

AML CFT Compliance Technology

Godwin Schembri





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





- 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".



AML LifeCycle

Customer onboarding Customer screening and maintenance

Transaction monitoring & screening

MI reporting



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



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





- Full transaction history is public and immutable
- Still relatively small volumes
- Databases of Blacklisted accounts
- Chainalysis contracted with many <u>US government agencies</u> 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.
- <u>Neutrino collaborated with Sophos</u> to trace and interpret crypto flows involved in the ongoing SamSam ransomware threats

Way forward

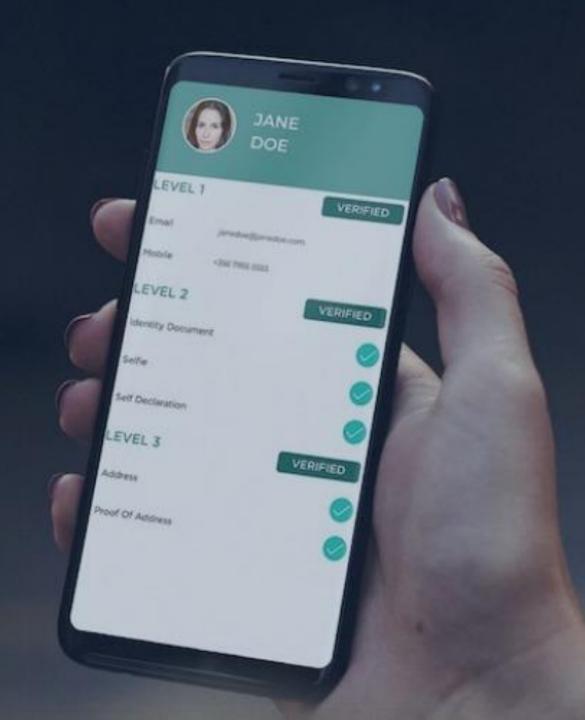
- Develop KYC as a utility (Challenged by GDPR)
- Support a risk-based approach
- Accept digital identities
- Introduce data analytics
- Al & machine learning
- Develop open standards
- Embrace additional measures over in-person approach
- Develop NLP for better adverse media analysis
- Give value to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



KnowMeNow

Your re-usable digital identity wallet







Thank you

Godwin.Schembri@knowmenow.com

00356 79430004 www.knowmenow.com

