

Banks screen out unwanted clients, workers

by **Muralikumar Anantharaman, Reuters**

SINGAPORE, Dec 21 (Reuters) - A UBS bank executive once deliberately gave bad service to a client in South America, mailing him incorrect statements and refusing his phone calls in the hope he would close his account.

The Swiss bank had discovered the client ran an illegal business and feared direct confrontation would give him a chance to cover his tracks. It kept up the atrocious service for six months.

"In the end, he was so annoyed, he moved his account to one of our competitor banks. Ten minutes after he moved it, I called up the anti-money laundering man just to let him know," said John Cusack, Zurich-based managing director of group compliance at UBS.

In the wake of the Sept. 11, 2001, attacks on the United States, banks face fines and jail for officials if they are found to have done too little to stop money laundering or financing of militant groups. They are now developing elaborate screening systems to check on clients, and on their employees.

Some banks such as J.P. Morgan Chase Bank, the No.2 U.S. bank, have established elaborate systems for screening. Others are fast putting them into place, and industry minds have been further concentrated by the embarrassing experience of the world's largest financial services firm, Citigroup.

In September, Japanese regulators revoked Citigroup's private banking licence, citing manipulative sales and lending practices, and lax controls against money-laundering.

The bank fired three top New York executives over the scandal, including vice chairman Deryck Maughan. It also announced the closure of part of its Japanese trust business. "Incidents like Citi create a very strong scare," said a senior manager of a global consultancy firm, who did not want to be identified.

J.P. Morgan Chase has a global team that screens the background of its 200,000 employees worldwide, and performs a similar audit on vendors and business partners.

Every month the team trawls through the biographical data of hundreds of people, their spouses and business partners, checks litigation records, bankruptcy filings, criminal records, media reports, regulatory filings and other human resource databases.

"It is very important in this day and age to know exactly who's working for you, working with you or doing business with you," said Singapore-based Tim McNulty, head of a 30-member Asia-Pacific Global Corporate Security team at J.P. Morgan.

McNulty said it normally takes between two and four weeks to do background checks on an employee or client.

Hong Kong-based screening firm IntegraScreen puts the cost of a screening at between US\$100 and US\$500.

Meanwhile, Boston-based research and consulting firm Celent Communications says the U.S. Patriot Act passed after the Sept. 11 attacks would lead the U.S. financial industry to spend about \$11 billion up to 2005 on anti-money laundering systems.

On top of pressure from regulators, a flurry of elections in 2004 worldwide and a trend towards outsourcing of jobs to Asia are also leading banks to tighten checks on clients and employees.

One group the screeners look for are known in the industry as "politically exposed persons" (PEPs), those who are, or have been, entrusted with prominent public roles in a foreign country, such as heads of state, senior politicians and senior military, government or judicial officials and their firms and trusts.

Private banks are careful dealing with this client category because they are seen as having a greater opportunity to abuse positions of power. PEPs, whose numbers grew substantially in an election-packed 2004, are also categorised as high-risk by the inter-governmental Financial Action Task Force, a global watchdog for money laundering and terror financing.

‘FIELD DAY’ FOR SCREENERS

"Seventy-two governments went to the polls in 2004 ... It is certainly a field day for anybody who's involved with screening," said *Rohan Bedi*, head of anti-money laundering services at PricewaterhouseCoopers in Singapore.

Srinivas Vishnubhatla, regional director of business development at IntegraScreen, says his PEPs-focused team has been busy in 2004.

"We augmented the team and put in about 50 additional people to monitor this spurt of data gathering," he said.

Other screening-related firms have also benefitted.

Virginia-based Language Analysis Systems, Inc. has found strong demand from banks for its names recognition technology, which can tell that Haj Imhemed Otmene Abderaib, Muhamed Usman Abdel Raqeeb, Haj Muhammed Osman Abdurra'ib and Haj Mohd Othman Abdul Rajeeb are the same name written differently.

The private firm, which until two years ago was acting solely as a consultant to the U.S. government, has about a billion names from all parts of the globe on its research database, says chief executive John Hermansen.

"2004 will probably be our best year ever because we are able to expand to Europe and the Orient," he said.

This 2004 interview also appeared in many other news publications.