HELLENIC CAPITAL MARKET CIMMISION

PREVENTING AND SUPPRESSING MONEY LAUNDERING

2008

Since February 2006 when the Special Unit for the Prevention and Suppression of Money Laundering was established in the HCMC, audits (both on-site and off-site) were conducted regarding the relevant processes of supervised companies, and organizational weaknesses were found in several of these companies, the main ones of which concern:

A. **Information and Training of their staff.**
B. **Their written procedures.**
C. **Computer Support.**
D. **Due Diligence Measures.**
E. **Suspicious Transaction Reports.**
F. **And their internal control.**

A. Regarding the Information and Staff Training

1. Informing the staff of the company about the procedures that companies have in place and staff training on the legal and regulatory framework and typology (money laundering practices and ways) is not sufficient.

The basic prerequisite for the correct implementation of the company's procedures is the information and training of its staff.
Serious signs of inadequate information and staff training are the total lack of reporting of suspicious moves to the Compliance Officer as well as the failure to capture the implementation of the due diligence measures.
Essentially, lack of training is found during on-site inspections, mainly through discussing with the officials concerned about due diligence measures, and typically by the absence of the relevant Educational Attendance Certificates or by the lack of printed educational material.
Regarding the information of the staff about the procedures established by the company, it is formally apparent from the relevant state of receipt of the written procedures with the signatures of the employees.

B. Regarding the company's written procedures for the prevention of money laundering.

1. The procedures are not adapted to the size and nature of each company's business.

So these procedures either create excessive workload and costs in the company, or are inadequate.

2. Although the procedures established by some companies are satisfactory, these are not properly applied or applied at all for various reasons.

For example, due to inadequate staff training, customer categorization is based on other criteria not provided for in the company's written procedures, and as a result the extent of the due diligence measures is not commensurate with the degree of risk of each client.
This suggests that some suspicious transactions may not be traced at all by to the company’s staff.

3. The customer categorization criteria and the due diligence measures of each category are not clearly defined in the company's written procedures and therefore do not apply correctly and in time.

Thus, in most companies, most customers are not classified in any risk category, because categorization is often not based on clear customer characteristics but on individual employee estimates, which is time consuming when there are many customers. This is why we recommend that for all customers an initial classification of risk categories based on specific features (e.g. integration of offshore companies, foreigners, entrepreneurs, customers with no physical presence, banks etc. into certain categories), and then if the company wants to identify in more detail the risk of some customers, it can do so slowly during work.

4. There are no records and worksheets stating staff inquiries and documentation of the implementation of the procedures.

No statements are kept with the movements detected for investigation, nor is it

recorded the investigation of each sum by recording the relevant observations. This does not imply the application of due diligence measures for amounts higher than € 15,000.
Shortly, implementation of procedures should be imprinted in order for the compliance officer, the internal auditor and supervisors to ascertain this implementation. For example when a client makes financial transactions much higher than those that could be justified by his financial position and business practices, it is not enough to make an oral communication between the officials responsible to exclude the client from being described as a suspect.
There should be written notes or reports that should provide data and information taken into account in investigating cases where some questions arise.

5. The indicative typology of practices and methods of money laundering is not taken into account.

This is apparent from the content of the notes of the officials concerned, where these exist, or from the content of the internal auditor's reports.

C. With regard to the need for computerized support.

In some companies with a large number of active clients and a wide variety of services, there is no adequate computerized application to identify the moves to investigate and adequately apply due diligence measures.

Of course, the number of customers of most of the companies is so small that there is no need for a computer application.
However, those companies with a very large number of active customers should also have adequate computerized applications to be able to track searches for investigation promptly and to apply necessary due diligence measures.

D. Concerning Due Diligence Measures.

1. The documents for the verification of the customer's identity, as provided for in Annex I of the Decision 23/404/22.11.2006 of the HCMC, in particular for customers existing before 1/3/2007, are not collected (when the Decision came into force). We know that there is a difficulty in gathering these elements, but it is something that should be prioritized with regard to active customers.

2. For some documents, their collection (e.g. certification of the client's profession) is completely omitted and the necessary cross-references and correlations are not made in case of data differentiation (e.g. there are different addresses, contact telephones, Tax Identification Numbers or Police ID).

We have seen in some companies that their computer information does not match their customers with those contained in the documents sent by these customers. That is, these companies collect the documents provided because they have this obligation, but do not pay particular attention to the processing of the information they contain.

3. The list of suspected persons is not kept by the companies on the basis of relevant statements with names issued by international organizations or on the basis of relevant publications.

We have planned to regularly update companies through our website or by e-mail on names lists issued by international organizations and mainly for terrorists, to be taken into account mainly during the clients' acceptance process.

E. As regards the references to the Compliance Officer and to the National Authority (today's Special Service \unit for Prevention of Money Laundering and Terrorist Financing)

1. There are no reports of suspicious transactions to the Anti-Fraud Committee or to the Compliance Officer, even by companies with a very large number of active clients.

This situation is an indication that insufficient procedures are in place in the company, as confirmed by on-site inspections.

For example, there may be clients with a large portfolio who appear to be unemployed without there being any reference to the Anti-Fight Committee, nor any written report and investigation by the company to justify this situation.

2. On the other hand, some companies submit too many reports to the Anti-Fraud Committee for cases that usually do not involve a substantial risk of money laundering.

For example, reports are reported even for inactive customers who have been late in providing the company with the confirmation details or for customers who have just decided to change a company.

F. With regard to Internal Audit

1. The Internal Auditor does not prepare reports to the company's management regarding the confirmation of the implementation of the company's procedures for laundering.

It is very important for the management of the company to know whether the procedures it has established are being complied with.

2. In several companies Internal Auditors do not apply a specific audit plan and do not complete relevant worksheets from which conclusions will be drawn for the preparation of the report to the management of the company.

Thus, it does not appear that the internal auditor has in fact checked that the company's procedures for money laundering are being implemented.

Two words about the new Law 3691 and the draft of the new decision.

This law was introduced to incorporate into our legislation the Third Directive of the European Parliament and the Council of the European Union on money laundering and has been in force since 5 August 2008.

The provisions of the Third Directive had already been provided by the current Decision 23/404 /22.11.2006 of the Hellenic Capital Market Commission.

However, great attention should be paid to the sanctions imposed by the new

Law, which are now very strict.

With the new decision, the draft of which is posted on the website of the Capital Market Commission for consultation, we will make some adjustments to some of the issues for which the new Law gives such authorization.

There is the thought of going along with the new decision and a new circular with the existing typology corresponding to Circular No. 31. If you have some methods that could be used for money laundering, it would be very useful for us to indicate them along with your comments on the new decision.