



CHARTERED INSTITUTE FOR  
SECURITIES & INVESTMENT

# Combating Financial Crime

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## Objective of the Examination

The objective of the examination is to ensure that candidates have a basic knowledge of the regulations and practices related to combating financial crime.

The examination will test candidates' knowledge and understanding of the following elements:

- The Background and Nature of Financial Crime
- Money Laundering
- Terrorist Financing
- Bribery and Corruption
- Fraud and Market Abuse
- Tax Evasion
- Financial Sanctions
- Financial Crime Risk Management
- The Role of the Financial Services Sector

## Syllabus Structure

The syllabus is divided into **elements**. These are broken down into sections of **learning objectives**.

Each **learning objective** begins with the prefix **know** or **understand**. These words indicate the different levels of skill to be tested.

Learning objectives prefixed:

- **Know** require candidates to recall information such as facts, rules and principles
- **Understand** require candidates to demonstrate comprehension of an issue, fact, rule or principle

## Candidate Update

Candidates are reminded to check the 'Candidate Update' area of the Institute's website ([www.cisi.org](http://www.cisi.org).) on a regular basis for updates that could affect their examination as a result of sector change.

## Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element should not change by more than plus or minus 2.

<b>Examination specification</b>		
<b>50 multiple choice questions</b>		
<b>Element number</b>	<b>Element</b>	<b>Questions</b>
1	The Background and Nature of Financial Crime	5
2	Money Laundering	8
3	Terrorist Financing	4
4	Bribery and Corruption	6
5	Fraud and Market Abuse	4
6	Tax Evasion	4
7	Financial Sanctions	4
8	Financial Crime Risk Management	8
9	The Role of the Financial Services Sector	7
<b>Total</b>		<b>50</b>

## Assessment Structure

A 1-hour examination of 50 multiple choice questions.

Candidates sitting the exam by computer-based testing may be asked to answer up to 10% additional trial questions. These will not be separately identified and do not contribute to the result. Candidates who are asked to answer these additional questions will be given proportionately more time to complete the test.

## Summary Syllabus

### **Element 1 The Background and Nature of Financial Crime**

- 1.1 Definitions
- 1.2 Governmental and quasi-governmental approaches to CFC
- 1.3 Best practice
- 1.4 Asset recovery

### **Element 2 Money Laundering**

- 2.1 Background
- 2.2 International Anti-money laundering (AML) standards
- 2.3 Financial Action Task Force (FATF)
- 2.4 The role of other international bodies

### **Element 3 Terrorist Financing**

- 3.1 Background
- 3.2 Measures to combat the financing of terrorism
- 3.3 Standards for combating the financing of terrorism

### **Element 4 Bribery and Corruption**

- 4.1 Bribery and corruption
- 4.2 UK Bribery Act (2010)
- 4.3 Foreign Corrupt Practices Act (FCPA) (1977)
- 4.4 Corrupt practice
- 4.5 Combating Corruption
- 4.6 Mutual legal assistance

### **Element 5 Fraud and Market Abuse**

- 5.1 Fraud
- 5.2 Types of fraud
- 5.3 Market abuse
- 5.4 Sarbanes-Oxley Act (2002)

**Element 6 Tax Evasion**

- 6.1 Tax evasion

**Element 7 Financial Sanctions**

- 7.1 Financial Sanctions

**Element 8 Financial Crime Risk Management**

- 8.1 Considerations for the financial services sector
- 8.2 Risks
- 8.3 Practical business safeguards

**Element 9 The Role of the Financial Services Sector**

- 9.1 Relations with regulators
- 9.2 Specific responsibilities
- 9.3 Compliance
- 9.4 Fintech
- 9.5 Customer Due Diligence (CDD)
- 9.6 Reporting obligations
- 9.7 Consent regimes
- 9.8 Record keeping obligations

## **Element 1 The Background and Nature of Financial Crime**

### **1.1 Definitions**

On completion, the candidate should:

1.1.1 *know* the following terms:

- financial crime
- money laundering
- predicate offences
- terrorist financing
- proliferation financing
- fraud
- market abuse
- bribery and corruption
- international financial sanctions
- trade and investment sanctions
- tax evasion
- data protection

