

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SMALLER BANKS SECTOR

HSBC Australia

HSB06QON: **Dr MULINO:** I've asked this of all the big four banks: it would be useful if you were able to provide some data on HSBC's investment in AML/CTF in terms of both headcount and dollar expenditure on IT, for example, for the last decade or so, just for us to get a sense of trends in the investment by the firm in capacity and resilience in relation to this set of risks.

Mr Mclean: We'd be very happy to follow up with that data. I don't have the data off the top of my head.

Answer: While we have not published specific details regarding the amount of our investment to date, HSBC takes an entity-wide approach to AML/CTF compliance with financial crime risk management embedded throughout the business, including the front line. This includes building dedicated teams of financial crime specialists, which have been significantly strengthened over recent years particularly in the front line. Our dedicated second line Compliance function, led by senior experienced personnel, brings together all areas of financial crime risk management within the bank. This includes a Financial Crime Threat Mitigation capability to leverage intelligence, investigations, analytics, technology and public-private partnerships in the fight against financial crime. We have also invested significant time and money to make sure all of our employees are properly equipped to combat financial crime. As a minimum requirement, all HSBC employees must complete mandatory on-line learning in areas such as sanctions and anti-money laundering every year, with individuals in higher risk roles receiving targeted training specific to their role. We are also integrating financial crime risk management practices into our day-to-day processes.

Technology plays a crucial role in our fight against financial crime. Over recent years we have substantially improved our IT infrastructure to spot and analyse financial crime, investing in new and upgraded systems. Today, globally HSBC screens more than 689 million transactions across 236 million accounts each month for signs of money laundering and financial crimes. But we continue to refine our approach. In partnership with IT, we have built a single environment that, to the maximum extent permitted by law, brings together customer and transaction data from across HSBC's international network and external sources - helping us share information globally to manage financial crime risk effectively. We are also working with and investing in a number of financial technology (fintech) firms that can help us achieve this. For example, in 2019, we became the first bank to introduce a system that will automatically screen all our trade finance transactions for potential signs of financial crime.

Over the coming years, we aim to evolve our approach further by applying advanced analytics and artificial intelligence to financial crime risk management. This will help us to overcome some of the limitations in the current industry-wide approach that uses a small amount of available information and results in a high number of false alerts. This new approach, which we are calling intelligence-led financial crime risk management, will help us make a step change in our effectiveness at fighting financial crime and set a new standard that aims to lead the industry. We

will be faster and more accurate at detecting suspicious activity and in our risk assessments. We will also generate insight that we can use ourselves and provide to law enforcement to help keep criminals out of the financial system for the benefit of the bank, our customers and society at large.