Graduate Certificate in Know Your Customer and Anti-Money Laundering Compliance

Sanctions And Counter Terrorist Financing

AEOI stands for Automatic Exchange of Information, a global initiative that enables countries to automatically exchange financial information of non-resident individuals and entities with other countries to combat tax evasion. Related terms include Common Reporting Standard and Foreign Account Tax Compliance Act. The AEOI requires financial institutions to report certain financial account information to their local tax authorities, which then exchange this information with other countries. For example, a bank in the United States would report the financial account information of a non-resident individual to the US tax authority, which would then exchange this information with the individual's country of residence.

AML stands for Anti-Money Laundering, a set of regulations and procedures designed to prevent and detect the laundering of illicit funds. Related terms include Know Your Customer, Combating the Financing of Terrorism, and Financial Intelligence Unit. AML regulations require financial institutions to implement various measures, such as customer due diligence, transaction monitoring, and reporting suspicious transactions. For instance, a bank would conduct customer due diligence on a new customer to verify their identity and assess their risk profile.

Beneficial Owner refers to the natural person who ultimately owns or controls a legal entity, such as a company or trust. Related terms include Customer Due Diligence and Ultimate Beneficial Owner. The concept of beneficial owner is important in Anti-Money Laundering and Know Your Customer regulations, as it helps to identify the individual who benefits from a transaction or owns a legal entity. For example, a company may have several layers of ownership, but the beneficial owner would be the individual who ultimately controls the company.

CDD stands for Customer Due Diligence, a process of verifying the identity of a customer and assessing their risk profile. Related terms include Know Your Customer, Anti-Money Laundering, and Enhanced Due Diligence. CDD involves collecting and verifying customer information, such as name, address, and identification documents, to ensure that the customer is who they claim to be. For instance, a bank would conduct CDD on a new customer to verify their identity and assess their risk profile.

CFIUS stands for Committee on Foreign Investment in the United States, a government agency that reviews and approves foreign investments in the United States. Related terms include Foreign Investment and National Security. CFIUS reviews foreign investments to ensure that they do not pose a threat to national security. For example, a foreign company may want to acquire a US company that produces sensitive technology, and CFIUS would review the acquisition to ensure that it does not pose a threat to national security.

Combating the Financing of Terrorism (CFT) refers to the efforts to prevent and detect the financing of terrorist activities. Related terms include Anti-Money Laundering, Know Your Customer, and Financial Intelligence Unit. CFT regulations require financial institutions to implement measures to prevent and detect the financing of terrorist activities, such as reporting suspicious transactions and freezing assets of designated terrorist entities. For instance, a bank would report a suspicious transaction to the Financial Intelligence Unit if it suspects that the transaction is related to terrorist financing.

Correspondent Banking refers to the relationship between two banks, where one bank provides services to the other bank's customers. Related terms include Respondent Bank and Correspondent Account. Correspondent banking allows banks to provide services to customers in other countries, but it also poses risks of money laundering and terrorist financing. For example, a bank in the United States may have a correspondent banking relationship with a bank in another country, and the US bank would need to conduct due diligence on the foreign bank to ensure that it is not involved in money laundering or terrorist financing.

Country Risk refers to the risk of doing business in a particular country, including the risk of political instability, economic instability, and corruption. Related terms include Country Risk Assessment and Geographical Risk. Country risk is an important consideration in Anti-Money Laundering and Know Your Customer regulations, as it helps to identify countries that pose a high risk of money laundering and terrorist financing. For instance, a bank would conduct a country risk assessment to determine the risk of doing business in a particular country and implement measures to mitigate that risk.

Customer Risk refers to the risk posed by a customer, including the risk of money laundering, terrorist financing, and other financial crimes. Related terms include Customer Due Diligence and Risk-Based Approach. Customer risk is an important consideration in Anti-Money Laundering and Know Your Customer regulations, as it helps to identify customers who pose a high risk of money laundering and terrorist financing. For example, a bank would conduct customer due diligence to assess the risk profile of a customer and implement measures to mitigate that risk.

De-Risking refers to the practice of terminating or restricting business relationships with customers or countries that pose a high risk of money laundering and terrorist financing. Related terms include Risk-Based Approach and Correspondent Banking. De-risking is a common practice in the financial industry, as banks and other financial institutions seek to minimize their exposure to money laundering and terrorist financing risks. For instance, a bank may decide to terminate its correspondent banking relationship with a bank in a high-risk country to avoid the risk of money laundering and terrorist financing.