### **1.2 Governmental and quasi-governmental approaches to CFC**

On completion, the candidate should:

1.2.1 *know* the role and objectives of FATF, its limitations and the legal context of its recommendations

1.2.2 *know* the role of financial regulators, commissions, and institutions in combating financial crime

- European Commission and Supervisory Authorities
- Office of Foreign Assets Control (OFAC)
- Financial Conduct Authority (FCA)
- U.S. Securities and Exchange Commission (SEC)

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- Office for Financial Sanctions Implementation (OFSI)
- Other domestic regulators

1.2.3 *know* how regulators implement international standards and facilitate cross border cooperation

1.2.4 *understand* the role and scope of:

- intelligence gathering and analysis
- investigating financial crime
- asset recovery and repatriation

### 1.3 Best practice

On completion, the candidate should:

1.3.1 *know* the role, evolution, and practical application of best practice in CFC and establishing international standards

1.3.2 *understand* the role of the FCA's financial crime guidance

1.3.3 *understand* the importance of the JMLSG to UK financial services firms

### 1.4 Asset recovery

On completion, the candidate should:

1.4.1 *know* the importance of recovery for prevention, deterrence, and justice

1.4.2 *know* how the United Nations Office on Drugs and Crime (UNODC) and the World Bank Group (WBG) aim to assist developing countries and financial centres with their Stolen Asset Recovery initiative (StAR)

1.4.3 *know* civil and criminal remedies to recovering assets and the implications of freezing orders

- criminal confiscation
- civil recovery
- freezing orders
- search orders
- disclosure of information orders
- tracing

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- monitoring
- unexplained wealth orders

### **Element 2 Money Laundering**

#### **2.1 Background**

On completion, the candidate should:

2.1.1 *understand* the models of the money laundering process:

- Placement, Layering, Integration model (PLI)
- the 'enable, distance, and disguise' model

2.1.2 *know* these associated activities as defined by the Proceeds of Crime Act (POCA) (2002):

- concealment
- arrangements
- acquisition, use and possession
- failure to disclose
- tipping off
- consent regime
- criminal property
- criminal conduct

2.1.3 *know* the role, purpose and scope of The Money Laundering, Terrorist Financing and Transfer of Funds (information on the payer) Regulations (MLR 2017) as amended

2.1.4 *understand* how the stages of the money laundering process are detected by financial services firms in the regulated sectors

#### **2.2 International Anti-money laundering (AML) standards**

On completion, the candidate should:

2.2.1 *know* the role of International Financial Institutions in combating money laundering

- International Monetary Fund (IMF)
- World Bank

### 2.2.2 *know* the role, purpose and scope of international instruments and conventions

- UN conventions
- Directives/Regulations of the European Union - 2015/849/EC (4<sup>th</sup> Money Laundering Directive) 2018/843/EC (5<sup>th</sup> Money Laundering Directive) 2018/1673/EC (6<sup>th</sup> Money Laundering Directive) 2015/847/EC (Fund Transfer Regulations)

## 2.3 Financial Action Task Force (FATF)

On completion, the candidate should:

2.3.1 *know* FATF's risk-based approach to AML and combating the financing of terrorism (CFT)

2.3.2 *know* the broad categories of what the recommendations cover

2.3.3 *know* the categorisation of jurisdictions which FATF considers to have strategic deficiencies

2.3.4 *understand* the role, activities, and coverage of FATF Style Regional Bodies (FSRBs)

## 2.4 The role of other international bodies

On completion, the candidate should:

2.4.1 *know* the role other bodies play in combating money laundering and establishing best practice

- Basel Committee on Banking Supervision
- International Organization of Securities Commissions (IOSCO)
- International Association of Insurance Supervisors (IAIS)
- Egmont Group of Financial Intelligence Units
- Wolfsberg Group
- Regulatory and supervisory bodies
- Professional bodies

2.4.2 *understand* the importance of the guidance issued by the European Supervisory Authorities and the role played by the European Central Bank (ECB)

2.4.3 *understand* each jurisdictions list of high-risk countries

**Element 3 Terrorist Financing**

**3.1 Background**

On completion, the candidate should:

3.1.1 *understand* the similarities and differences between:

- money laundering and financing terrorism
- proliferation finance and terrorist financing

**3.2 Measures to combat the financing of terrorism**

On completion, the candidate should:

3.2.1 *know* the main provisions of the United Nations International Convention for the Suppression of the Financing of Terrorism

3.2.2 *know* the work of the United Nations Security Council in relation to the financing of Terrorism

**3.3 Standards for combating the financing of terrorism**

On completion, the candidate should:

3.3.1 *know* the FATF Recommendations relative to Terrorist Financing

3.3.2 *know* EU and UK CFT initiatives

- money laundering directives
- regulations of fund transfers
- Payment Services Regulation

**Element 4 Bribery and Corruption**

**4.1 Bribery and corruption**

On completion, the candidate should:

4.1.1 *know* the difference between bribery and corruption

## **4.2 UK Bribery Act (2010)**

On completion, the candidate should:

4.2.1 *know* the extra-territorial reach of the Act

4.2.2 *know* the global reach of the UK Bribery Act (2010) and the offences:

- bribing another person
- receiving bribes
- bribery of a Foreign Public Official (FPO)
- failure of commercial organisations to prevent bribery

4.2.3 *know* the definition of an FPO

4.2.4 *understand* the liabilities corporate entities face from "Associated Persons"

4.2.5 *understand* strict liability and the meaning of "adequate procedures"

4.2.6 *understand* the six principles for bribery prevention and their legal context

4.2.7 *know* the maximum penalties applicable to individuals found guilty under the Act

4.2.8 *understand* the circumstances under which Directors and senior officers of a corporation may be found liable under the Act

- consent or connivance
- passive acquiescence
- failure to implement adequate procedures and potential civil liability

## **4.3 Foreign Corrupt Practices Act (FCPA) (1977)**

On completion, the candidate should:

4.3.1 *understand* the objectives and scope of the FCPA (1977)

4.3.2 *know* the key differences between the UK Bribery Act (2010) and the FCPA (1977)

## **4.4 Corrupt practice**

On completion, the candidate should:

4.4.1 *understand* the main components and differences between types of corrupt practice

- active and passive bribery

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- embezzlement
- trading in influence
- abuse of office
- illicit enrichment
- concealment

### **4.5 Combating Corruption**

On completion, the candidate should:

4.5.1 *know* the role that international bodies play in combating corruption

4.5.2 *understand* the practical application and limitations of quantitative indicators in combating corruption

### **4.6 Mutual legal assistance**

4.6.1 *know* how the concept of dual criminality may be applied in cases of corruption

## **Element 5 Fraud and Market Abuse**

### **5.1 Fraud**

On completion, the candidate should:

5.1.1 *know* the three classes of fraud defined in the UK Fraud Act (2006)

- false representation
- failing to disclose information
- abuse of position

### **5.2 Types of fraud**

On completion, the candidate should:

5.2.1 *know* common examples of types of fraudulent activity:

- Identity fraud and identity theft
- Cyber attacks and computer hacks

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- Phishing
- Malware
- Application fraud
- 419 fraud
- Account takeover
- Money mules
- Authorised payment fraud
- Smurfing

5.2.2 *know* the difference between internal and external fraud

### **5.3 Market abuse**

On completion, the candidate should:

5.3.1 *know* international and UK legislation for combating market abuse

- The EU Market Abuse Regulation (2014) (MAR)
- The Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) and the Volcker Rule
- FATF Risk-based Approach Guidance for the Securities Sector (2018)
- ESMA guidance
- Market Abuse (Amendment) (EU Exit) Regulations 2019

5.3.2 *know* behaviours that constitute market abuse

5.3.3 *know* the insider dealing provisions of the UK's Criminal Justice Act 1993 (part 5, s.52)

5.3.4 *know* the offences relating to financial services provisions of the UK's Financial Services Act 2012 (part 7, sections 89, 90 & 91)

5.3.5 *know* how market abuse is detected

### **5.4 Sarbanes-Oxley Act (2002)**

On completion, the candidate should:

5.4.1 *know* the main provisions of the Sarbanes-Oxley Act (2002)

**Element 6 Tax Evasion**

**6.1 Tax evasion**

On completion, the candidate should:

- 6.1.1 *know* the difference between tax evasion and tax avoidance
- 6.1.2 *know* international EU and US approaches to improving tax compliance
  - Foreign Account Tax Compliance Act (FATCA)
  - Crown Dependencies and Overseas Territories (CDOT) regulation
  - OECD's Common Reporting Standard for Automatic Exchange of Financial Information (CRS)
  - EU's list of non-cooperative tax jurisdictions
- 6.1.3 *understand* the difference between individual and corporate liability
- 6.1.4 *know* how tax evasion is detected

**6.2 Criminal Finances Act (2017)**

On completion, the candidate should:

- 6.2.1 *know* the extra-territorial reach of the Act
- 6.2.2 *know* the offences introduced by the Criminal Finances Act (2017)
- 6.2.3 *understand* the liabilities corporate entities face from "Associated Persons"
- 6.2.4 *understand* strict liability and the meaning of "reasonable procedures"
- 6.2.5 *understand* the six principles for tax evasion prevention and their legal context
- 6.2.6 *know* the maximum penalties under the Act

**Element 7 Financial Sanctions**

**7.1 Financial Sanctions**

On completion, the candidate should:

- 7.1.1 *know* the purpose and application of financial sanctions screening in relation to
  - terrorist financing
  - proliferation finance
  - other foreign policy objectives

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7.1.2 *understand* the impact of the financial sanctions listing process of the:

- United Nations
- European Union
- United Kingdom, including the role of OFSI
- OFAC
- other states

7.1.3 *know* the range of legal financial sanctions related to "designation"

- asset freezes
- prohibitions
- targeted sanctions

7.1.4 *know* the potential penalties of dealing with designated persons and entities

### **Element 8 Financial Crime Risk Management**

#### **8.1 Considerations for the financial services sector**

On completion, the candidate should:

8.1.1 *understand* how financial crime can directly impact on firms

- embezzlement
- asset misappropriation
- fraudulent customer activity
- defrauded by organised criminals
- limiting access to data
- data compromise

8.1.2 *understand* how firms can be exploited as a vehicle for financial crime

- criminals using the firm's services to launder the proceeds of crime
- customer payments to terrorists
- theft of customer data to facilitate identity fraud
- trade-based money laundering

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8.1.3 *understand* how a firm or its representatives may collude in the propagation of financial crime

- misstatement of financial circumstances
- corporate malfeasance

8.1.4 *understand* the relevant implications of business strategies

- corporate structure
- outsourcing and oversight
- use of middlemen
- Fintech
- Green Finance

## 8.2 Risks

On completion, the candidate should:

8.2.1 *know* the role, significance, and utilisation of national risk assessments

8.2.2 *understand* how to identify, assess, and manage the risks posed on a firm's business activities by the following:

- products and services
- customers
- sector
- countries
- delivery channels

8.2.3 *understand* the risks associated with non-compliance for regulated firms

- financial
- reputational
- legal including civil liability
- operational
- systemic
- regulatory
- criminal
- prudential

### 8.3 Practical business safeguards

On completion, the candidate should:

8.3.1 *know* the relevant risk factors firms may consider before commencing business relationships

- nature and purpose of the relationship
- source of introduction
- company structure
- political connections
- country risk
- establishing beneficial ownership
- the customer's or beneficial owner's reputation
- source of funds/ source of wealth
- expected account activity
- sector risk
- involvement in public contracts
- charities, voluntary and not-for-profit bodies

8.3.2 *understand* the risks from counterparties with opaque corporate and ownership structures

8.3.3 *understand* what measures can be adopted to minimise financial crime opportunities within a firm

- conflicts of interest policies
- compliance monitoring
- information barriers
- restricting physical access
- limiting access to data
- effective sign off protocols
- gifts and entertainment policies
- remuneration policies

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- objective audit processes
- I.T. security
- whistleblowing
- employee vetting
- penetration testing and vulnerability assessment
- secure disposal
- staff training
- segregation of duties

8.3.4 *understand* how internal policies and procedures on CFC are formulated:

- laws and regulations
- regulators' handbooks
- relevant codes of conduct
- sector and regulatory guidance

8.3.5 *know* effective techniques for conducting due diligence on:

- directors
- employees
- contractors
- service providers

8.3.6 *know* the additional measures financial services firms can take to manage the risk of financial crime originated or enabled by an employee

- raising awareness
- improving the management of I.T. privileges for joiners, movers and leavers
- classifying and segmenting data
- embedding ethical practice in relation to data security
- implementing whistleblowing procedures

8.3.7 *know* the role industry groups and guidance bodies play in facilitating practical solutions for business

8.3.8 *understand* how auditing contributes to corporate governance, accounting and reporting requirements

- audit committees
- internal audit
- external auditors

## **Element 9 The Role of the Financial Services Sector**

### **9.1 Relations with regulators**

On completion, the candidate should:

9.1.1 *know* financial services firms' responsibilities for dealing with regulatory and other relevant authorities

- protection of customer confidentiality
- responses to information requests
- responses to investigation orders
- civil recovery, forfeiture and confiscation
- global investigation, prosecution and confiscation
- presentation of evidence in court
- transparency with regulator

### **9.2 Specific responsibilities**

On completion, the candidate should:

9.2.1 *know* the role of the Money Laundering Reporting Officer (MLRO) and the Nominated Officer (NO) or equivalents

9.2.2 *understand* the responsibilities of Directors and senior management in relation to CFC under the Senior Managers and Certification Regime (SM&CR) or equivalent individual accountability regimes

9.2.3 *know* regulators expectations from firms with respect to adequate management systems and controls to combat financial crime

**9.3 Compliance**

On completion, the candidate should:

9.3.1 *know* the Basel Committee on Banking Supervision's (BCBS) definition of "Compliance risk"

9.3.2 *understand* how a compliance culture may be created and maintained, including:

- tone from within
- performance management processes
- appointment of Compliance/Anti Money-Laundering Reporting Officers
- information gathering and analysis
- application in routine operations
- raising awareness
- training
- updates

**9.4 Fintech**

On completion, the candidate should:

9.4.1 *know* the benefits of utilising technology to support a compliance culture and the limitations of over reliance on systems

9.4.2 *know* how distributed ledger technology and advanced/objective blockchain ID can be utilised for CDD

9.4.3 *know* how the following technological solutions can be utilised for CDD:

- digital recognition
- face recognition

9.4.4 *know* how artificial intelligence (AI) can be utilised for detecting financial crime

9.4.5 *know* how data sources can be utilised by firms to detect financial crime

- customer complaints
- trade and transactions monitoring
- suspicious transaction reports
- Internet and website usage patterns

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- customer device profiles
- employee turnover statistics

9.4.6 *know* the challenges associated with fast-paced electronic markets (FPM)

9.4.7 *know* the role of the Global Financial Innovation Network (GFIN)

### **9.5 Customer Due Diligence (CDD)**

On completion, the candidate should:

9.5.1 *know* how regulated financial institutions implement CDD procedures

- Know Your Customer (KYC)
- ongoing monitoring
- non-face-to-face
- correspondent banking
- Politically Exposed Persons (PEPs)
- reliance on others

9.5.2 *understand* how firms implement a risk-based approach

9.5.3 *know* Enhanced Due Diligence (EDD) requirements for higher risk situations

9.5.4 *know* how financial institutions implement sanctions screening procedures

9.5.5 *know* examples of Politically Exposed Peoples (PEPs)

9.5.6 *know* standards for dealing with PEPs

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations (MLR 2017) and the FCA's Finalised Guidance G17/6: the treatment of PEPs for anti-money laundering purposes

### **9.6 Reporting obligations**

On completion, the candidate should:

9.6.1 *know* how and why regulated financial institutions report suspicious transactions, trading activity and order reports

9.6.2 *know* the circumstances in which financial services firms are obliged to report currency transactions and those circumstances that are exempt

**9.7 Consent regimes**

On completion, the candidate should:

- 9.7.1 *know* what is meant by a “consent regime”
- 9.7.2 *know* the legal basis on which the consent of a Financial Intelligence Unit (FIU) must be obtained
- 9.7.3 *know* the scope of the FIU consent regime

**9.8 Record keeping obligations**

On completion, the candidate should:

- 9.8.1 *understand* the reasons why financial institutions have record-keeping requirements and the circumstances in which they are required to comply