

AML CFT Compliance Technology

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\$1.7 Billion

**Recorded as stolen or
scammed in 2018**

**\$950m stolen from
exchanges**

Needs to be laundered

**Flock to jurisdictions
with weak AML and
KYC regimes**

**Attack investors and
users rather than
hardened IT systems**

Cryptocurrency traits

- Untested business models
 - Potential for abuse and fraud
 - Lack of understanding how it's traded
 - Rapidly evolving regulations
- Peer-to-peer
 - By pass institution intermediaries
 - Anonymity of holders
 - Irreversible in case of fraud
 - Hard to bind to a jurisdiction

Why is crypto a risk?



- Trafficking of illicit goods – “Dark web”
- Hacking and Identity Theft
- Market manipulation and Fraud – limited insider trading detection
- Unlicensed businesses
- Highly misunderstood

“the share of Bitcoin transactions sent to darknet markets has declined from 30% in 2012 to less than 1% in 2017”.

Fraud types

- Draining of wallets and accounts
- Use of mixers and tumblers
- Lightning Network transactions
- Entities attempt to circumvent political sanctions
- SIM Swap attacks
- Fast Freeze
- Crypto dusting
- Ransomware



AML LifeCycle

Customer onboarding
and maintenance

Customer screening

Transaction
monitoring &
screening

MI reporting



**KNOW
ME NOW**
BLOCKCHAIN ENABLED KYC



Customer onboarding and maintenance



- Reduce operational costs
- Improve customer experience
- Paperless/digitization
- Continuously updated to regulatory changes
- Automated checks
- Data sharing
- Use of Biometrics
- Passcode-less interaction

KnowMeNow

- Reusable KYC
- Cobranding and KYC Utility technology
- Risk-based
- Trusted by blockchain
- Secure and user controlled using biometrics
- Automated and Manual quality checks
- Customer monitoring
- Screening tools
- Multi country / language / documents
- Cost-effective
- Confirms ownership of wallet
- Sends customer physical location
- Bank account details through use of OpenBanking
- Source of Wealth
- Many more



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BLOCKCHAIN ENABLED KYC



Transaction monitoring and Filtering

- Referred to as Blockchain Analysis
- Track stolen and criminal funds
- Investigate ransomware
- Analyze darkweb markets
- Cross-chain analysis
- Evaluate how users obtain and spend their funds
- Generate credit risk ratings for each address
- Management and Audit reporting



Effective?



- Full transaction history is public and immutable
- Still relatively small volumes
- Databases of Blacklisted accounts
- Chainalysis contracted with many US government agencies to track down criminals involved in darknet markets
- Successfully identified the attacker in a ransomware case
- Elliptic identified an individual using Bitcoin for illegal firearms trafficking.
- Neutrino collaborated with Sophos to trace and interpret crypto flows involved in the ongoing SamSam ransomware threats

Way forward



- Develop KYC as a utility (Challenged by GDPR)
- Support a risk-based approach
- Accept digital identities
- Introduce data analytics
- AI & machine learning
- Develop open standards
- Embrace additional measures over in-person approach
- Develop NLP for better adverse media analysis
- Give value to additional measures
- Offer Sandbox environments
- Malta has a great opportunity here to lead the way

KnowMeNow

Your re-usable
digital identity wallet



Thank you

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