Due Diligence refers to the process of conducting a thorough review of a customer, transaction, or business relationship to assess the risk of money laundering and terrorist financing. Related terms include Customer Due Diligence, Enhanced Due Diligence, and Risk-Based Approach. Due diligence is an important requirement in Anti-Money Laundering and Know Your Customer regulations, as it helps to identify and mitigate the risks of money laundering and terrorist financing. For example, a bank would conduct due diligence on a new customer to verify their identity and assess their risk profile.

EDD stands for Enhanced Due Diligence, a higher level of due diligence that is required for high-risk customers or transactions. Related terms include Customer Due Diligence, Risk-Based Approach, and Know Your Customer. EDD involves conducting a more thorough review of a customer or transaction, including verifying their identity, assessing their risk profile, and monitoring their transactions. For instance, a bank would conduct EDD on a high-risk customer, such as a politically exposed person, to ensure that they are not involved in money laundering or terrorist financing.

FATF stands for Financial Action Task Force, an intergovernmental organization that sets standards for Anti-Money Laundering and Combating the Financing of Terrorism. Related terms include Anti-Money Laundering, Combating the Financing of Terrorism, and Know Your Customer. FATF sets standards for countries to follow in order to prevent and detect money laundering and terrorist financing, and it also monitors countries' progress in implementing these standards. For example, FATF would monitor a country's progress in implementing Anti-Money Laundering regulations and provide guidance on how to improve its Anti-Money Laundering framework.

FCPA stands for Foreign Corrupt Practices Act, a law that prohibits US companies from bribing foreign officials to obtain business. Related terms include Anti-Corruption and Bribery. FCPA requires US companies to maintain accurate books and records, and to implement internal controls to prevent bribery and corruption. For instance, a US company would need to implement internal controls to prevent its employees from bribing foreign officials to obtain business.

Financial Intelligence Unit (FIU) refers to a government agency that collects, analyzes, and disseminates financial intelligence to combat money laundering and terrorist financing. Related terms include Anti-Money Laundering, Combating the Financing of Terrorism, and Suspicious Transaction Report. FIU receives and analyzes suspicious transaction reports from financial institutions, and it also provides guidance to financial institutions on how to identify and report suspicious transactions. For example, a bank would report a suspicious transaction to the FIU, which would then analyze the transaction and provide guidance to the bank on how to proceed.

Geographical Risk refers to the risk of doing business in a particular geographic location, including the risk of political instability, economic instability, and corruption. Related terms include Country Risk and Customer Risk. Geographical risk is an important consideration in Anti-Money Laundering and Know Your Customer regulations, as it helps to identify geographic locations that pose a high risk of money laundering and terrorist financing. For instance, a bank would conduct a geographical risk assessment to determine the risk of doing business in a particular country or region.

High-Risk Customer refers to a customer who poses a high risk of money laundering and terrorist financing, such as a politically exposed person or a customer from a high-risk country. Related terms include Customer Due Diligence, Enhanced Due Diligence, and Risk-Based Approach. High-risk customers require more stringent due diligence and monitoring, as they pose a higher risk of money laundering and terrorist financing. For example, a bank would conduct enhanced due diligence on a high-risk customer, such as a politically exposed person, to ensure that they are not involved in money laundering or terrorist financing.

International Cooperation refers to the collaboration between countries to combat money laundering and terrorist financing, including the exchange of financial intelligence and the implementation of common standards. Related terms include Financial Action Task Force, Anti-Money Laundering, and Combating the Financing of Terrorism. International cooperation is essential in combating money laundering and terrorist financing, as these crimes often involve cross-border transactions and activities. For instance, countries would cooperate with each other to exchange financial intelligence and implement common standards to prevent and detect money laundering and terrorist financing.

Know Your Customer (KYC) refers to the process of verifying the identity of a customer and assessing their risk profile, including the risk of money laundering and terrorist financing. Related terms include Customer Due Diligence, Anti-Money Laundering, and Combating the Financing of Terrorism. KYC is an important requirement in Anti-Money Laundering and Combating the Financing of Terrorism regulations, as it helps to identify and mitigate the risks of money laundering and terrorist financing. For example, a bank would conduct KYC on a new customer to verify their identity and assess their risk profile.

Money Laundering refers to the process of concealing the source of illicit funds, including the proceeds of crime, and making them appear legitimate. Related terms include Anti-Money Laundering, Combating the Financing of Terrorism, and Financial Intelligence Unit. Money laundering is a serious crime that can have significant consequences, including the financing of terrorist activities and the corruption of financial systems. For instance, a criminal may launder money by depositing it into a bank account and then using it to purchase legitimate assets.

