**ICA Compliance Awards (2024)**

AML Initiative of the Year

# Approval Process for Cash Deposit Transactions

## Entry details

**Organisation Name** Yapi ve Kredi Bankası A.S.

**Project Title** Approval Process for Cash Deposit Transactions

### Project synopsis

As an Anti-Financial Crime Team operating in Turkey, a country that is considered as high risk in terms of AML, we believe that we ensure compliance at the highest level by understanding both local and international regulations and also business requirements.

### Spirit

Cash deposit transactions are one of the key factors that can contribute to risks such as money laundering and financing of terrorism within the financial system. Just like worldwide, the extensive use of cash in Turkey is considered a factor that may pose risks to the financial system. The prevalence of cash usage in Turkey, coupled with significant cash transactions, can potentially be exploited for money laundering attempts due to the following risk factors:

• Geographic Location: Turkey's geographical location as a crossroads of international trade can increase the risk of money laundering. Variances in legal regulations and deficiencies in oversight among neighboring countries can diversify methods used for money laundering.

• Border Controls and Security: Turkey shares borders with numerous countries, and weak border security and control can complicate effective measures against money laundering activities.

• Currency Movements: Large-scale currency movements can serve as a tool for money laundering. Turkey's status as a significant currency exchange center can enhance this risk.

• Unlicensed Financial Services: The existence of unlicensed or unregulated financial service providers can create a conducive environment for money laundering activities.

• Influx of Refugees: Turkey serves as a transit route and destination for many refugees. This situation can complicate the monitoring and prevention of illegal financial activities.

• International Sanctions: Due to its geographical proximity, Turkey is neighboring countries such as Iran, Syria, and Russia, which are subject to international sanctions. The influx of cash funds originating from these countries through Turkey poses a risk for the circumvention of sanctions.

In response to the mentioned risks, a centralized approval process for cash deposit transactions has been implemented to prevent AML and Sanction-related risks. Under this initiative, a new project has been designed, ensuring that cash deposit transactions initiated by customers in our bank branches, particularly those exceeding a specific limit, are halted until approval is obtained from the Compliance Unit. With the implementation of this project, essential information and documents regarding the source of funds and the nature of the transaction are collected before cash deposit transactions take place. Consequently, these controls contribute to minimizing the risks associated with cash deposit transactions, especially within the scope of AML.

## Approach

The establishment of a centralized approval structure within the Compliance Unit (CU) for cash deposit transactions has made a significant contribution to the prevention of AML and TF risks by identifying the source of funds before entering the financial system. For example, in our country, there are businesses such as gas stations where cash flow is intense. These businesses can be legitimate operations, but there may also be fictitious companies with offices that do not conduct any business. This project has proven to be very beneficial in identifying the source of such funds before they enter the financial system.

The main challenges encountered in the project were primarily concerns within the company that controls would take a certain amount of time and that mandatory additional information/documents would lead to customer dissatisfaction. Additionally, expanding the scope of controls was noted as a potential cause of customer loss. To address these

challenges, meetings and presentations involving business units and senior management were conducted. In these sessions, the necessity of controls and information about the structure that would protect the institution, especially from legal and reputational risks, were provided. Furthermore, comprehensive information was shared about the structure to be created for process automation. In this context, the project planning involved the development of a system where transactions would be subject to approval, controlled through the system, and approval would be granted to the branch via the system.

To elaborate on this structure:

• The customer requests a transaction at the bank branch.

• If the transaction exceeds the control limit, the cash deposit transaction is halted and put on hold.

• At this stage, a set of questions related to the customer's profile and the nature of the transaction appears on the screen, and the personnel facilitating the transaction is requested to provide this information.

• The transaction is sent to the CU for approval through the designed screen.

• CU authorized personnel conduct the necessary checks regarding the customer and the transaction.

• If the transaction is deemed appropriate, an approval message is sent to the branch via the system, or if the transaction needs to be rejected, the system initiates the rejection process, preventing the transaction from proceeding.

In this process, a new screen structure that was not previously present in the bank was designed, and the approval process was incorporated into this screen. Additionally, a parameter screen specific to the use of the CU was designed.

## Outcome

The establishment of a centralized approval structure within the Compliance Unit for cash deposit transactions has yielded the following results:

• Verification of Transaction Nature and Information Gathering: The bank has strengthened its pre-cash transaction information gathering processes, establishing an effective structure to prevent AML-related risks.

• Risk Assessment: The bank now has the capability to assess customers and transactions based on their risk level. Higher-risk customers or transactions are subject to more thorough examination.

• Monitoring Suspicious Activities: Through real-time controls, the bank has achieved an instantaneous capability to identify and report suspicious activities related to cash sources.

• AML Awareness: The awareness of bank personnel regarding AML issues related to cash transactions has increased. Employees have become more conscious of recognizing suspicious situations and identifying potential risks.

• Technological Solutions: With the use of technology, the bank can automate its processes and has acquired a structure that can identify potential risks more effectively.

The combination of these elements can present a successful case study for the regional AML community, showcasing effective AML controls implemented before cash deposit transactions in the bank. This reflects efforts to maintain the integrity of the financial system and enhance effectiveness in combating money laundering. Considering all these aspects, we would like to emphasize that, in terms of reducing AML risks, this initiative has met all expectations. Suspicious transactions are identified before they occur, and necessary actions are taken within the scope of our local regulations. To sustain success, further utilization of technological capabilities is aimed at reducing the impact of human resources in these processes and implementing controls through artificial intelligence. In this context, efforts have been initiated to enable the interpretation of information and documents requested from customers during the cash deposit stage through artificial intelligence. Instant approval or rejection responses regarding the intended transaction will be provided through artificial intelligence. As a result, with the evaluation being conducted through artificial intelligence, it is aimed to achieve approximately a 90% time savings in transaction review processes. As a result, improvements especially regarding processing times will have an even more positive impact on customer satisfaction. Regarding the implemented control structure, this initiative has been highly valued by our senior management, particularly for safeguarding the institution from legal and reputational risks within the framework of applicable laws. Due to the significant contributions it has provided, our initiative has not encountered any budget constraints.

**Validation**

With the implementation of the initiative, we have received references indicating that the approval process for cash deposits has been automated, making the process more controlled. Within this scope, it is noted that awareness has increased in preventing risks. Additionally, due to the design of a new system, technical feedback has been sought from users regarding the system's usability. Users have provided feedback that they were able to use the system smoothly.

testimonial from the branch employee:

1- I had hard times keeping track of transactions without my approval and controlling the staff at the counter. This automated approval process for cash deposit transactions is very helpful in this regard.

2- It is especially useful in preventing structuring method.

3- Especially on behalf of my branch location, the customers are tend to carry out cash deposit transactions without clear documentation. With this automated approval process for cash deposit transactions , requesting and checking documents for all transactions will reduce transaction risk.