

Master thesis in Economics and Business Administration



**Roskilde University**

**The Effect of Unfair Pressure on the Money Laundering Reporting Officers'  
Behavior: Applying the Self-Protecting Theory**

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## **1. Abstract**

The purpose of this study is to investigate the money laundering reporting officers' concerns and the unfair pressure that is coming from these concerns, and how their behavior is affected by that. According to a theory called the self-protecting theory, formulated by Abdullahi Usman Bello (2016), the money laundering reporting officers are exposed to what he calls unfair pressure as a result of different organizational and regulatory concerns, thus, the money laundering reporting officers' behavior at work is affected by these concerns and they start to focus on protecting themselves with different means instead of focusing on preventing money laundering in their companies, which can cause more undiscovered money laundering activities in the company. The self-protecting theory also mentioned that the money laundering reporting officers may align with their companies or with the regulators according to their belief and their interest. Through a qualitative data collection, I conducted five semi-structured interviews with money laundering reporting officers to explore their concerns and behaviors at work. The analysis of the interviews has showed that the money laundering reporting officers' behavior is not necessarily that they protect themselves instead of preventing money laundering, when they are exposed to unfair pressure.

The analysis also showed that not every concern that was mentioned by the self-protecting theory is a source of unfair pressure to the money laundering reporting officer. The study found that the money laundering reporting officers may not choose to align with their companies or with the regulators, instead they may have a balanced alignment between their companies and the regulators.

The study suggests that further research is needed for a better understanding of the topic covered in this thesis.

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### **3. List of Abbreviations**

- **AML**                   **Anti-Money Laundering**
- **FATF**                   **The Financial Action Task Force**
- **FINCEN**               **The Financial Crimes Enforcement Network**
- **ICIJ**                   **The International Consortium of Investigative Journalists**
- **IMF**                   **International Monetary Fund**
- **ML**                   **Money Laundering**
- **MLRO**               **Money Laundering Reporting Officer**
- **STR**                   **Suspicious Transaction Reports**
- **UNODC**               **United Nations Office on Drugs and Crime**

## **4. Introduction and research question**

### **4.1. The concept of money laundering:**

The first time the money laundering concept appeared was in the 1920s in the United States, when organised criminal gangs began to invest the revenue of their criminal activities in laundries and car washing companies. (United Nations, 1998, cited in Magnusson, D 2009). The American government noticed the money laundering activities, and they started to enforce new laws to face it. They explained that the new laws were meant to be directed against the dirty money that is coming from drug-related activities. (Naylor, 2002; Larsson, 2008. cited in Magnusson, D 2009).

Today, the money laundering definition expanded to include any kind of connection with the economic revenue of crimes. (Larsson, 2008. cited in Magnusson, D 2009). The United Nations describe money laundering as the process by which criminals hide their illegal sources of their money and cover its assets, so that they can avoid any react from the authorities and to leave no traces behind their illegal activities. (United Nations: Office on Drugs and Crime, 2020)

### **4.2. Why money laundering is a big concern in the world today**

To have a successful money laundering process, criminals not only must hide the money without being noticed, but they also must ensure that nothing will be able to be traced afterwards because of this criminal act. Many crimes leave traces behind, for example: Murder would leave a dead body behind it, robbery would leave theft items, meanwhile, money laundering should not leave anything behind to be successful. To explain it in a different way, a clear victim would help authorities to trace the criminals after they finish their crime, but when it comes to money laundering, it can be hard to find an actual victim. Thus, money laundering is considered an invisible crime that is challenging to trace. (Unger & Linde, 2013).

You could ask, why should we fight money laundering, when it is invisible, and has no clear victim? John Stuart Mill (1859) explained that authorities should not forbid anyone from being involved in any victimless crime act, if it does not harm anyone in any way (Cited in Unger & Linde, 2013). Here comes the need to explore the negative effect of money laundering in society to justify anti-money laundering regulations (Unger & Linde, 2013).

Cotterill explained that money laundering is connected to tax evasion, theft, insurance fraud and corruption, and because of that, tax rates rise as well as the interest rate (cited in Kemal 2014). Money laundering also originates from other types of crime activities that affect society like child abuse, human trafficking and drugs (Bergstrom et al. 2011, cited in Kemal, 2014). In the USA, almost 27% of the total laundered money is coming from drug trafficking (Bolton and Hand 2002, cited in Kemal 2014).

According to the United Nations, the amount of laundered money around the world is 2 to 5% of the global GDP in one year, which is around 800 billion to 2 trillion US dollars, which shows the importance of dealing with this serious, global problem (United Nations: Office on Drugs and Crime, 2021).

### **4.3. Anti-money laundering**

As a result of expanding these criminal activities, a policymaking body was created in 1990 to fight money laundering crime, which is called The Financial Action Task Force (FATF). The main goal of FATF is to come out with regulatory reforms and recommendations to help AML compliance authorities into fighting money laundering. After the changes that occurred in the financial system and the nature of criminal activities, the FATF was updated in 1996 and then in 2003 to maintain its efficiency. FATF had released 40 recommendation, beginning from 1990, until reaching 49 recommendations today, which are accepted and adopted globally, and its main goal is to help the law enforcement authorities to combat the money laundering crimes. Currently, FATF includes only 36 member states (Kemal, 2014). The FATF also gathers statistics and information about AML systems around the world annually, including suspicious transaction reports (STR), money laundering investigations, mutual legal assistance for companies, and other reports (Unger & Linde, 2013). Lately, the EU has begun to adopt the same path by the article 33 of the directive on the prevention of the misuse of the financial system for criminal activities such as money laundering and financial support for terrorism. (Unger & Linde, 2013)

Despite the global efforts to limit money laundering acts, Denmark's biggest bank "Danske Bank" has been involved in one of the biggest money laundering scandals in European history. Between 2007 and 2015, more than 200 billion euros of suspicious transactions moved through the bank's branch in Estonia. In 2018, Danske Bank confessed that their observation procedures had failed to combat money laundering, and that their money laundering controls



had been insufficient. Danske bank is currently under investigation from many European countries, as well as US authorities (Bjerregaard & Kirchmaier, 2019).

#### **4.4. The Danske Bank Money Laundering scandal as an example of the crisis in the world:**

According to Bruns and Hjejle, profits before credit losses of non-resident accounts of Danske Bank in Estonia have increased from 49% to 99% of the total profits of this branch alone between 2007 and 2013 (cited in Logan, B., 2019).

According to Milner and Winter, the Estonian branch achieved 11% of the total profits of Dansk Bank before taxes, considering that the Estonian branch accounted for only 0.5% of the total assets of the Danish bank (cited in Logan, B., 2019).

In the same year, Danske Bank's internal auditors informed the Executive Board that the anti-money laundering regulations in the Estonian branch were not completely satisfactory, and one year later, the Danish Financial Supervisory Authority informed the Danske Bank Compliance Group that the risks associated with anti-money laundering in the Estonian branch had not improved (Braun and Hjejle, cited in Logan, B., 2019).

In 2014, an employee of the Estonian branch - a mid-level executive named Howard Wilkinson - issued a report on suspicious non-resident accounts transferring huge sums through the bank, and then forwarded this data to the internal audit department of Dansk Bank, Compliance Group and Baltic Banking Group (Milner Winter, cited in Logan, B., 2019).

This report contained many details related to clients, for example Lantana Trade LLC, a British company that was transferring approximately \$ 20 million per day through the Estonian branch of Danske Bank. Besides, the British company had the same address in London as 64 other companies that have accounts in a branch of Danske Bank in Estonia, and these companies were owned by people from the Seychelles and Marshall Islands (Kroft, cited in Logan, B., 2019).

In 2014, after the CEO Thomas Borgen became aware of this report and these risks surrounding the Estonian branch, he did not take any firm action to remedy the situation and reasoned that deviating from the external business strategy might lead to an impact on any sales price (Milner and Winter, cited in Logan, B., 2019).

In 2017, the Danish magazine Berlingske published several investigative reports on whether Danske Bank helped conceal and invest in proceeds of crime in an orderly manner (Jung, Lund, et al., cited in Logan, B., 2019).

In the year 2018, and after the increase in media reports about Danske Bank, extensive investigations were opened in several institutions, such as the Estonian Attorney General, the Danish Attorney General and the US Department of Justice (Milner and Winter, cited in Logan, B., 2019).

In the second half of 2018, investigations showed that 236 billion US dollars of non-resident funds had passed through the Danske Bank branch in Estonia from 2007 to 2015, and this was possible due to insufficient controls and check of money laundering in the branch (Bruns and Hjejle, cited in Logan, B., 2019).

CEO Thomas Borgen and Chairman of the Board of Directors Ole Anderson submitted their resignation, and ten employees of the Estonian branch have been detained (Milne, cited in Logan, B., 2019).

As a result of all the above, Danske Bank decided to donate 225 million US dollars - the profits made from non-resident accounts - to an institution specialized in combating financial crimes. The bank also poured millions of dollars into developing its IT system and increasing training for anti-money laundering department employees, and the Estonian branch was permanently closed (Danske Bank, cited in Logan, B., 2019).

Similarly to the Danske Bank case, the famous Swiss bank HSBC was also involved in a major money laundering scandal, when a bank employee reported a suspicious incident, revealing the malfunction of the anti-money laundering system in one of the largest banks in Europe and in the world. This famous incident is added to the list of scandals of financial institutions in the world and in Europe in particular. (Naheem, 2015)

#### **4.5. The money laundering reporting officers (MLRO)**

The money laundering reporting officer is an individual within the company who is taking the responsibility of the process where the firm comply with the regulation regarding money laundering. The MLRO is considered the first point of contact in the company whenever any

transaction or activity is suspected to be related to money laundering or terrorist financing. The MLROs are also responsible of making any strategic decisions regarding the anti-money laundering process in the company (Anon, 2012).

The importance of the MLRO role is very clear when considering that MLROs have the ultimate managerial responsibility for money laundering regulations within the company, and any shortcomings in this role in particular may lead to serious consequences, as the regulators may impose very large fines on the company (Anon, 2012).

Anon (2012) explained the responsibilities of the MLRO role as the following points:

- Establishing awareness regarding money laundering through training to all employees in the company.
- Monitoring the money laundering procedures.
- Dealing with the internal reporting of suspicious activities.
- Sending reports to the regulatory authorities.
- Creating annual reports about the anti-money laundering activities in the previous year in the company.
- Taking strategic decisions regarding suspicious activity reports.

#### **4.6. Research question**

As I explained in the introduction, money laundering crime is a serious global issue and struggle as it is estimated to be 2 to 5 % of the global GDP in one year (United Nations: Office on Drugs and Crime, 2021) which makes it a major problem worldwide.

The problem has been discussed in the research literature, but mainly with a focus on the AML system as a whole. Very little research has focused on the role of the MLRO specifically. To try to fill his gap, I decided to focus on the MLROs as they currently have one of the most important and crucial roles in the anti-money laundering framework (Hopton, D, 2009).

During the process of exploring the world of the MLROs, I found a theory called the self-protecting theory, which assumes that the MLROs are facing unfair pressure coming from different concerns they deal with at work, and as a result of that, they begin to change their

behavior and start to do their work to protect themselves, instead of preventing money laundering in the company (Bello, A. U. ,2016).

I have decided to conduct five interviews with MLROs from different companies to explore the unfair pressure and the MLROs' concerns, and how they react to it. In other words, I will try to answer the following research question:

How are the money laundering reporting officers exposed to unfair pressure? How does that effect their behavior at work?

## **5. Literature Review**

### **5.1. Money laundering**

Despite the different definitions of money laundering (ML), nearly all academic and institutional definitions agree on that money laundering activity is a criminal act (McCarthy, K. J., 2018).

Masciandaro describes it as an economic independent criminal act, while Buchanan defines it in simple words when he describes ML as a financial crime, meanwhile Manny illustrates that ML is like a hidden cancer that gives criminal behaviour the chance to get inside all the legal business sectors. One of the other common definitions between the different academic definitions of the ML is that it is a process. As an example of that, Schroeder explained ML as the tool or process that criminals use to legalize their illegal money (Cited in McCarthy, K. J., 2018).