National Risk Assessment refers to the process of assessing the risk of money laundering and terrorist financing at the national level, including the risk posed by customers, transactions, and geographic locations. Related terms include Country Risk, Customer Risk, and Geographical Risk. National risk assessment is an important tool in combating money laundering and terrorist financing, as it helps to identify and mitigate the risks of these crimes. For example, a country would conduct a national risk assessment to determine the risk of money laundering and terrorist financing and implement measures to mitigate that risk.

OFAC stands for Office of Foreign Assets Control, a government agency that administers and enforces economic and trade sanctions against foreign governments, individuals, and entities. Related terms include Sanctions, Embargo, and Foreign Assets Control. OFAC imposes sanctions on individuals and entities that pose a threat to national security, and it also requires financial institutions to implement measures to prevent and detect transactions with sanctioned parties. For instance, a bank would need to implement measures to prevent and detect transactions with individuals or entities that are subject to OFAC sanctions.

PEP stands for Politically Exposed Person, a person who holds a prominent public position or function, such as a head of state, government official, or senior politician. Related terms include High-Risk Customer, Customer Due Diligence, and Enhanced Due Diligence. PEPs pose a higher risk of money laundering and terrorist financing, as they may be able to use their position to facilitate these crimes. For example, a bank would conduct enhanced due diligence on a PEP to ensure that they are not involved in money laundering or terrorist financing.

Risk-Based Approach refers to the approach of assessing the risk of money laundering and terrorist financing, and implementing measures to mitigate that risk, based on the level of risk posed by a customer, transaction, or geographic location. Related terms include Customer Due Diligence, Enhanced Due Diligence, and Know Your Customer. Risk-based approach is an important requirement in Anti-Money Laundering and Combating the Financing of Terrorism regulations, as it helps to identify and mitigate the risks of these crimes. For instance, a bank would conduct a risk assessment on a customer to determine the risk of money laundering and terrorist financing and implement measures to mitigate that risk.

Sanctions refer to measures imposed by a government or international organization to restrict or prohibit transactions with a particular country, entity, or individual, often in response to political or economic concerns. Related terms include Embargo, Foreign Assets Control, and Office of Foreign Assets Control. Sanctions can have significant consequences, including the restriction of trade and the freezing of assets. For example, a government may impose sanctions on a country in response to human rights abuses, and financial institutions would need to implement measures to prevent and detect transactions with that country.

SAR stands for Suspicious Activity Report, a report filed by a financial institution with the Financial Intelligence Unit to report suspicious transactions or activities. Related terms include Anti-Money Laundering, Combating the Financing of Terrorism, and Financial Intelligence Unit. SAR is an important tool in combating money laundering and terrorist financing, as it helps to identify and report suspicious transactions and activities. For instance, a bank would file a SAR with the Financial Intelligence Unit if it suspects that a transaction is related to money laundering or terrorist financing.

Terrorist Financing refers to the process of providing financial support to terrorist organizations or individuals, including the provision of funds, goods, or services. Related terms include Combating the Financing of Terrorism, Anti-Money Laundering, and Financial Intelligence Unit. Terrorist financing is a serious crime that can have significant consequences, including the support of terrorist activities and the destabilization of financial systems. For example, a terrorist organization may finance its activities by soliciting donations or extorting money from individuals or businesses.

Ultimate Beneficial Owner refers to the natural person who ultimately owns or controls a legal entity, such as a company or trust, and who benefits from the transactions or activities of that entity. Related terms include Beneficial Owner, Customer Due Diligence, and Know Your Customer. Ultimate beneficial owner is an important concept in Anti-Money Laundering and Know Your Customer regulations, as it helps to identify the individual who benefits from a transaction or owns a legal entity. For instance, a company may have several layers of ownership, but the ultimate beneficial owner would be the individual who ultimately controls the company.

UNSCR stands for United Nations Security Council Resolution, a resolution adopted by the United Nations Security Council to impose sanctions or other measures on a country, entity, or individual. Related terms include Sanctions, Embargo, and Foreign Assets Control. UNSCR is an important tool in maintaining international peace and security, as it helps to impose sanctions and other measures on countries, entities, or individuals that pose a threat to international peace and security. For example, the United Nations Security Council may adopt a resolution to impose sanctions on a country in response to human rights abuses, and financial institutions would need to implement measures to prevent and detect transactions with that country.