

IMPORTANCE OF LONGITUDINAL STUDY DURING REMEDIATION IN  
ANTI MONEY LAUNDERING FORENSIC INVESTIGATIONS

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**Abstract:** Anti Money Laundering is an important area of study in the field of forensic studies. However, longitudinal study as research methodology used in analysis of potential suspect on whom red alert is generated needs important consideration. Hence, an attempt is made to highlight the importance of research methodology in anti-money laundering alerts.

**Keywords:** Research, Methodology, Study, Suspect, Sample, Data, Review

**INTRODUCTION**

Research methodology can be defined as extensive search of knowledge. According to The Advanced Learner's Dictionary of Current English, "a careful investigation or inquiry specially through search for new facts in any branch of knowledge."<sup>1</sup> The word knowledge is very important to note in the field of forensics. In forensics, knowledge about the activities of the suspect or the offender unless can be recognized by studying various open source information, it will be difficult to arrive at a reasonable conclusion whether the potential suspect is a prospective offender or the alert generated by machine is a false alert.

The primary purpose of research is to find out answers to a question by deploying scientific methods. Some of the objectives that can be summarized are as follows:

- To gain new insights into the area of investigation, i.e. formulative studies
- To examine the characteristics of an individual, group, or a situation, i.e. descriptive research studies
- To determine the frequency with which the situation or event or an activity is happening.
- To understand the causal relationship between the Alert generated and the Profile of the customer.

In research we deal with variables like dependent and independent variable. Independent variable can be defined in case of anti-money laundering domain as Profile of the customer and the dependent

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<sup>1</sup> 1 The Advanced Learner's Dictionary of Current English, Oxford, 1952, p. 1069.

variable is the Potential Alert generated by the Artificial Intelligence. Here, it is pertinent to note that any changes in the profile of the customer can trigger an alert.

## LONGITUDINAL STUDIES

In this kind of research study, researchers try to examine an individual over a period of time and the changes in his activity. As per Lauren Thomas, “Longitudinal studies are a type of correlational research in which researchers observe and collect data on a number of variables without trying to influence those variables”.

It is very important to consider an important word in the above definition which is “without trying to influence those variables”. This is because in the field of Anti Money Laundering where we are trying to examine an individual we cannot afford to change the data of his activity that he has undertaken or created over the period of time. This would lead to “tampering of evidence”.

An important thing to note is why this paper called anti-money laundering (AML) research as longitudinal studies. In AML, we study the same individual over the period of time. A customer is onboarded with the bank under three primary categories. High Risk, Medium and Low Risk Category. On the basis of the risk category, we undertake due diligence or investigative research as per forensic jargon on that customer. Many high risk customers are examined every 6 months or so. This implies that the same individual despite not conducting any suspicious activity shall be examined as required by the geographic AML regulations.

## LONGITUDINAL RESEARCH FOR PROFILING

Since we are now well versed with the concept of longitudinal studies in the Anti Money laundering (AML), we can now focus our attention what should we study while examining these customers which can be innocent or can be a threat to the reporting entity.

- During the remediation process, we verify whether the official records of the customer carry same information whether biometric or non-biometric as entered during commencement of relationship with the reporting entity (RE). This can include any change in the occupation status of the customer as well. Here the longitudinal study is undertaken by the forensic investigator by going back to the “Account Opening” date data and matching with financial activity in his statements.

- Most investigators adopts cross-sectional study of statements, i.e. “period of review” which can vary as per SOPs of the RE. However, if longitudinal study is undertaken, i.e. 2 years examination of account behavior, it will give granular picture.
- Innocent customer at 18, can be a criminal at 28 years of age. Most investigators adopts “benefit of doubt” approach. Here screening plays an important role. To rule out any adversaries, screening of atleast 1 year can be taken. Careful Discounting Techniques (CDT) are of utmost importance.
- Social Media Screening (SMS) is getting adopted by many REs. When your customer is appearing innocent and his OVDs (Officially Verified Documents) are too good to be true, SMS plays an active role. Its very important to gather maximum data related to customer from various social media platforms. This gives the investigator a better idea about his customer and can narrow down his investigation. Example can be your customer posting consuming “hash” or other “psychotropic substance” on facebook can be cool among his friend list but can give you enough signals that those small debits can be towards “psychotropic substance” as well.
- Reassessment of the Risk Ratings may be necessary. Customer was working in telecommunication company, suddenly refuses to disclose his employment in periodic remediation is another area to be looked upon.
- Analysis of Transactions with the forecasted account activity or expected account turnover is the most crucial area of drafting the behavior pattern of the customer.<sup>2</sup>
- While reviewing transactions, we need to gather loads of evidences, percentage of money going out as transfers or bill payments to unknown third parties, and evaluating the rationale behind those transactions comes with astute knowledge when justifications like “loans, debt repayment, help, gifts” comes back as answers. It is important to note whether during previous analysis, what approach was adopted by the analyst, hence a longitudinal study is undertaken.

## **IMPORTANCE OF LONGITUDINAL STUDIES**

- It helps in understanding changes over the period of time, and can examine these changes as well.<sup>3</sup>

<sup>2</sup>

(<https://shuftipro.com/blog/periodic-to-perpetual-kyc-the-changing-landscape-in-banks/#:~:text=The%20Periodic%20KYC%20Process&text=Review%20of%20the%20customer's%20information,to%200identify%20any%20material%20changes>)

- It helps the researcher to create an order of key events and experiences in the customer lifecycle with the bank.
- It is a dynamic concept rather than a static one. This allows the forensic experts dealing with behavior analysis to explore different shades of behavior of their subject of study.<sup>4</sup>
- Such data reveals causal relationships more accurately.<sup>5</sup> The rationale behind alert trigger and profile of the customer is of utmost importance.
- Another benefit that can be summarized is to observe the changes in response of the subject of study.
- Detailed outlier analysis can be undertaken using longitudinal studies as study of transactions over a period of time can indicate outliers that can be the common feature in few time-period. Some crimes are seasonal in nature, hence outlier can be only observed in particular season. For example, the recent illegal Hilsa export to India via Bangladesh and the cash proceeds generated out of it can only hit bank accounts during the period of monsoon in West Bengal.<sup>6</sup>

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WORDS SPEAK

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<sup>3</sup> (<https://www.verywellmind.com/what-is-longitudinal-research-2795335>)

<sup>4</sup> (<https://learning.closer.ac.uk/learning-modules/introduction/what-can-longitudinal-studies-show-us/strengths-of-longitudinal-studies/>)

<sup>5</sup> <https://wol.iza.org/articles/why-do-we-need-longitudinal-survey-data/long>

<sup>6</sup> (<https://swarajyamag.com/business/how-bengalis-craze-for-hilsa-is-being-met-through-illegal-imports-from-bangladesh>)