Probably, one of the most complete definitions of money laundering is mentioned by the United States law. The law describes money laundering as the process that criminals use to hide the nature or source or place or ownership of their illegal earns, which gives them the opportunity to consume or invest it (McCarthy, K. J. ,2018).

Similar definitions are used by different anti-money laundering institutions around the world, like United Nations Office on Drugs and Crime (UNODC), Interpol and the Financial Action Task Force (FATF) (McCarthy, K. J. ,2018).

The United Nations Office on Drugs and Crime defined money laundering as the tool which criminals use to hide their illegal wealth and to protect their assets, so that they can avoid any suspicion by the authorities (United Nations: Office on Drugs and Crime, 2020).

The financial Action Task Force (FATF) defines money laundering as the process which criminals use to pass the criminal act for financial profit and to hide its source, which gives the criminals the advantage of using the illegal money freely without risking any danger on the money or themselves. (FATF) gave examples of illegal activities that can generate a huge amount of illegal money, like illegal weapon sales, organized crimes activities, drug trafficking and prostitution rings (The Financial Action Task Force, 2020).

IMF mentioned that criminal activities like drugs and human trafficking and corruption aim to create a big profit for the criminal individuals, By using these illegal profits, criminal can face a high risk of being noticed by authorities, and to be hidden while using this profit, criminals must hide the source of that money, which can be done by money laundering process (International Monetary Fund, 2020).

FINCEN defined money laundering as the process which is used to show the illegal gained money as clean money. FINCEN explained that money laundering consists of three steps: placement, layering and integration. At the beginning, illegal funds enter the legitimate financial system. Then, that money is transferred to create a confusion, it gets transferred by several methods like transferring it to several different accounts. Finally, Illegal funds are integrated into the legitimate financial system by doing some additional transactions, so that the money appears legal. FINCEN believes that money laundering has a severe negative impact on the global economy (Financial Crimes Enforcement Network, 2020).

In 1995, John Walker - an Australian criminologist - explained that the global money laundering amount is 2.85 trillion US dollars, almost half of it is laundered in the United States. In 1998, Michel Camdessus -the former managing director of the IMF- believed that 2-5% of the world GDP is laundered, which is reaching 1.5 trillion US dollars (Walker and Unger, Cited in European Parliament, 2017).

In 2015, Professor Gabriel Zucman in University of California published "The Hidden Wealth of Nations - The Scourge of Tax Havens" book, where he explained that, from 2014, at least 7.6 trillion US dollars out of the world financial wealth of 95.5 trillion US dollar were missing

and many countries have recorded more liabilities than assets in their national balance sheets, which means that the gap difference is hidden from these countries' eyes (European Parliament, 2017).

In April 2015, the International Consortium of Investigative Journalists (ICIJ) released the Panama Papers, which contained a total of 11.5 million leaked documents that consisted of financial and attorney client data for more than 214,448 offshore entities. These documents were owned by the Panamanian law firm and corporate service provider Mossack Fonseca. (European Parliament, 2017). Considering money launderers and tax evaders both used offshore entities, so that they can hide their information and their business activities, both fields were merged (European Parliament, 2017).

The United Nations Office on Drugs and Crime explains that the total money laundered worldwide is between 2-5% of the world GDP per one year, which is around 800 billion - 2 trillion US dollars, which explains how serious this issue globally. (United Nations: Office on Drugs and Crime, 2021).

## **5.2. Human behavior**

Before mentioning the employee behavior, it is important to explore the human behavior. Human behavior is the ability to practice the different mental, physical, emotional, and social activities through human life, and it is usually affected by culture, values, society, and genetics (Raza et al., 2014). Bartol explained that different persons have different behavior in the same situation. This difference happens because of many reasons like environmental reasons, the connection to the situation and other factors that affect the behavior (cited in Raza et al., 2014).

Porathe explained that understanding behavior is very important, as behavior can influence the human's performance and it can affect others' performance as well (cited in Raza et al., 2014). While Robins said that behaviour is considered a strong factor when it comes to employee's performance (cited in Raza et al., 2014).

### **5.3. Employee Behaviour**

Many researchers explored employee behavior and they came out with different definitions. Hanna defined employee behavior as different sequences of actions that are carried out by the employees in an organization (cited in Kattara et al., 2008).

Naylor, Pritchard and Ilgen described employee behavior as the consequence of rational decisions that an employee takes to choose the best personal resources of energy and time. They explained that we take in consideration the result of the different possible behaviors, then we choose the behavior that will bring to us the best result (cited in Slocombe, T.E & Dougherty, T.W., 1998).

According to Askew et al., many organizations take in consideration the employee behavior as they believe that poor employee behavior could affect the performance of the organization negatively, and it would increase risks connected to reputational damage and financial losses (cited in Garwala, Surendra, 2019).

Neubert et al. (2008) explained that leaders' behavior can influence how others behave. The behavior of role models, who have a high position, determine what is normal and what is appropriate, it is also seen as an endorsement of what important as well (Bandura; Brockner & Higgins; Kark & Van Dijk, cited in Neubert et al., 2008). Leadership behavior can also affect different sides at work like work norms and climate perception, which can affect employee behavior (Neubert et al., 2008).

### **5.4. Unfair pressure**

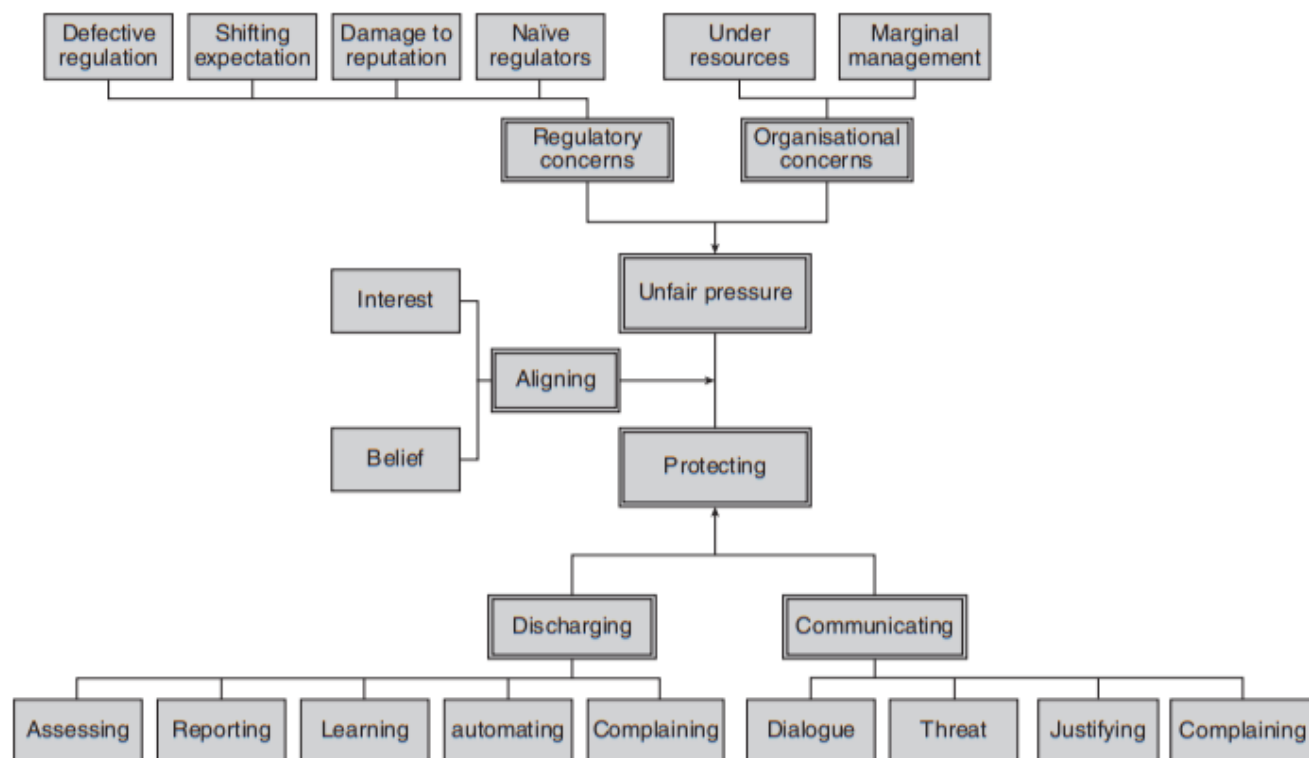
The concept of unfair pressure was discovered by the author of the self-protecting theory when he was exploring the main concerns of MLROS. He defined the unfair pressure as a high-level concept that is created by combining two factors which are unfair and pressure, which defines the main concern of MLROs. He also explained that the pressure has two sides: fair and unfair (Bello, A. U. ,2016).

## 6. Theoretical framework

### 6.1. The self-protecting Theory

#### 6.1.1. Introduction of the theory

The self-protecting theory is a theory formulated by Abdullahi Usman Bello (2016) where he focused on the money laundering reporting officers and how they are facing unfair pressure placed on them by the regulators and their managers at the companies where they work. It assumes that because of the unfair pressure, MLROs begin to focus on protecting themselves instead of focusing on preventing money laundering by using different protecting methods. Bello divided the concerns into two parts: organizational concerns and regulatory concerns (2016). He also divided the protecting tools that MLROs use into two parts: Discharging as a means of protecting and communicating as a property of protecting (Bello, A. U. ,2016). Bello also explained in his theory that the MLROs can align with the regulators or with their company, which is determined by the MLROs' belief and interest (Bello, A. U. ,2016). In the following parts, I will explain the self-protecting theory in detail.



(Bello, A. U., 2016)



## **6.1.2. Related entities**

### **6.1.2.1. Regulators**

The regulators to combat money laundering are divided into two main parts, namely financial regulators and law enforcement agencies. Financial regulators regulate the banking industry in a wide range, while law enforcement agencies investigate and prosecute money laundering criminals, and because the safety of the banking industry is a top priority for financial regulators, therefore, financial regulators deal with banks more than they do with law enforcement agencies. As for law enforcement agencies, their interests are not focused on fighting money laundering only, but rather, their interests and duties broaden to include other crimes such as fraud and terrorism. (Bello, A. U. ,2016)

### **6.1.2.2. Banks**

When it comes to the types of banks, there are two different types of them: large-sized banks and small-sized banks. This classification of banks depends on several factors, such as the size and value of financial transactions, the number of bank customers, and the number of locations where this bank is located. If we talk about a commercial bank, for example, it can be described as usually carrying out a large number of transactions, but these transactions are not necessarily of great value. The commercial bank also has a large number of customers and branches. The commercial bank branches into several types such as retail banking, private banking, and building societies. Retail banking is considered bigger when it is compared to the other banks' divisions, while private banking is considered smaller when considering the number of transactions and the number of customers. Building society in the other hand can be big but it is usually a local bank when it comes to its location. (Bello, A. U. ,2016)

One of the other types of banks that differ from commercial banks is the investment banks, as this type of bank has less transactions than the volume of commercial bank transactions, but the value of financial transactions is greater than the value of commercial bank

transactions. This type of bank also has fewer branches and its customers are fewer when compared to commercial banks. (Bello, A. U. ,2016)

#### **6.1.2.3. MLRO**

Money Laundering Reporting Officers are connecting officers who connect between regulators in the bank. Though, they are employees of the bank. MLROs get nominated to be registered with regulators so they can become a MLRO, but others who are not registered can still perform the same tasks, but they are called deputy MLROs. MLROs tasks can be only to deal with AML compliance or they can have it combined with other tasks related to compliance activities. Bello explains, that because of their position in between two **masters**, they get exposed to stress because of unfair pressure, plus their feeling of loneliness because of dealing with opposite interests sometimes. They can also be overworked as they face the problem of under resources. Despite that, they can be self-interested so that they can survive that level of stress they deal with, and the conflicting pressure that occurs from the bank and regulators (Bello, A. U., 2016).

