

Bankers and the confidentiality risks of working from home

16 Jun 2020 Syedur Rahman.

Syedur Rahman of Rahman Ravelli on Financial Conduct Authority warnings and the need for compliance.

Regulators have warned about the risks of bankers handling sensitive information while working from home during the Covid-19 lockdown.

The Financial Conduct Authority (FCA) has emphasised that banks and brokerages have to recognise that having their employees working at home presents new risks regarding the identifying and handling of inside information on capital raisings.

In a bulletin, the FCA warned about how market uncertainties and changed working arrangements mean that there needs to be extra vigilance about possible leaks and rumours and any resulting breach of confidentiality. It has called for a “particular focus on maintaining robust market surveillance”, reporting of suspicious transactions and an awareness that misconduct could undermine investor confidence and expose many to significant reputational risk.

In 2020, the year of the implementation of the 5th Money Laundering Directive, greater scrutiny of anti-money laundering and counter-terrorist financing was to be expected. The arrival of Covid-19 has added further complexities to this, as it hampers AML supervision.

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As a result, financial institutions – and their individual officers - must ensure they comply with 5MLD while assessing all of Covid-19's implications for AML-CFT compliance. One way of reducing the risk of incurring fines for having poor AML controls is through the use of artificial intelligence (AI) technology, which can support customer due diligence and transaction monitoring and automate audit trails. Indeed, 5MLD states that customer identification may now be carried out by electronic means, provided that this process is accepted by the national regulator.

If there have been weaknesses in areas such as poor AML or failures in identifying suspicious transactions, financial institutions and their officers need to consider remediating plans in order to avoid large penalties.

This article was also featured on Lexology.com.



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