind the fact that banks need such“ huge deposits to prop up their deposits.
14. How important is the issue of collaboration between the relevant partners in the combat against money laundering and financing of terrorism?
15. What could be the role of the banks in AML/CFT?

APPENDIX C

INTERVIEW GUIDE FOR FINANCIAL INTELLIGENCE CENTRE (FIC)

I wish to introduce myself to you as a Master of Business Administration (MBA) student of the school of business, Kwame Nkrumah University of Science and Technology. As part of the programme, I am required to write a thesis on **Anti Money Laundry practices among Banks in Ghana - A case of Standard Chartered Ghana Limited**. I would be grateful if you could spare some for minutes of your time to answer all the questions before you. This is strictly for academic purpose of which you are assured that all the information you provided shall be treated collectively and not on personal level. Thank you in advance for your co-operation.

Kindly answer each question as frankly as possible, ticking or inserting the appropriate answer.

Biographic Data

1. **Official Title**

2. **Work Experience** [] Below 5 Years [] 5-10 years

[] Above 10 years [] Specific

Section A: INHERENT WEAKNESSES IN THE BANKING SYSTEM

3. What motivate money launderers and financiers of terrorism to use banks as conduit for money laundering and financing of terrorism?
4. Are the banks in Ghana prone to money laundering and financing of terrorism?
5. What are some inherent weaknesses in the banking system that encourages money laundering and financing of terrorism?

6. Are these weaknesses artificially created or due to operational gaps, i.e. do you blame the weaknesses on bank officials or are they systemic?
7. Are the banks used by PEPs for money laundering purposes?

Section B: COMPLIANCE BY BANKS

7. FATF Recommendations are recognised as international standards. Do BOG/FIC Guidelines comply with that of FATF?
8. Are the banks complying with BOG/FIC 2011 Guidelines?
9. KYC and STRs are essential elements in combating ML/TF. With the country's poor address system, how effective can banks carry out a comprehensive KYC on customers?
10. Are they supposed to carry out KYCs before opening an account or may be done after the account is opened?
11. Is there a threshold amount to be regarded as suspicious transaction?
12. Do Reporting Officers provide your outfit with accurate information?
13. Are the banks sanctioned for non-compliance?

Section C: COOPERATION FROM BANKS/LAW ENFORCEMENT AGENCIES

14. Does FIC enjoy the full cooperation of the banks in the AML/CTF crusade?
15. What may account for non-cooperation from the banks?
16. What could be the role of banks in AML/CFT?
17. What measures are in place to prevent abuse of the banking system by money launderers and financiers of terrorism?