

CFRED's Forty-Sixth Corporate and Finance Law Seminar:

**Calibration in AML Systems of Banks and Limits to
Automated Control Processes in Compliance**

by

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Chaired by: **Prof. Sandra Marco Colino**, *Faculty of Law, CUHK*

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The CUHK Graduate Law Centre, 2/F Bank of America Tower, 12 Harcourt Road, Central

Increasing regulatory requirements in the areas of anti-money laundering (AML) and countering the financing of terrorism (CFT) impose customer due diligence on certain businesses and professions as “obligated parties” or “obliged entities”. Credit institutions (banks) and financial institutions as highly regulated legal entities at global, supranational and national level qualify as such “obliged entities” upon recommendation by the Financial Action Task Force (FATF) and as set forth in the recent 4th and 5th European Union (EU) AML Directives implemented by the EU member states. Also, specific natural or legal persons in exercise of their professional activities are defined as “obliged entities”. More than any other “obliged entity”, banks are challenged by these AML and CFT requirements due to the data volume they are facing and the complexity of financial regulation they are subject to: new banking supervisory regimes like the EU’s Single Supervisory Mechanism (SSM) and its Supervisory Review and Evaluation Process (SREP) have created a link between banks’ failures in internal controls (and other assessments of core elements of a bank’s governance and business) and supervisory measures towards the bank like additional capital requirements, submission of restoration plans, limitations to the business or removal of board members. In addition to these supervisory measures, administrative sanctions as provided for in the 4th EU AMLD can be public statements, legal orders, withdrawals of banking licence, management bans and financial penalties. Such administrative sanctions, particularly (punitive) damages and loss of reputation can have an enormous impact on the bank.

A key element for banks to master these challenges is the operation of automated control processes using information technology (IT). And within automation calibration is an indispensable tool. Calibration in this context is the customization of selection criteria by banks when identifying suspicious individuals or transactions in their customer data. The strategies for calibration have always focused on AML and CFT because this is where calibration is the most relevant due to the data volumes and the complexity of compliance risks. That development has been accelerated by recent overall digitalization efforts in the credit industry as result of continuous enhancement. This research aims to accomplish the following: First, to identify the most relevant calibration methods in banks’ automated AML control systems, also considering the regulatory requirements for customer due diligence. Second, to analyse the first level role of business operations departments versus the second level role of compliance in automated control processes. Third, to examine regulatory and supervisory limits to automated control processes using the example of calibration in controls of politically exposed persons (PEPs), sanctions and embargos.

All are welcome!

Admission is free of charge!

To join us, please register your interest [here](#) by 30 October 2019

ABOUT THE SPEAKERS:



Dr. Michael H. Meissner, LL.M. has more than 20 years of experience in international financial regulation, banking law and compliance. He currently heads the compliance department of triple-A rated German L-Bank and serves as its chief compliance officer. Michael started his legal career as associate at the New York offices of Clifford Chance and Simpson Thacher & Bartlett. After returning to Europe, he became a partner at Deloitte Legal and subsequently Dechert. Michael has taught banking and finance law as well as compliance at London Business School, the University of St. Gallen and the Chinese University of Hong Kong, Faculty of Law.

He holds a Ph.D. in law magna cum laude from Saarland University, Germany and a Master of Laws (LL.M.) from the University of California, Los Angeles (UCLA) School of Law having been awarded the UCLA International Graduate Fellowship. Michael is admitted as Attorney at Law in New York and as Rechtsanwalt in Frankfurt, Germany.

His research and publication interests are in the areas of banking law, comparative law, compliance, corporate finance law, financial regulation and legal theory. Michael likes spending time with his wife and daughter and enjoys traveling, museum visits as well as playing tennis.