#### **6.1.2.4. Unfair pressure**

The author begins explaining the self-protecting theory by mentioning that he found out during his research that unfair pressure is the main concern of MLROs. Though pressure has two dimensions which is fair and unfair pressure, the unfair pressure is the source of MLROs concern which they are constantly resolving. Bello, A. U, (2016) believes that the source of unfair pressure for MLROs is divided into two primary sources: regulatory concern and organisational concern. While most of the pressure is coming from the banks as organisational concern, and regulators as regulatory concern, there are other indirect pressures that reach the MLROs, and that occurs through the bank by different actors as auditors, customers, lawyers, and consultants. It can also occur through the regulators by different international actors like the FATF and politicians. (Bello, A. U., 2016).

### **6.1.3 Regulatory concern as a source of unfair pressure**

Regulatory concerns are MLROs' concerns because of the regulators, and they are divided into four points: defective regulation, naive regulators, damage to reputation and shifting expectation. The following is explanations of each point. (Bello, A. U., 2016).

#### **6.1.3.1 Defective regulation**

The author of the self-protecting theory presents statements of participants that he interviewed, and one of these statements was about an MLRO that was being prosecuted after reporting a suspicious activity, and as a result of high pressure from the customer whose transaction was reported by that MLRO, he accepted to let the transaction get completed before receiving a response from the regulators or authorities. The participant stated that the MLRO is an honest man as he reported a case that others could not report (Bello, A. U., 2016). Defective regulation has three main components: Suspicious activity report, the watch list and the risk-based approach (Bello, A. U., 2016):

##### **(A) Suspicious activity report:**

When the MLROs find a transaction suspicious, they must reach the regulators to obtain consent from them before they complete the transaction. During the waiting time for the consent from regulators, the MLROs are exposed to high pressure, as they give reasons and excuses to the customers to stall them while they are waiting the consent from the regulators. Many times, MLROs lie and explain to the customers that their system is down as a reason for the delay. According to the author, one of the MLROs he interviewed explained to him that sometimes customers call the head office, where they are told that the bank system is working fine. Because of that, some MLROs decide to tell the customers the real reason for the delay as their transaction is suspicious and they are waiting the regulators' consent to complete the transaction. This is considered a tipping-off offence, which is serious and can lead the MLRO to be prosecuted for breaching AML regulations. Thus, MLROs deal with unfair pressure as they are positioned between customers and regulators, and they must choose between lying or committing a tipping-off offence. Another concern to MLROs regarding the suspicious activity report, is the lack of feedback they get from the regulators after reporting

transactions, where regulators do not inform MLROs whether the SAR has led them to a successful prosecution or not (Bello, A. U. ,2016).

### **(B) Watch List:**

Another concern to MLROs is the watch list. Author explained that MLROs are dealing with so many lists like lists from the United States, the United Nations, the European Union and many other organizations. These lists contain names of individuals connected to terrorism and public figures. Many of these lists have duplications and inconsistencies, and some parts are also overlapping. In addition, MLROs face many issues during matching customers against the names on these lists, especially because the names on the lists are not in order, and there are inconsistencies in identifying details and the spelling of names, which create confusion to MLROs. The author believes it is also unfair when MLROs have to check against names that in most cases, are not going to be found in these lists. Though MLROs face these concerns, they must still comply with the watch list regulations, whether they think its efficient or not. Many MLROs are even believing that the watch lists are a political tool more than an honest effort to tackle money laundering. (Bello, A. U. ,2016)

### **(C) The Risk-Based Approach**

The main concerns regarding this approach are related to how MLROs can implement them. According to their own assessment, MLROs may take a decision that the transaction under investigation is not suspicious, while regulators recognize the same transaction as a suspicious one, after their own assessment of it, thus, blaming MLROs who investigated this transaction. The author explains that MLROs consider the ownership of assessment unfair. Another issue facing the MLROs during adapting the risk-based approach is the big volume of transactions, as MLROs may not be able to detect many of the suspicious activities due to the under resources concern. The author also mentioned that the risk-based approach can be viewed from two angles, in private banking units for example, MLROs deal with fewer transactions which make them prefer using the risk-based approach especially because it is easy to apply

with this number of transactions. On the other hand, MLROs who work in big retail banks do not find it appropriate to use the risk-based approach, as they are dealing with a big number of transactions (Bello, A. U., 2016).

#### **6.1.3.2. Shifting expectation:**

In this part, the main concern of the MLRO is related to the clear and unclear expectations of the regulators. This problem becomes clear when new guidelines are issued, and laws and procedures are constantly amended by the regulators, and the main concern in these activities is its speed and amount, which is considered unfair by MLROs. In addition, regulators expect immediate application of regulations they have changed without considering the impact of these changes, which is considered unfair by MLROs. Not only are MLROs affected by shifting expectations, front officers and banks as well must deal with this concern. Shifting expectations can take different shapes than the regulation expectation, whereas, sometimes, regulators expect that MLROs will perform their tasks in a way that may not necessarily be required by regulation (Bello, A. U. ,2016).

#### **6.1.3.3. Damage to reputation**

MLROs face damage to reputation as a concern because they must deal with different fears, like the fear of being mentioned by name in the newspapers, the fear of prosecution and the fear of civil liability. The author believes that even though MLROs agree on being prosecuted in the case of breaching regulations or neglecting their duties, it is still unfair to be punished in case of an honest error which occurred during investigating a transaction because of the lack of resources. The author explained that MLROs believe it is unfair to be prosecuted, especially when it has a permanent impact on them and on their reputation, which may cause a disastrous consequence to their life like the damage of family relationship and losing their jobs, and the worst part is when those MLROs see money launderers escaping with the laundered money as a result of defective regulations (Bello, A. U. ,2016).

#### **6.1.3.4. Naive regulators**

The author explained that naive regulators concern occurs when regulators are inexperienced and lacking a proper understanding of bank operations. For example, sometimes, regulators issue regulations that should be implemented in different types of banks, but it will not fit all, like investment banking and retail banking, they have many differences, and as a result of the lack of understanding of the difference between both of them, regulators issue regulations that do not fit both types of banks. Another MLRO concern related to this point is when a fresh graduate is sent to the bank lacking the required skills to do their tasks. Even when the matured officers are sent to the bank, they might be missing the required experience because of the high turnover within staff. Another concern regarding regulators, is that the regulators lack the resources that help them to create AML regulations in the banking field (Bello, A. U., 2016).

#### **6.1.4. Organizational concern as source of unfair pressure**

In this part, the author explained that the other source of unfair pressure is produced by the banks, and it is divided into two main sources of unfair pressure, under resources and marginal management (Bello, A. U., 2016).

##### **6.1.4.1 Under resources**

The author explained that the under resources factor has three different types: lack of financial resources, lack of time and lack of human resources. (Bello, A. U. ,2016)

##### **(A) Lack of financial resources**

One of the main concerns in this part is providing money to automate the assessment and reporting functions by buying software that can achieve that. Another concern related to this part is the salary of MLROs as many of them believe that their salary is not matching the level of risks they face in their job, though it is considered a higher salary than others in a similar position in the organization (Bello, A. U., 2016).

## **(B) Lack of time**

In this part, the concern is related to the lack of time as MLROs have to achieve other compliance activities. The lack of time concern is connected directly to the type of the bank where MLROs work. To show how, the author explained that in small banks, most of the time MLROs are working as compliance officers at the same time, while in the big banks MLROs are only dealing with AML related issues (Bello, A. U., 2016).

## **(C) Lack of human resources**

The author explained that with lacking enough MLRO employees in the organization, it will be very hard to achieve their duties especially because MLROs are dealing with variety of services, big numbers of transactions and different locations of the bank offices (Bello, A. U., 2016).

### **6.1.4.2. Marginal management**

To explain this part, the author explains that it is related to the marginal employees, who can be identified as employees in the bank that MLROs have only marginal control over. The concern arises when the MLROs do not get enough support from marginal employees, thus, they cannot complete their tasks properly. In order to complete their tasks, the MLROs deal with different employees from different departments, as they must report any suspicious transactions to the MLROs when they deal with the customers. MLROs deal with marketing managers, who must be aware of AML problems, while they are doing their tasks. MLROs also need the support of IT managers, and at the same time, they will face opposition of concerns when the IT manager focus on the cost, when buying a system for MLRO activities, while MLROs will focus on having a good system, even if it is expensive. The author continues by mentioning that MLROs also need the support of salespeople, while some MLROs believe that those salespersons will focus on the bonuses more than tackling the money laundering. The author believes that one of the reasons for the lack of support, occurs as marginal employees believe, that MLRO activities are not a strategic business unit. At the end of this part, the

author mentioned that the management attitude is changing due to the rising focus on AML problems and because they are more accountable for AML compliance (Bello, A. U., 2016).

#### **6.1.5. Protecting as a means of resolving the main concern:**

In this part, the author explained that MLROs aim to protect themselves from being exposed to the unfair pressure, they can face from banks and regulators while doing their job. There are two ways of protecting, which are discharging and communicating. But before explaining those two ways of protecting, it is necessary to explain another category which is called aligning (Bello, A. U., 2016).

##### **6.1.5.1 Aligning as a sub-core of self-protecting:**

Aligning is considered a sub-core of protecting. The theory assumes that MLROs align with either the bank or regulators, when they are exposed to unfair pressure. If the MLROs feel unfair pressure from regulators, they align with the bank, and vice versa. Aligning has two concepts - interest, and belief. (Bello, A. U., 2016)

##### **(A) Interest as a property of aligning:**

Interest is divided into two main concepts which is reward and punishment. MLROs are employees of the bank, they are mainly receiving their salaries and other types of benefits from the bank, which are considered rewards, though they can still receive rewards from regulators by recognizing the MLROs' efforts on tackling the money laundering crimes in the bank. While reward is mainly from banks, punishment is mainly from the regulators, as they can apply penalties, blacklisting, prosecuting or even shaming for not matching their expectations when it comes to MLROs responsibilities. On the other hand, banks can still apply punishment on the MLROs through terminating their appointments. To come out with a proper understanding of these points, the author explains that mainly banks reward while regulators punish. As reward from banks is certain and punishment by regulators is uncertain, MLROs prefer to align with banks rather than aligning with regulators, because of the certainty of reward. Another factor which determines the MLROs' choice to align with bank



is that, though there is a lot of talk about punishing banks if they breached AML regulations, not much happen (Bello, A. U. ,2016).

### **(B) Belief as a property of aligning**

Belief has three factors: culture, conviction, and ethics. The culture factor can determine whether MLROs will align with the bank or regulators, that happens if for example the culture in the organization is good, then MLROs will align with the regulators, while if the culture is weak and the main focus of the management is on profit, then they will align with the bank unless if they have a high level of ethics. The conviction factor can determine the MLROs direction of alignment, as MLROs would be unwilling to comply, if they believed that the goals of regulations is not to tackle money laundering, but for political reasons, or when they believe that regulations are defective. Thus, they aim to discharge to protect themselves. The last factor, ethics, can determine the MLROs decision of alignment, as MLROs with high ethics would not cooperate with the bank to let the money laundering activities pass, while low ethical MLROs would do the opposite. The MLROs level of ethics is affected by their background in law enforcement and their personal values, states Bello (Bello, A. U. ,2016).

After choosing one of the two sides to align with, MLROs begin to protect themselves by the previously mentioned concept, discharging and communicating (Bello, A. U., 2016).

