



LEADERSHIP LAB

Astute compliance to security clears the road for business

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Don Fenton, Special to The Globe and Mail

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As wars go, this is one you may not have focused on but it has all the makings of a crime thriller: ingenious criminals, oodles of stolen cash and a winning hero right out of central casting.

Former RCMP commander Bernard Beck is leading the charge in a war on fraud, money laundering and terrorist financing worth an estimated \$300 billion (U.S.) in the United States alone in annual losses to organized crime.

CFOs take heed: any organization can be exploited, not just those making payroll in a list of high-risk countries.

Penalties by regulatory bodies like FINTRAC in Canada and FinCEN in the United States can run into the hundreds of millions of dollars and cripple an organization for failing to detect and report suspicious activities, says Beck, chief compliance officer of a foreign exchange company that has 2,500 U.S. bank clients.

With 30 years of experience in legal and regulatory compliance overseeing financial propriety, he is responsible for ensuring that [AscendantFX](#), its employees and customers meet and exceed the industry's legal and compliance requirements in every jurisdiction of operation.

Organizations at risk include importers, exporters, wholesalers, manufacturers, firms involved in construction, forestry, fishing, hunting, mining, legal, education, health and financial institutions like credit unions and banks.

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit. Its mandate is to detect and prevent [money laundering](#) and the [financing of terrorist activities](#) while ensuring the protection of personal information.

FINTRAC administers the PCMLTFA Act that regulates proceeds of crime, suspicious transactions, cross-border reporting and monetary penalties.

South of the border, the Financial Crimes Enforcement Network (FinCEN) part of the United States Department of the Treasury performs a similar role and promotes national security.

The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, narcotics traffickers and the proliferation of weapons of mass destruction.

It acts under presidential powers, imposes controls on transactions and can freeze assets under U.S. jurisdiction. Many of the sanctions are based on United Nations mandates and involve close co-operation with allied governments.

When AFX is facilitating an organization's foreign exchange or making payments around the world it tracks client activity to detect fraud, money laundering and terrorist funding.

Beck recently oversaw the enhancement of security features in its online payment platform, AFXOnline, for multi-factor authentication that proves an individual's identity electronically and delivers the highest levels of security against fraud.

But criminals are quick to adapt to new and changing regulatory protocols and failure to have an adequate compliance program increases operational, reputational and financial risk and can result in regulatory penalties, forced operational changes, lost revenue, frozen assets and negative publicity, says Beck.

To disguise fraud, they route cash through front operations like cheque-cashing services or a jewellery store or convert it into negotiable instruments.

And funds for terrorist activity are often raised from legitimate sources that include personal donations, profits from businesses and charitable organizations.

The detection and tracking of these funds becomes more difficult.

Beck cites fraud by beneficial owners where illegal gains are made by the true owner of an entity, asset, or transaction as opposed to stated ownership provided in documents or oral representations.

This is a common practice in offshore financial secrecy.

Phishing is when Internet fraudsters impersonate a business to trick you into giving out your personal information.

Advanced fee schemes fraud is where an investor is asked to pay a fee up front or in advance of receiving proceeds, money, stock or warrants for a deal to go through.

A well-crafted compliance program supported from the top down, says Beck, will help build your market share and attract new clients, win over partners and stakeholders and gain the support of regulatory bodies.

Clients want to know they are doing business with a fully compliant, creditable and trustworthy company. And that their money is safe.

Beck's company offers regulatory compliance features that include mitigation of risk exposure with enhanced due diligence data and access to the most robust global watch lists.

Win this war and your organization will not only help fight money laundering and terrorist financing, it will protect your reputation and your bottom line.

Bernard Beck is senior vice-president and chief compliance officer at AscendantFX, a financial partner to four global banks. Following a 25-year career, Bernard retired from the Royal Canadian Mounted Police (RCMP) as a commander of the federal unit in the commercial crime section.