

2003-03-12

BANKS ACT CIRCULAR 6/2003

TO ALL BANKS, BRANCHES OF FOREIGN BANKS AND MUTUAL BANKS

WARNING AGAINST INFILTRATION OF WEST AFRICAN ORGANISED CRIME CELLS INTO BANKS IN THE UNITED STATES OF AMERICA AND EUROPE

1. Introduction

The purpose of this circular is to advise banking institutions of incidents that have been brought to the attention of this Office, namely, that West African organised crime cells have been infiltrating banks in the United States of America and in Europe in order to commit fraud.

Two articles in this regard were recently published in the foreign financial press.

West African organised crime cells infiltrate banks by placing individuals in banks, where they will be in a position to gather sensitive customer information or to compromise the systems of banks. Call centres are frequent targets. Details of customers are used to commit fraud or to transfer funds abroad.

2. Request to exercise caution and report apparently fraudulent Websites

This Office, therefore, wishes to advise banking institutions to exercise caution when appointing new staff members, especially staff contracted on a temporary basis.

It has furthermore come to the attention of this Office that criminal groups are creating illegal Websites destined to create the impression that theirs are the Websites of registered banks. Banking institutions are requested to report incidents of that nature that come to their attention to this Office, in writing.

3. **Management of operational risk**

In terms of the provisions of regulation 38 of the Regulations relating to Banks, the conduct of the business of a bank entails the management of risks, which includes operational risk. In view of the above, this Office wishes to emphasise the importance of the management of operational risk. Failure to understand and manage operational risks may increase the likelihood that some risks may go uncontrolled. Please note that, in terms of the New Basel Capital Accord an explicit capital charge may be raised against operational risk. Inadequate management of operational risk may therefore result in a higher capital charge in future.

It is, therefore, of utmost importance that banking institutions engage in developing sound operational risk-management practices.

4. **Acknowledgement of Receipt**

Two additional copies of this circular are enclosed for the use of your institution's external auditors. The attached acknowledgements, duly completed and signed by both the chief executive officer of the institution and the said auditors, should be returned to this Office at the earliest convenience of the aforementioned signatories.

C F Wiese
Registrar of Banks

The previous circular issued was Banks Act Circular 5/2003 dated 12 March 2003.