#### **6.1.5.2. Discharging as a means of protecting:**

Discharging is considered the first method to deal with the unfair pressure, that is coming mainly from the regulators. It has five main concepts: assessing, reporting, learning, complaining, and automating. (Bello, A. U. ,2016)

### **(A) Assessing as a property of discharging**

With this method, the MLROs solve their concerns coming from damage to reputation, defective regulations, shifting expectation and marginal management. Assessing has two main properties which is balancing and discretion. MLROs use balancing when they have to decide whether they consider one of the transactions as a suspicious one or not, and this

decision can be taken after considering the MLROs risk to themselves, not only the risk of money laundering. According to the theory, many MLROs believe that the risk-based approach - one of the ways to assess transactions – is used to discharge their responsibilities during their assessment of the transaction, so that they can be safe away from any punishment. The author explains that the MLROs try to find the balance between risk and reward during their assessment of transaction, thus, they take their decision after prioritising their interest. The second property, discretion, is used to deal with the under resources concern while assessing transactions. MLROs begin to use the discretion when they face a big number of transactions while they are facing the under resource problem, then they begin to use the common sense to fix this situation while assessing a transaction, especially that they are facing the regulators expectations who would blame the MLROs judgment without considering the reasons that made those MLROs use this method. Though MLROs use assessing as a tool to protect themselves, they can still use it as a tool to prevent money laundering, but the intention of the MLROs is the factor that determines which way they will use it, assessing to protect or assessing to prevent (Bello, A. U., 2016).

#### **(B) Reporting as a property of discharging:**

In this part, the author explained that reporting is used to deal with the concern related to defective regulation, damage to reputation and shifting expectation. This property has two parts: playing safe and defending. (Bello, A. U. ,2016)

##### **(1) Playing safe as a property of reporting**

MLROs decide to report a transaction to law enforcement even if they believe that it represents low risk to their interest, the reason of this is that they want to show that they are discharging their responsibilities. The MLROs understand the regulators expectation, thus, they are willing to provide more reports in order to achieve the regulators' expectations. (Bello, A. U., 2016).

## **(2) Defending as a property of reporting**

Whether MLROs decide to report a transaction or not, they will need to defend their decision. If they decide to report a suspicious transaction or activity, they have to explain to the bank that this activity was suspicious for sure, as the bank may lose this customer, while if they decided not to report the transaction, then they have to explain their decision to the regulators, that they believed the transactions are not suspicious. MLROs use defending to not report activities, most of the time, and since many of the MLROs align with their banks, they may not report transactions that can risk the bank losing the customers. (Bello, A. U., 2016).

## **(B) Learning as a property of discharging:**

In this part, the author explained that learning is used by MLROs to face unfair pressure that is occurred by shifting expectation concern. It has two main parts: training and networking, and it is determined by the culture in the bank, the MLROs' belief and interest. (Bello, A. U., 2016).

## **(1) Training as a property of learning**

This property is divided into two parts: self-training and training others. Self-training is considered informal activity most of the time. It can be done by learning about regulations and enforcement actions through reading materials related. By using this property, MLROs ensure that they have enough knowledge and ability to face the pressure that is caused by regulators when they shift their expectation. Self-learning is not only about MLROs themselves; it also includes the organization's employees as they have to get enough AML training especially that they are helping MLROs on the process of discovering the suspicious activities. While self-training is an informal activity, training others is formal most of the time. Training others is a beneficial activity, where MLROs explain to other employees the importance of dealing with money laundering and explain the AML problems, though it is done to please the expectations of the regulators most of the time (Bello, A. U., 2016).

## **(2) Networking as a property of learning**

By networking, MLROs join different events like conferences and seminars where they are supposed to get training, but that is not what is happening all the time. They have other reasons to join these events like sharing thoughts with other MLROs regarding how to deal with the high level of unfair pressure and how to face their work's issues. Socializing in that way is also considered a way to express their need to complain about the unfair pressure they receive. MLROs deal with different stakeholders, where they receive different types of support so that they can achieve their tasks in a better way, which is considered a way of networking as well (Bello, A. U., 2016).

## **(C) Automating as a property of discharging**

In this part, the author explains that MLRO use specialised software to help them in the reporting and assessing tasks. MLROs usually use this software to protect themselves against their concern of shifting in expectation and defective regulation. Many MLRO believe that automating is not important during assessing the suspicious activities, especially those who work in banks, where they have less transactions, as they believe that common sense is much better to assess these suspicious activities. The author explained that there is a concept called unnecessary necessity which is discovered to explain this situation, when regulators have a specific expectation from the MLROs, like that they must use these specialized software to do their tasks of assessing and reporting. On the other hand, MLROs use this software just to avoid the regulators punishment, but they do not believe in the necessity of these software to do their tasks. The author continued explaining automating by saying that what makes this software important, is the type of regulations and requirement of law, that is applied on MLRO. An MLRO who works in a big bank cannot do his tasks without these software as he deals with a massive amount of transactions every day. Though the theory assumes automation is important in big banks, MLROs in small banks do not believe that it is important for them.

#### **(D) Complaining as a property of discharging**

MLROs use complaining to deal with concerns related to regulatory and communicating. MLROs are usually complaining to deal with the unfair pressure, as this method let them get rid of their frustrations, and they are choosing complaining because they have no other option, especially when they cannot complain to the regulators, because they must comply and they cannot complain to the bank, because they are getting paid by the bank itself and they have to find solutions themselves to those problems that they face. MLROs complain about the naive regulators, damage to reputation and shifting expectation. They are also complaining about the lack of implementation of the risk-based approach. Another reason for complaining, is that sometimes, an MLRO in a bank who mistakenly gave a wrong report on a customer will get punished for that mistake, while another MLRO in another bank who did not report the same customer at all will not get punished. MLROs can also complain about the lack of feedback, as they hope for a more open and cooperative system. MLROs also complain about the lack of focus on tackling money laundering as regulators focus more on system and controls.

#### **6.1.5.3. Communicating as a means of protecting:**

Communicating is one of the ways for self-protecting from the unfair pressure that is coming from the banks from marginal management and under sources factors of unfair pressure. The level of MLROs communication is determined through different factors like their interest, their belief and the culture in the bank. MLROs' interest can be the reason that they face the organization when they need to, though they are usually aligning with the organization more than regulators. This is usually happening because of their concern of their reputation that could damage and the risk of being punished. MLROs belief as well can determine their level of communication, for example if the MLRO believes along with the organization, he will not be aggressive, when it comes to communications between him and that organization. Culture also sets the level of communication, that can be so clear when an organization establish a good culture, thus it creates a cooperative communication within the organization. Communicating is divided into three parts: dialogue, justifying and threat.

### **(A) Dialogue as a property of communicating**

Dialogue is the first way to deal with the unfair pressure coming from the organization whether it is caused by the under resources or marginal management. Dialogue is divided into two properties: negotiating and coordinating. MLROs use the negotiating factor to be able to have resources from management. They usually negotiate with different colleagues in the organization as IT managers, relationship managers and marketing manager to access resources and increase the awareness and consideration regarding AML when they do their tasks. Despite MLROs efforts, many of those colleagues are more profit oriented and they care more about their bonuses. For example, a relationship manager is interested in establishing more accounts in the bank than considering AML, and a marketing manager is more interested in developing services than considering AML. That usually happens as the main goal for those employees is to achieve profits for the stakeholders of the organizations, in the other hand, we will find that the MLROs' main goal is to prevent money laundering.

### **(B) Justifying as a property of communicating:**

MLROs depend on a justifying method to get access to the resources they need to do their tasks. They use this method to be able to justify their needs and decision as it influence profit of the organization. Investment in technology is considered one of the most important needs that MLROs require to protect themselves from regulators. MLROs justify their need for technology by collecting all evidence to prove that buying a new software or upgrading an existing one is important for the bank. The MLROs also exploit big scandals in the field to justify their needs to protect the bank from being the next scandal.

### **(C) Threat as a property of communicating**

MLROs can use threat against the organization's employees, especially when they struggle with the pressure that is coming from the marginal management and under resources

pressure. MLROs can threaten the profit-oriented employees by explaining the consequences of prosecution if they help anyone to launder money. They can also use the threat method when they motivate the employees to report suspicious transactions, and explain to them the risk, they can face, if they will not do these tasks properly. The alignment of MLROs can soften the need for threat. If an MLRO aligns with the bank where he works, he will not use the threat method, especially if that bank has a weak culture. On the contrary, if the MLRO aligns with regulators, his usage of the threat method would increase.

#### **(D) Complaining as a property of communicating**

MLROs complain when they face lack of resources especially when they face high pressure from regulators to do their tasks, while bank do not provide them with the needed resources. They also complain about the lack of management support. Complaining is considered high in the banks with bad culture.

## **7. Methodology**

### **7.1. Introduction of methodology**

In this section of my thesis, I will address the research methodology. To achieve this, I decided to use the research onion model, which is developed by Saunders, Lewis and Thornhill (2007). The research onion model contains different layers which is research philosophy, research approach, research strategy, the research choice, data collection and analysis. I will include research limitation as well to this chapter

### **7.2. Research philosophy**

The first layer in the onion research model is the research philosophy, and the philosophy used in this thesis is the interpretivism. Saunders, Lewis, and Thornhill (2007) argue that studying people and their social world is different than studying the physical phenomena. As they believe that 'different people of different cultural backgrounds, under different

circumstances and at different times make different meanings, and so create and experience different social realities' (Saunders, Lewis and Thornhill, 2007). When it comes to researchers in the field of business and management, this means that they have to consider different groups of people in organizations who have different experiences as they face different workplace realities. (Saunders, Lewis and Thornhill, 2007).

That is why I am adopting the interpretivism research philosophy, as I am focusing on the MLROs in the organizations and if their behavior affects the money laundering combating initiatives.

### **7.3. Research approach**

The research approach I chose for my thesis is the inductive approach. Saunders, Lewis and Thornhill explained that 'Research using an inductive approach to reasoning is likely to be particularly concerned with the context in which such events take place'. The study is looking on the MLROs' behavior. And when you study behavior, it is important to take in considerations the context of that behavior, as it is affected by the environment around it. (see literature review). Saunders, Lewis and Thornhill argued that induction can show alternative explanations for the research problem, because it is a less structured approach (2007). They also emphasised that researchers who use inductive approach mostly work with qualitative data, and they follow the interpretivist philosophy, because they focus on the importance of subjective interpretations. (Saunders, Lewis and Thornhill, 2007). And as I am using interviews and qualitative approach in this thesis, I decided to use the inductive approach.

### **7.4. The research choice**

Saunders, Lewis, and Thornhill (2007) said that:

*'In choosing your research methods you will therefore either use a single data collection technique and corresponding analysis procedures (mono method) or use more than one data collection technique and analysis procedures to answer your research question (multiple methods).'*



Saunders, Lewis, and Thornhill continued by saying that if you decided to choose mono method, you will need to use a single qualitative data collection technique -like for example interviews- combined with qualitative data analysis procedures. They also explained that qualitative data refers to any data collection technique or data analysis procedure that produce or use non-numerical data. (Saunders, Lewis, and Thornhill, 2007).

Therefore, I have decided to apply mono method in my research with the use of qualitative approach, as I have conducted five semi-structured interviews which was my only data source to answer my research question.

### **7.5. Data collection and analysis**

I chose to collect primary data for this thesis. I contacted many MLROs through LinkedIn and through my network, five of them responded that they are interested in participating in the interviews. Thus, I conducted five interviews with MLRO employees from different companies to collect the data I needed to answer my research question. The interviews took between 40 minutes and one and half hour via telephone and video calls.

All interviews were semi-structured as I prepared questions before the interviews, but I had other questions that were not prepared before the beginning of the interviews and they were asked in the middle of the interviews as a result of their answers. The interviews were voice recorded after their permission, and all the voice records were transcribed word by word and can be found in the appendix.

### **7.6. Research limitations**

In this study, there may be some limitations that I have to address. The first limitation is the number of interviewees I have interviewed, as the goal was to interview more MLRO employees so that I can have a wider understanding of the research problem, but I have managed to conduct only five interviews. The second limitation is the limited time of some of the interviews, as some of the interviewees requested to have a short time interview due to their busy work schedule, which can be seen as a limitation especially when I could not ask all the questions I needed to ask. The third limitation is the limited literature in the field of the

MLROs, as few researchers have focused on the MLROs in general, which was a challenge for me during exploring the literature.

### **7.7 Research ethics**

When writing this thesis, I took into account the confidentiality of the interviewees, as all of them had requested that their names remain anonymous so that their answers would not affect their position in their job, so I replaced the names of the interviewees with letters to preserve their confidentiality as follows: First interviewee: Interviewee A, Second interviewee: Interviewee T, Third interviewee: Interviewee S, Fourth interviewee: Interviewee R, And the fifth interviewee: Interviewee M. The names of their companies and banks were also not mentioned as requested.

## **8. Findings and analysis**

In this chapter I will present the findings from the interviews I conducted with five MLRO employees from different companies located in the UK and Denmark. I will also analyse these interviews by applying the self-protecting theory.

### **8.1. The importance of the MLRO role in the AML process**

As I presented before in the literature review chapter, The MLRO is a key decision maker and play a central role in the AML process. They are the chosen persons in the company who are responsible to file the suspicious activity report (SAR) (Demetis, D.D, 2018).

For a further understanding of the importance of the MLRO role in the AML process as a whole, it is necessary to present what the interviewees have said regarding that point. The first interviewee A explained his role as an MLRO with the following:

‘Let's say after one year you as a customer started to withdraw 10,000 Kroner a day from your account, it's going to be an alarm in our system, then I am going to handle that alarm, in the system. Then I'm going to look into how is your behavior fall back. What have you done

previously? If it doesn't fit your customers behavior, I try to find anything that doesn't sound fair or it doesn't look like it's something you have done before. Then I will contact the advisor and ask them to call you or send an email to you, where they ask about this transaction. If I find that it is totally suspicious, and I can't find any argument that it looks correct, then I will report it to the department of the police that is handling money laundering and find it.' (Appendix 1)

The interviewee T said:

'I am establishing what is required and, uh, setting up the procedures and the processes that we need as a global company and, um, deterring money laundering within our platforms' (Appendix 2)

'We are ensuring that the platforms or the companies that we've worked for, um, do not have any grey areas or look posts where somebody can easily come and launder money with us.' (Appendix 2)

Interviewee C explained her role as the following:

'My role is, as MLRO, so for all intents and purposes, I'm in charge of making sure that we protect ourselves against money laundering. We have kind of very secure policies, procedures in place we monitor, we detect, we deter, and we pick up any form of financial crime. So not even just money laundering. So, terrorist financing, bribery, and corruption. We focus across the boards and just make sure that the company remains nice and clean.' (Appendix 3)

And Interviewee R said the following:

‘Basically, I oversee our second line of defense. So we have, three lines of defense business model. My team oversees the second line. So we're there to check, to monitor that, to provide subject matter expertise, guidance, basically ensuring that the first line of defense is doing what they should to do according to policies and procedures. and yeah, we help set the policies, set procedures where necessary, report to the board and so on. And so my role is to oversee that team and be accountable to the, to the regulators.’ (Appendix 4)

‘We monitor transactions. So we use that select for suspicious activity. We would look at customer behavior. We would look at yeah, customer interactions. We make sure that all the teams are trained to understand what suspicious activity looks like. So our customer support teams and so on, they might flag it. We do things like thematic reviews to apology reviews. So we might say, right, we know this is a typology, how do we apply that to our customer base. So there's like lots of different ways that we'd identify suspicious behavior’ (Appendix 4)

While last interviewee M explained in the following sentences:

‘I start to look at, is if the transaction matches, what I know about the customer. That is why there's a regulation in terms of, know your customer information. Because if I do not know your customer, it would be hard for me to determine whether, the transaction is normal or not normal. And, and I can say once I look at the transactions, and I know the business model of my customer, I am able to define, like if it's within the scope of the business. But of course, there might be, transactions that, you know, where I cannot determine whether is this normal or not. And therefore, it's important to, to ask the customer about the transaction and if I don't feel that the answer is satisfactory, I would, or, should, you know, define it as, define it as suspicious.’ (Appendix 5)

## **Analysis of interviewees answers**

Through the interviewees' words, one can see how the MLRO is central in the process of tackling money laundering in the different organizations. The first interviewee A shows that vital role when he explained that he reports to the department of the police as he handles the alarm in the system and then he looks into the behavior of that customer, thus, he decides whether he will report to the police or not. In the second interview, one can find in the Interviewee T words what explains the importance of the MLRO role, when she explained that MLROs ensure that her company does not let anyone launder money within the company by establishing the required procedures to tackle money laundering in the company. In the third interview, Interviewee C explained that her role as MLRO is to ensure the protection for her company against money laundering by securing the procedures that let them detect and tackle money laundering, she also explained that MLRO's role is also to tackle terrorist financing, bribery, and corruption. While Interviewee R explained that MLROs ensure that the different lines of defense are working properly by checking and monitoring transactions and reporting as MLROs are the accountable persons in front of the regulators. The last interviewee M showed that role importance in her answers, when she said that she looks at the customer information to be able to define if the transactions is within the scope of the business or not and then decide whether it is a suspicious activity or not.

After exploring the importance of MLRO's role in the AML process, I will present the interviewees answers regarding whether they are exposed to different kinds of pressure at work or not by applying the self-protecting theory through the analysis, for a further understanding of the interviewees' answers.

### **8.2. Defective regulations**

In the self-protecting theory, the author explained that MLROs are exposed to unfair pressure coming from what he called a 'defective regulation'. The author explained that the defective regulation part has 3 factors: suspicious activity report, watch list, and risk-based approach.

### **8.2.1. Suspicious activity report**

In the first factor, 'suspicious activity reports' The author believes that regulations are defective because when MLROs report a suspicious transaction, they hold the customer transaction and wait for a consent from the regulators to decide whether they suspend the transaction or unhold it, but many times the MLROs have to wait too long before they get answer from the regulators. And since the MLRO are not allowed to tell the customers the reason of the hold action, they begin to lie at the customers, which can cause unfair pressure on the MLRO. In addition to that, is that the MLROs do not receive enough feedback from the regulators after they send the SAR (Bello, A. U., 2016).

I asked the interviewees several questions to explore (the Suspicious activity report factor in the defective regulation section of the theory), and it came as the following answers:

When I asked Interviewee A how long it takes until the regulators respond you after sending a suspicious activity report, he said: 'They don't tell us what they do. We just get an email back that they have received the report.' (Appendix 1) And when I asked him if he gets any feedback on the reports he said: 'No. We don't get any feedback' (Appendix 1).

While Interviewee T answer came as the following when I asked how long it takes until the regulators respond to you after sending a suspicious activity report:

'Not long. I will probably say depending if it's high priority, probably get a turnaround of two days. If it's really, really urgent and you escalate it and you actually even involve a call, they will respond within that same day and probably trigger a visit to actually talk to you in person. And, uh, you have somebody come to talk to you.' (Appendix 2)

'we have laws that govern you, that you are not supposed to tip them off. We have to get authorization from the regulators. Once you have that authorization, this is your sort of, your password for it to be able to continue without having to alert the person.' (Appendix 2)

When I asked Interviewee R if she has to wait too long for the regulators' response, she said:

'so it's seven working days. They have to get back to you. but you might not hold the transaction necessarily. It might just be you hold the account. but yeah, so it's seven working days is the timeline they've got to get back to you in.' (Appendix 4)

'So, law enforcement can choose to hold the account for longer'. (Appendix 4)

'you have to, you know, to make sure that you are, as transparent as you can be with our customer, but we're also not allowed to, tip-off. So it's balancing that act, which is really difficult, and no one ever knows how to do it'. (Appendix 4)

### **Analysis of interviewees' answers**

When I look at the different answers of the interviewees, I can clearly see very different answers, as Interviewee A said that the regulators do not tell him what to do, which means that he is not aware of how long to wait until they respond to him again, while Interviewee T said that the regulators respond to her on the same day, and Interviewee R said that the regulators respond to her within a maximum period of 14 days, which can be increased if the regulators wanted more time. Here the inconsistencies in the answers become evident and taking into account that Interviewee A works in Denmark, while Interviewee T and Interviewee R, working in UK, it is possible that the difference in the country of the regulators plays an important role in the waiting period for the responses to the MLROs.

Interviewee R also explained that it is difficult for her to balance her act with the customer as she is not allowed to tip him off, she also said that 'no one ever knows how to do it' (Appendix 4), which may be interpreted as a source of pressure on the MLROs.

Interviewee A also made it clear that he does not receive any feedback from the regulators in his work, something that was explained by the theory, as I presented earlier.

### **8.2.2. Watch list**

The second factor in the defective regulations concern as explained in the self-protecting theory is the watch list. I asked interviewee about the watch list, what do they think about it and if they see it important or necessary to discover money laundering activities, and their answers came as the following:

Interviewee A said:

‘Yes. We have but not by persons, if that's what you mean, instead, its just by behavior like last transactions, high activity and foreign exchange and stuff like that.’ (Appendix 1)

And Interviewee T said:

‘Money Laundering directives require you, that you use them on boarding a new client. Monitoring un existing client during transactions.’ (Appendix 2)

Interviewee C explained her opinion as the following:

‘they're super important to follow and maintain and I speak a lot about this in our kind of like initial trainings. Like one, we do all these things because we legally have to, but two, we do them all because like it's the right thing to do. We're a money moving company and we don't want to facilitate any form of criminal act or kind of enable anything. So as much as we don't really find that much, they're still pretty key.’ (Appendix 3)

Though Interviewee C explained that the watch lists are important, but she also believed that it is annoying to use it when she said: ‘they're, they're annoying, but they're, they're pretty



important to just like making sure that we're not being an asshole in the financial world.' (Appendix 3)

Interviewee R said:

'I think it's what I would call like low-hanging fruit. So, you know, it's, it's pretty an obvious thing to do, it is a straightforward thing to do. clearly anybody on a watch list that was trying to evade sanctions could quite easily get around it. So I don't think it's that effective, but it's, it's a control. I think, I think it's not a pointless exercise, but I think it's just one of several ways that people should be looking at their controls.' (Appendix 4)

And Interviewee M said the following:

'Watch lists are good if they work. Yeah. But it can also be challenging because you'll not be able to find every answer in the watch list. But, but of course, in theory, when you think about it, it's, it's important to have this watch list so that you can look into to have it as a backup or a follow-up.' (Appendix 5)

### **Analysis of interviewees' answers**

The self-protecting theory explained that MLROs are facing unfair pressure when they deal with the watch list as they have to check against names that mostly will not be found in the watch lists, which creates frustration and confusion to the MLROs. When I explore the interviewees' answers, I could see that Interviewee C said that the watch list is an annoying tool to use especially because they do not find many cases through it, while Interviewee R explained that the watch list is not effective tool. Interviewee M also said that the watch list is important theoretically and it is good only if it works. The self-protecting theory also explained that though MLROs get confused when they deal with the watch lists, but they must comply with it even if they do not believe in its efficiency, which was clear in the Interviewees' words when Interviewee T said that it is important to use the watch list as its one of the

requirements by the money laundering directives, Interviewee C also said that it is important to follow the watch list as it is the right thing to do.

Although some interviewees expressed that the watch lists are annoying and inefficient, none of them expressed that these watch lists represent any kind of pressure on them at work. On the contrary, one of the interviewees said that checking the watch lists is the right thing to do.

### **8.3. Shifting expectations:**

In this part the author believes that the regulators issue too many new guidelines and laws constantly, where they expect that the MLROs will implement it immediately which makes it as a source for unfair pressure. I have asked the interviewees whether they face any kind of pressure due to the changes in the guidelines issued by regulators, and the answers came as the following:

Interviewee A said:

'I see it stressful, because you have to understand the new requirements and the process that you have to do, then if it's too often, it can be too difficult to handle' (Appendix 1)

While interviewee T said:

'No, I think it is the love of what you do. And I think it creates and gives you adrenaline that you are excited that you are going to have to act and do something.' (Appendix 2)

Interviewee C said:

'in Denmark we don't feel pressure, but we do feel that we're entrusted to do it right. And if we don't do it right, then the pressure will come. So we're kind of forced to maintain this kind of high level of standard.' (Appendix 3)

And Interviewee R explained the following:

'you know, when we know that sixth anti money laundering directive, for example, is coming, you know, we need to understand what it says and then what we do and do a gap analysis and then just work with the teams to plug the gaps. So I would not say pressure, but it's, you know, it's something that is obviously very important that we do and say, we make sure that we, you know, we adhere to it and we can show any regulator auditor, what we've done to address the regulatory requirements.' (Appendix 4)

### **Analysis of the interviewees' answers**

When analyzing the interviewees answers, I could see that three interviewees believed that these changes in the guidelines are not stressful or adding any kind of pressure, as interviewee T said that these changes give her adrenaline and excitement, while interviewee C said that in Denmark, they are entrusted, that's why she doesn't see it as a pressure, and interviewee R explained that these changes do not add any kind of pressure, as it is just something important to do. Though those three interviewees agreed, Interviewee A's opinion matched the self-protecting theory, when he said that the constant changes in the laws and guidelines are stressful and it can be hard to handle when it comes too often, as the MLRO needs to understand these changes first.

One perspective that was not covered by the theory and it may be the reason of why some MLROs are not seeing these changes as a concern for them, is what the Interviewee T explained when she said: 'I think it is the love of what you do' as a reason of why she does not

see these changes in guidelines as a concern for her (Appendix 2). When looking at this sentence, one can see that appreciation and feeling the importance of the job role can have the ability of clearing the pressure away from the employee.

#### **8.4. Damage to reputation**

The theory explained that MLRO face unfair pressure as they are facing the fear of damaging their reputation. MLROs can be prosecuted and punished even if they do an honest error that is occurred during their investigation of a transaction because of facing the lack of resources issue. When i asked the Interviewees about the damage to reputation factor and if it can be a risk or concern, the answers came as the following:

Interviewee Ali said: 'Yeah, it can be' (Appendix 1).

Interviewee T said:

'We say, as an MLROs, we always refer to it as what keeps me awake at night. As an MRO, you have accountability, and the accountability is so bad for us. I have only two ways out of it. I lose my career and licensing to practice, and then I can get, um, in prison. Those are the things; the worst scenario is imprisonment.' (Appendix 2)

While Interviewee C said:

'If the company is fine to be doing a ton of bad things then I it's my head on the block. I, I can go to prison. My name could be standing there. But right now I don't feel, I don't feel an enormous amount of pressure. I know that we're doing what we can, and we are taking relevant steps. I mean, there is always going to be kind of like a reputational risk out there,

but I I'm pretty self-assured in what we're doing, not to be super concerned right now'  
(Appendix 3)

and also said:

'you're always aware of some form of risk, but I don't let it not let me sleep at night. There's too many other things stopping me from sleeping at night to worry about my reputation. '  
(Appendix 3)

Interviewee R said: 'it's always something that's in the back of your mind and, you know, I know that I'm the one that's countable' (Appendix 4), but then she said:

'I don't worry about it from a reputational perspective as long as I know we're doing a good job and we're doing everything we need to, and I'm doing my job properly, I'm comfortable with where I am with that.' (Appendix 4)

Interviewee M said: 'I think as an MLRO, you always, you always think, if you did do the work, good enough. Did you do the research? Good enough?' (Appendix 5). Ans when i asked her why is that a concern for her she said: 'because you, you put your name on that'. (Appendix 5)

### **Analysis of the Interviewees' answers**

When I look closely at the answers of the interviewees, I can clearly see the consensus regarding damage to reputation, as Interviewee A explained that it can be a concern to him, Interviewee T also explained that she sees the risk of damage to reputation which keeps her awake at night. I could see that consensus in the words of interviewees C when she explained that if the company accepts to do bad things then it is her head that will be on the block and

she will risk her name to be standing in the prison. She also explained that there can always be a reputational risk. Interviewee R agreed with the theory as well when she said that damage to reputation is something that is always in the back of the mind as she is the one that is countable. Interviewee M also said that she always thinks about her work if she did it good enough and she explained that the reason of that thinking is that she puts her name of that work.

Though all of the interviewees' answers explained their concern of damage to reputation, some of the interviewees put condition for fear of damage to reputation to happen, such as what interviewee C explained when she said that she does not feel an enormous amount of pressure about it as she knows that they are doing what they can and that she is confident of how things is done in the company where she works. Interviewee R also mentioned the same condition when she said that she is not worried about reputational damage currently, as she believes that they are doing good in their job in the company where she works. From this point, one can see that the fear of damage to reputation can be conditional to whether most of the employees in the company are doing their job well or not.

### **8.5. Under resources**

The author of the self-protecting theory explained that the MLROs receive unfair pressure by the organizational concerns, where he explained that it includes the under resources concern and the marginal management. He explained that the MLROs are lacking resources whether it is a human, time or financial resources. I asked the interviewees whether they are dealing with any kind of lacking in resources and their answers came as the following:

Interviewee A said:

'I think the managers know that this is an important area. That's why we have new employees this year, I think the financial resources has increased, and employees as well. We are expensive for the bank to do this test and all of this AML process, but they also know that the fines from the regulators can be very high if they don't do the monitoring the right way.'

(Appendix 1)

While Interviewee C said: 'there are enough for me to do my task properly, but there is always a privilege to be made.' (Appendix 3). But she also said the following:

'so since taking the job at this company a year and a half ago, I've only taken three days off work, because there's, there's not enough people to do the job.' (Appendix 3)

Interviewee R said: 'Yeah. We are like, we have a really good investment in risk and compliance.' (Appendix 4)

And Interviewee M said the following:

'I think most, most companies are experiencing a lack of resources, whether they can, they can be financial, or they can be in terms of not enough employees, etcetera. I think because the money laundering is getting bigger and the criminals are getting more advanced in their ways of lying and cheating.' (Appendix 5)

She also explained the following: 'So I think it's, it's a pressure for many companies and I think, some way or somehow it will always be a pressure.' (Appendix 5)

### **Analysis of the interviewees' answers**

When looking at the interviewees' answers, I can see a difference in the answers regarding the size of the resources they receive, and the reason for their differing answers may be due to the extent of the interest of each of the companies they work for in combating money laundering. Interviewee A, Interviewee C and Interviewee R expressed their satisfaction regarding the resources they receive, as Interviewee A said that the financial and human resources have increased, and interviewee C said that she has enough resources to do her tasks properly. Interviewee R said that they received a good investment in their department.

Interviewee M explained that most companies lacking resources when it comes to AML, and she explained the reason behind that by saying that the size of money laundering is increasing, which adds pressure on the companies.

Though the interviewees answers came different, I could see an indirect dissatisfaction in some of the interviewees' answers that did not have problems with resources, as Interviewee A explained that the resources increased this year, which can be understood that they had a lack in resources before this year and it just changed lately. Interviewee C also said that she only took 3 days off since she started her job a year and a half ago, because there are not enough people to do the job. Though she explained that lack in human resources, she did not express any kind of pressure or frustration regarding it, instead she said that she thinks that she is doing her tasks properly with no problem.

Through these answers, one can understand that the concern of the lack in resources does not necessarily develop unfair pressure to the MLROs.

#### **8.6. marginal management**

In this part the self-protecting theory talked about MLROs facing unfair pressure when they deal with the marginal employees, as they are not cooperating enough with the MLROs to provide them with the information they need, or they do not report to the MLRO if they notice any suspicious activities. I asked the interviewees whether they are dealing with this concern or not, and that was their answers:

Interviewee A said:

'I see it's getting better, in the beginning, maybe three or four years ago, many employees didn't know so much about the AML process. I think now, it's coming into more advices. They know more about it than before, so that's helping a lot.' (Appendix 1)

He also said the following: 'If they don't cooperate, we don't go in deep conversation with them, we talk to out managers about it.' (Appendix 2)

Interviewee C said: 'it very much depends on the person.' (Appendix 3).



Interviewee R said:

'I think it comes so like culture of compliance and we have a really strong culture, and we have really like concerted effort with our culture. So, you know, people know if I'm asking you for things, I need them. if I need access to data, they know I need it. you know, there's no questions asked, like it's not, any people will say no.' (Appendix 4)

And Interviewee M said:

'It's a tough thing because, you know, if, if you have the sales department, you would have, you would have a group of people who might be interested more in, you know, selling than, complying with the laws set.' (Appendix 5)

### **Analysis of the interviewees' answers**

The self-protecting theory explains that MLROs are facing unfair pressure because of the lack of cooperation between the marginal employees from other departments and them. The first Interviewee, interviewee A, explained that the level of cooperation with the marginal employees is getting better and he explained that three or four years ago, those employees did not cooperate as much as right now, and he said that the reason was that those employees did not know much about the AML. One can understand through Interviewee A's answer, that the problem exists, and one of the solutions for this issue is to provide knowledge about the AML for those marginal employees.

Interviewee C explained that this issue is different from one to another, which can be interpreted as this situation can happen in any company and its presence in any company is related to the type of employees that the company choose.

Interviewee R explained that she does not face any kind of uncooperating because they have a strong culture in the company. Through analysing her words, one can assume that a strong culture can prevent the marginal employees from being uncooperative in the company.

Interviewee M answers matched the self-protecting theory opinion, when she said that lack of cooperation of the marginal employees is a tough issue, and she connected it to the sales department specifically, and she explained that by saying that the sales department cares about the how much they sell more than complying with the law. Through that, one can connect the profit-oriented departments or companies with decrement of the cooperation level with the MLROs.

### **8.7. Protecting as a means of resolving the main concern:**

The author says that MLROs start doing their work with the aim of protecting themselves and not with the aim of stopping money laundering when they are exposed to unfair pressure, which leads to an increase in money laundering in companies. In the next part of the analysis, I will deal with the different methods of protecting mentioned in the theory, and through my analysis of the responses of the interviewees to my questions regarding these methods, I will try to understand whether and how they use these methods, for a deeper understanding of this issue.

#### **8.7.1. Reporting as a property of discharging**

The theory explained that MLROs report to protect themselves instead of preventing money laundering and they are doing that through two main ways: playing safe and defending.

##### **8.7.1.1. Playing safe as a property of reporting**

The author explains that MLROs report, activities to the regulators even if they believe they are low-risk activities so that they can fulfil the regulators expectations. I asked the interviewees, whether the regulators expect a specific number of reports from them, and if yes, do they over report to protect themselves or not, and the answers came as the following:

Interviewee A said:

'No, they don't require any amount. They require that we report every suspicious activity, but they don't care about the amount that we report every suspicious activity.' (Appendix 1)

While interviewee T explained the following:

'There is no over reporting, it's standard. It's what you've found and happened in that period. There is no required amount of, for example, suspicious activities, because it might be less' (Appendix 2)

Interviewee C said:

'No. We only have to report when, when we crossed this threshold of suspicion and so that can vary so much month on month or year on year.' (Appendix 3)

And Interviewee R said the following:

'So we report to the regulator, I think it's twice a year, but no, they don't say you should be reporting x amount of this report whatever's suspicious. And now there's no like expectation. So no, there's nothing like that.' (Appendix 4)

### **Analysis of the interviewees' answers**

The theory explained that the MLROs are reporting low-risk activities to protect themselves from the shifting expectations of the regulators, but none of the interviewees confirmed that

as Interviewee A said that they do not think about the amount of reports they send, and they report the suspicious activities only. While Interviewee T explained that they do not over report. Interviewee C also said that they only have to report when they see a suspicious activity, and Interviewee R explained that there are no expectations from the regulators currently. From these answers, one can realize that the interviewed MLROs are not using this protecting method, as they are not facing the shifting expectations concerns with the regulators they deal with. The interviewees are coming from different countries, working in different sized companies, and dealing with different regulators.

#### **8.7.1.2. Defending as a property of discharging**

In this part, the author explains that the MLROs usually have to defend their decision in front of their managers to report an activity to the regulators as the company may lose a customer for that decision. I asked the interviewees whether they do this method to protect themselves or not, and they answered the following:

Interviewee A said: 'Only if it's a problem, but you don't have to defend the reports.'  
(Appendix 1)

Interviewees T said:

'We have every month, I have to create a report, a monthly report within the institution. There is a board that sits, so we'll have an internal committee or a risk committee that has to review this. And this committee's role is literally to look at what has come out on that basis of the month. And this helps you to analyze and actually find fault within your system. But when it comes to investigating a suspicious activity, it's entirely up to me to do the right thing.'  
(Appendix 2)

Interviewee C said:

'So, Previously, I would have said, here's this report, read it before I send it off to the regulator. but now I don't. So I'm the person who has the most knowledge on these financial crime issues. I'm also the person that has ownership over them. it's not a business decision to do this and I want it to be separate from the business' (Appendix 3)

Interviewee R explained the following: 'No, I don't have to justify my decision to anyone, I am the analyst.' (Appendix 4)

And interviewee M said:

'No, because, because that's your job function as an MLRO and then you have the authority to decide whether this transaction, whatever behavior, is suspicious or not. So that's, that's your responsibility to figure out whether there's something that should be reported. Okay, so you don't need to have any approval from anyone as to what to do.' (Appendix 5)

### **Analysis of the interviewees' answers**

Through the interviewees' answers, one can notice that all of them explained that they do not have to explain their decision to their manager, as interviewee A said that he does not have to defend the reports. Interviewee T said that it is entirely up to her to do the right thing. Interviewee C also said that she is the person that has the ownership over the managers, which explains that she owns her decision when it comes to reporting suspicious activities, Interviewee R also said that she does not have to justify her decisions to anyone. And finally, interviewee M explained that she does not defend her decisions as reporting suspicious activities is her responsibility and she does not need to get any permission from anyone.

One can see here a conflict of answers between the theory and what the interviewees said, as the theory held that the MLROs always defend their decisions in front of their managers, especially when those MLROs align with the regulators, but all the interviewees have expressed that they do not defend their decisions, despite the majority of them are aligning

with the regulators as I will show later, which calls for a reconsideration of whether or not the MLROs actually use this method.

### **8.7.2. Learning as a property of discharging:**

In this part, the author of the self-protecting theory explained that the MLROs use learning as a property of discharging as a tool to protect themselves when they face unfair pressure. It has two main parts: training and networking. In the next part I will present and analyse what the interviewees said regarding the learning as a property of discharging.

#### **8.7.2.1. Training as a property of learning**

In this part, the self-protecting theory explains that the MLROs use training as a way to protect themselves from the unfair pressure at work, as they train employees of other departments on the AML laws and regulations so that they can help them in the process of tackling money laundering, to protect themselves more than to comply to the regulations. I asked the interviewees whether they train the marginal employees or not, and if it is important for them to train those employees, and that was their answers:

Interviewee A said: 'Yes. They have a yearly training program every year.' (Appendix 1). He also said: 'It is very important of course.' (Appendix 1) referring to the training program.

Interviewee T said the following:

'Training is very, very important. I think among all things, when it comes to the three lines of defence, looking at the first line of defence of protecting the company for money laundering is training.' (Appendix 2)

She also said:

'the most important thing with the MLRO is to provide adequate training. And when I say adequate training, it's not just going and reading the law and saying, this is what the regulation says, and this is how we look at money laundering, because that is just the principle of it. When I say adequate training, I mean tailor your training down to departments, understand the risks within that department and apply it to the regulations that need you to be used, so that people relate the law and to their practices of what they do. So what I give sales department is different to what I will give to marketing department, because the risks are different. So I think it's best for you to just get down and tailor it and break it down to understand their needs and apply it that way. ' (Appendix 2)

When I asked her whether she thinks that training protect her as an MLRO or not, she said:

'Yes. Because if I've trained you to know what you need to look out based on what you do in your department. I'm expecting you to do what is right'. (Appendix 2)

She also said:

'The training we give to them explains the consequences of it, the consequences in terms of reputation for the business, consequences to myself as the MLRO, in terms of our accountability and actually imprisonment, the consequences of the person who is involved.' (Appendix 2)

Interviewee C answer came as the following:

'every single person, every single year gets onto money laundering training. They get bribery and corruption training, and they get training on kind of simple things like internal fishing. they get trained on kind of GDPR. And law. so yeah, it's, it's a legal requirement for everybody

to receive this training. They don't only receive the training, but they also have to pass a test. so the, they have to achieve kind of the minimum standard, also certain departments who are kind of exposed to different things and like sales, like customer success. they'll also get additional training tailored to what they might see. So it kind of teaches them, like not to tip off a customer, what should they consider strange, Like how to spot like unusual behavior, whether are the red flags money laundering.' (Appendix 3)

And when I asked her about the importance of the training for her as an MLRO, she said:

'One is really important because it's legally required, and I didn't want to get pulled up for not doing it. and two, again, it's kind of stems back to the second way of us receiving, receiving these, like, AML flags. So like from people personally spoke to them, so it helps to keep our platform safe. sales are also the people going out and getting people into the platform. So I definitely, definitely want to ensure that our salespeople are aware of what happens in financial crime and how to spot it, because I don't want them going and waste one wasting their time on people who shouldn't be coming into our product, who are just going to be getting rejected by our compliance team. Anyway, but two, I don't want them to try and push these people through and get annoyed at us that we're blocking their commission when we're like, this is not a real company, please stop trying.' (Appendix 3)

Interviewee R said: 'Everyone has to have financial crime training and refresher training once a year.' (Appendix 4)

And Interviewee M said: 'Yes, we do give them trainings.' (Appendix 5). She also said the following regarding the importance of the training for her as an MLRO:

'I think, training is important for all employees because no matter which function you you're sitting in, if you should be, you know, you should be able to, to understand what is money laundering in general, what risk does it pose to the workplace that I'm in, what potential, you



know, risk can it pose to me also, I will try to give you an example, let's say you are a relationship manager, So your function is to find the customers, you know, for the company, and have them onboarded. So basically, your function is to, you know, gain more profit for the company. If you have not been trained in, Anti-money laundering you will not be able to determine, whether this customer did you bring in, into the company will pose this threat, potential threat in the future or not. This means that that you will keep bringing customers in and defending those customers without actually knowing if there are any risks or not by having this customer.' (Appendix 5)

### **Analysis of the interviewees' answers**

When looking at the interviewees' answers, one can see that it matched the assumption of the theory, that training is a tool to protect themselves, as Interviewee A said that it is very important for him, while interviewee T explained that she considers training as the first line of defence of protecting the company, which makes training very important. She also explained that training protect her as an MLRO as it explains to other employees the consequences she can face as an MLROs. Interviewee C also said that training is helping her to ensure that the sales department employees for example are aware of the financial crime. Interviewee M said explained that training is important, especially because it lets the other employees understand the potential risk that she can face as an MLRO, so it may be interpreted that training is a protecting tool for the MLRO.

Though all of them agreed that training is important for them as an MLROs, and it is a tool to protect themselves from potential financial crimes in the company, but some of them explained conditions to have this tool efficient, when Interviewee T said that MLRO must give a tailored training to employees from other departments, so training marketing department is different than training sales department for example, which will make the training fit the potential risk of each department. Interviewee C also mentioned the same point when she said that employees get tailored training.

### **8.7.3. Automating as a property of discharging**

The theory says that MLROs use specialised software to protect themselves against shifting expectation concerns as a source of unfair pressure. I asked the interviewees whether they think using software is important for them as an MLRO or not, and their answers came as the following:

Interviewee A said: 'It is the most important thing. If you don't have the right IT system, then you can't handle this amount of transaction. ' (Appendix 1)

While interviewee T said:

'Software is very important. We have rules in UK from the regulators that allow you to use automated services, to support your platform in terms of mitigating money laundering, based on the scale and volumes of your transactions to be able to mitigate it. So it is very, very important for us to have third parties that provide us with software that supports mitigating money laundering.' (Appendix 2)

Interviewee C said:

'So every single transaction that happens on our company's cards, no matter how big or small, it goes through our kind of detection system and it runs a series of kind of algorithms against the transaction, we match these algorithms against where we know our risks are for the company and kind of industry standards and we tweak them for trends.' (Appendix 3)

Interviewee R explained the following:

'Oh, it's crucial. It is everything. Like that, you know, all payment volumes are significant. Like we have very high payment volumes, and there's no way monitor for suspicious activity without using the systems. There's just no way we could do that. So yeah, it's completely crucial that we have good systems, accurate systems, scalable, automatic, all the rest of it. '  
(Appendix 4)

And interviewee M said:

'It is really important. You can invest in employees, a lot of employees, but if you do not have the technology. then, it will be difficult for all employees, and vice versa. You can have the greatest technology, but if you don't have, you know, competent people sitting right working with money laundering, it can also be challenging. Yeah. Because those two things I believe are dependent on each other, because, as a human being, as a person, you cannot monitor everything.' (Appendix 5)

### **Analysis of the interviewees' answers**

The author of the self-protecting theory said that the sMLROs use automating as a property of protecting themselves from the unfair pressure that they are exposed to from the shifting expectation and defective regulations concerns. All interviewees agreed on that using the automating tool is very important for them to tackle money laundering activities in the company. The self-protecting theory assumed that MLROs who work in small sized companies believe that using software is unnecessary, as they do not have to use it when they do not have too many activities or transactions. When looking at interviewee C answers regarding the importance of the software, she mentioned that they use the software and they do that on every single transaction as that helps them to detect money laundering, and since interviewee C works in a small start-up company, that may be interpreted that even small-sized companies require using automating tools to tackle money laundering.

#### **8.7.4. Dialogue, justifying and threat as a property of communicating**

The author of the self-protecting theory explained that MLROs use communicating to self-protect themselves from the unfair pressure. He divided it to dialogue, justifying and threat, as a property of communicating. The self-protecting theory explains that MLROs use dialogue to deal with the under resources concern or marginal management concern, as they begin to talk and negotiate with the employees from other departments to get the resources they need. The theory also explained that they can threaten other employees to motivate them to report suspicious activities to them. they also justify their needs when they deal with their company to receive the resource they want to get. I asked the interviewees about these tools and whether they use it at work or not and their answers came as following:

About dialogue property, Interviewee A said: ' We ask them by mail or by phone and if still we can't access it, then we ask our manager to contact their manager.' (Appendix 1)

and about if he Threaten other employees, he said:

'No, they know about it from the training they get, and if they don't cooperate, we don't go in deep conversation with them, we talk to our managers about it' (Appendix 1)

and when I asked him about the justifying property he said:

'Of course, they have other interests like sales, and customer satisfaction, but no, I don't see conflict, because they understand that we are centralized and that we check every customer and every transaction, and they know that if we ask for something, it's because this thing is required by law' (Appendix 1)

While interviewee T answers came as the following: when I asked her about the dialogue property she said:

'If you create a friendly approach and an open door policy, people are easy to be transparent with you rather than to be scared that you're going to say no. Policy of having an open door policy and a friendly approach to be able to advise and support.' (Appendix 2)

she also said:

'accountability comes down to various senior managers. So, my obligation is to ensure that these senior managers and I do understand what I need when I need it and write to them, to ask for it. And if I need to have training or understand what they do, then I can still call upon them to provide me with them because I don't want to have so many things as well, making people accountable for their own departments because they need to understand that.' (Appendix 2)

When I asked about if she threaten other employees she said:

'The training we give to them explains The consequences of it, the consequences in terms of reputation for the business, consequences to myself as the MLRO, in terms of our accountability and actually imprisonment, the consequences of the person who is involved, um, with that particular client, Them going down with the client because they've literally been a part of the money laundering system of integrating the funds because the client has placed them and they've decided integrate them on behalf of the client knowingly or unknowingly, or just being suspicious of it. But they did not act. So that's emphasis when you break it down that way to a person to understand that you bring the client, the client has that money. The client understands that we might have group calls here and there, and you are the person who is in charge of that client. If you do not really understand money laundering, as I am

explaining it to you and you do not do, as I'm asking you to do, and those funds come onto our platform and moved from our platform to go somewhere else. You have acted with the client and you will go down with that client. And yes. So that sort of creates a fear of people being able to remember.' (Appendix 3)

Interviewee C answer regarding dialogue property came as following:

'I make it a very, very big thing that, People know who I am, because it's very important that people are able to kind of come and speak to me if they have any concerns. So as much as we identify things through transaction monitoring, we also identify things through people.' (Appendix 3)

And about threat and justify, she said:

'I also make it very clear that if I come to you with a question it's very confidential, and you have to take it seriously. So, I kind of have this like fun sides to me where people like are not afraid to come speak to you, but also can have very serious.' (Appendix 3)

She also said:

'everybody in their training gets told, If I come and ask you a question, you have to give me the answer. you don't, you don't kind of speak to the customer about these things. You don't share this information. they're all told like one, like the legal implications, like. If they are fine to be facilitating something or withholding something. And this is, it's like a large case, like they could be prosecuted. I could be prosecuted. You could lose your license. we will lose, we will have financial damage. We'll have reputational damage. The company will close, and

everybody will lose their jobs. Everybody's told that and everybody looks pretty shocked.'  
(Appendix 3)

While interviewee M answers about dialogue came as following:

'So, the role of the MLRO is basically you know, going back to the persons, doing the case or the transaction, whatever, and talk to them to get the necessary information if it cannot be obtained otherwise.' (Appendix 5)

And about threat and justify properties, she said:

'As an MLRO, it's always important to speak to the person, about the consequences that are, for not in gathering more information from the customer, because MLRO cannot go directly to the customer. So, yeah, I could talk to the employee and maybe try to explain on a bigger level, what risk it poses if we do not get this information.' (Appendix 5)

### **Analysis of the interviewees' answers**

In the self-protecting theory, the author explained that when a company has a bad culture, their MLROs begin to become aggressive when it comes to communication and they start to use dialogue, justifying and threat to deal with that situation (Bello, A. U. ,2016). When looking at the interviewees' answers, one can see that all of them use dialogue to reach the data they need, they also justify and threat, some of them are doing it indirectly through the training and some others using it directly with the employees of other department. Although all the interviewees did not express any concerns regarding if their company has a bad culture, they still use these aggressive communication tools which is threat, justifying and dialogue, which is different than what the author explained in the theory. This calls for further research on why MLROs use these methods even when they have a good culture in their companies.

## 8.8. Aligning

The self-protecting theory explained that MLROs align with either their company or with the regulators when they are dealing with the unfair pressure. If the MLROs receive unfair pressure from regulators they will align with their company and if the unfair pressure is coming from their company, they will align with the regulators. I asked the interviewees whether they align with their companies or with regulator and that was their answers:

Interviewee A said:

'I think with both, because if, if you don't align with the bank, that's your employer. If you don't align with the regulators, then the bank's going to be in problems. So, I think it's both.'  
(Appendix 1)

Interviewee T response about who should MLRO align with: 'Regulators always.' (Appendix 2)

But then she said:

'But I would still say, you still have the business side as well, depending on the situation. Cause I told you, we are not drivers of saying no, no, we are drivers as well of being strategic. And as the current environment addresses the issues of really having to push a business to stay afloat. One of the things that is required is for you to be very strategic. And when I say strategic, we're working with, you know, understanding the business drivers, understanding it in advance before it's done so that you can, you can sort of mitigate anything that would stand in the way to stop them.' (Appendix 2)

And she also said:

'So, your balance now is that I would still see it in the strategic meetings or the business development as an independent person, giving the approach from the regulator perspective.'



We ensure that their strategic vision is compliant and is still following the principles of what is expected under the license. So, you have that sort of balance. So, we are being able to balance it out, but you still have the strategic vision.' (Appendix 2)

Interviewee C said:

'We have to align with the regulator. Our job is, facilitating the, the regulation in a way that kind of also like serves a purpose for the bank. but the interest is not doing things for the reason of the bank or the financial company. Like we're the safeguard. So, I'd say like, we have to, we have to align with the regulator.' (Appendix 3)

And interviewee M said:

'I think, as an MLRO, you, you take the responsibility of, of doing your work, which is, you know, obeying the regulations that they are on the AML field. And this is not a, because you know, I'm not saying this because I am an MLRO, you know, it shouldn't be the fear that drives you to do the right thing. It should be the fact that this is your role. Your role is to be the investigator and your role is to, you're not the one catching the criminals, but you're the one helping in the process because you're the one filing it to the regulators' (Appendix 5)

### **Analysis of the interviewees' answers**

The theory explained two situations when MLROs decide who they align with, either they align with the company where they work, or they align with the regulators. When analyzing the interviewees' answers, one can see that two of the interviewees explained that they align with the regulators, as interviewee C explained that they are the safeguard, and they must align with the regulators. Interviewee M also said that the MLROs must take the responsibility of doing their work which is following the regulations. But what is interesting in the interviewees' answers are what the interviewee A and interviewee T said, as they both

explained that they have a balanced alignment between their company and regulators, as interviewee A said they if he does not align with the regulators, his company will have problems, and in same time, he must align with his company as it is his employer. Interviewee T also said that they are balancing it out through ensuring that the strategic vision of the company is compliant with what is expected from her as an MLRO. Through these two interviewees, one can see that MLROs have another way to align else than choosing between their company or the regulators, which is a balanced alignment between both the regulators and the company.

### **8.9 MLROs' Ethics**

The author of the self-protecting theory also explained that ethics can determine whether the MLRO will align with his company or with the regulators. As if the MLRO has high ethics, he will align with the regulators if his company let money laundering activities pass through, while if he has a low ethical value, he will align with his company instead of aligning with the regulators. I asked the interviewees how important it is to be ethical at work and that was their answers:

Interviewee A said:

'Oh, it is very important because I mean, if, if I don't report something suspicious, then it's not going to come out to the regulators and then they cannot find any, how can you say, money laundering. Oh, that's terrifying thing. So, I think it's an important part of our job' (Appendix 1)

Interviewee T said:

'It's very important, absolutely important. Ethics comes within one of the top things. If you don't have good ethics, and governance, then your ways of working is going to be really complicated and hard because there's absolutely nothing that you want to do is going to be easy for you to implement and have it in place.' (Appendix 2)

she also said: 'So ethics is very important, you cannot, you won't be able to stay. you just feel overwhelmed and you have to leave.' (Appendix 2)

While interviewee C said:

'Oh, God, it's super important because if you weren't effective, you'd never sleep, yeah. One like you just be wasting your time. Like you're very, you have a really long list of things to do. You have a long list of, of things you need to achieve. So yeah, I think you can't be in this job and be ineffective or unethical.' (Appendix 3)

And interviewee M said:

'I think as an MLRO where you sit, you should be ethical, especially if, if it goes, you know if you're saying that the cases that, okay, we, on the one side we have the company who wants profit and on the other side, we have the regulators, your moral or ethical perspective should be more.' (Appendix 5)

### **Analysis of the interviewees' answers**

The theory explains that ethics can be the thing that makes an MLRO determine which side he should align with. Interviewee A confirmed this point when he said that without good

ethics, he would not come out to the regulators, which can be explained that good ethics drive you to align with the regulators. Interviewee M also said that she has to be ethical when she works as an MLRO so that she aligns with the regulators.

Although the self-protecting theory connected MLROs who have bad ethics with aligning with their companies, Interviewee T explained another dimension of this situation when she said that if an MLRO has a bad ethics and he is working in a company with a good culture, it can lead him to leave the job and resign instead of aligning with any side, as his ways of working will be complicated and nothing he wants to do will be easy. It can be interpreted that the condition of alignment between the MLRO and his company requires a positive relationship between the company's culture and the MLRO's ethics. In other words, if the company has a good culture, it will not go along with an MLRO with bad ethics as their goals will be different, the MRLO will leave the company.

## **9. Conclusion**

Through what was presented in the previous section, I have reached several conclusions regarding the MLROs concerns and how they behave when they face these concerns:

Regarding the MLROs' concerns, in the self-protecting theory, the author explained that the MLROs see the watch list as a source of unfair pressure, especially when it is rare that the watch list is succeeding in tackling money laundering. My finding regarding the watch list is that it is not necessary to be a source of unfair pressure as the MLROs I have interviewed understood its value, even though they mentioned the watch list is not working effectively, which can be interpreted that if the MLROs understand the importance of using the watch list, it may not be a source of unfair pressure anymore.

About the shifting expectation concern, I found out that the majority of the interviewees did not align with the self-protecting theory, and that may be interpreted by that the appreciation and understanding the importance of the MLRO role may clear the pressure away from the MLROs.

When it comes to the damage to reputation concern, I could find out that its occurrence may be conditional to whether most of the employees of the company are doing their job well or not.

I also found out that a lack of resources may not necessarily develop unfair pressure to the MLROs, as a majority of the interviewees did not express any frustration or feeling of unfair pressure though some of them suffered from lack of resources.

The self-protecting theory also mentioned that lack of cooperation between marginal employees and the MLROs can be a source of unfair pressure. Through the interviews I have conducted, and the analysis, I found out that lack of cooperation may happen in any company and its presence depends on the type of employees that the company hire and choose. I also found out that when a company has a strong culture, that may prevent the marginal employees from being uncooperative with the MLROs. My last finding regarding the marginal management concern, is that one can connect the profit-oriented departments in the company with the low level of cooperation with the MLROs in the company.

When investigating the MLROs' means of protecting, I found out that MLROs usually do not use the playing safe method of protecting, which might mean that many regulators have changed their approach to the MLROs in terms of the shifting expectations.

Regarding the defending as a means of protecting, I found out that all interviewees I have interviewed do not use this method, though most of them align with the regulators, which calls for a reconsideration of whether the MLROs use this method or not in general.

When it comes to training other employees, I found out that though all interviewees agreed on the importance of the training, they explained that there are specific conditions so that this tool becomes effective for them, which is to tailor the training so it fits each department and its risks.

The self-protecting theory mentioned that using automation in the small-sized company is not necessary. Through the interviews and analysis, I found out that one the interviewee C who works in a small start-up company mentioned that they use the software and that helps them to detect money laundering (Appendix 3). This might mean that even small-sized companies need to use software so that they manage tackling money laundering.

Another finding I have reached, is related to the dialogue, threat and justifying as a means of communicating to protect the MLROs, the author of the self-protecting theory mentioned that the MLROs use the dialogue, threat and justifying whenever they work in a company with a bad culture. What I found out through the analysis and interviews that though all the interviewees did not express any concerns related to if their company has a bad culture, but they are still using the dialogue, threat and justifying, which calls for further research on why the MLROs are using these methods even if they are working in a company with a good culture.

I also had findings regarding the alignment of the MLROs, as the self-protecting theory assumed that the MLROs aligns either with the regulators or their companies, but what I have found out is that there is a third option they may choose, which is a balanced alignment between both the regulators and the company, as it appeared in the interviews and was explained in the analysis chapter.

Finally, when it comes to ethics, I found out that although the self-protecting theory has mentioned that the MLROs who have bad ethics align with their companies, but what came out of the interviews and analysis is partly different, as interviewee T explained that if MLROs with bad ethics are working in a company with a good culture they will not be able to continue working in that company and they will have to resign and leave instead of aligning with either their company or the regulators, especially because they will find out that nothing they want to do will be easy and their ways of working will be complicated (Appendix 2). Thus, one can say that to have an MLRO who aligns with his company, it may be required to have a positive relationship between the company culture and the MLROs ethics, which means that if the company has a good culture and the MLROs has a bad ethics, the MLROs may not be able to align with the company.

This study attempted to explore the money laundering reporting officers' concerns and their behavior when it comes to these concerns, as few researchers have focused on MLROs in general though their role are central in the world of combating money laundering (Anon, 2012).

Through all of the above, I can now answer the research question, as it is not necessary for the MLROs to be exposed to the unfair pressure resulting from all the situations mentioned

in the self-protecting theory. I also found that when the MLROs are exposed to the unfair pressure, their behavior is not necessarily protecting themselves instead of preventing money laundering. This is contrary to what the self-protecting theory concluded.

As a conclusion of all of the above, it is clear that there is a need for further research on this topic for a better understanding and deeper analysis of what the MLROs face for a better prevention of money laundering activities and a stronger economy.

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