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EFFECTIVENESS OF ANTI-MONEY LAUNDERING PRACTICES IN SELECTED PRIVATE BANKS

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A thesis submitted as a partial fulfillment towards the requirements for the degree of Master of Banking and Finance (MBF)

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ABSTRACT

This research highlights on the analyzing the effectiveness of anti-money laundering (AML) practices of the private banks in Myanmar. It evaluates these practices of three selected banks: KBZ Bank, AYA Bank, and CB Bank PCL. The goal of the study is to identify AML practices and analyze the effectiveness of AML practices in these banks. The study employed both descriptive and analytical approaches, utilizing a combination of primary and secondary data. Primary data was gathered using a sampling method, with responses from 96 participants via Likert scale questionnaires, which were designed around five influencing factors related to AML effectiveness in the selected banks. Respondents included staff members from various levels across the three banks. Data from the survey was analyzed using SPSS, which produced results based on mean values, standard deviation, correlation coefficients, and regression analysis. The study found that staff training, Know Your Customer (KYC), and technology systems positively impact AML practices of the private banks in Myanmar, while AML policy and procedures, internal control and audits are not significant. The suggestion is that banks should implement a written policy framework, KYC procedures, AML controls, comply to the international regulations, and regular audits to prevent money laundering, and further research should explore AML practices of other banks and non-financial institutions.

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LIST OF ABBREVIATIONS

AML	Anti-Money Laundering
CFT	Combating the Financing of Terrorism
CBM	Central Bank of Myanmar
CDD	Customer Due diligence
CTF	Counter-Terrorism Financing
FIU	Financial Intelligence Unit
FATF	Financial Action Task Force
FinCEN	Financial Crimes Enforcement Network
FIC	Financial Intelligence Center
FIU-NRB	Financial Information Unit-Nepal Rastra Bank
ICT	Information and Communication Technology
KYC	Know Your Customer
ML	Money Laundering
MLRO	Money Laundering Regulatory Officer
OFAC	Office of Foreign Assets Control
OFSAA	Oracle Financial Services Analytical Applications
PLI	Placement, Layering, and Integration
PEP	Politically Exposed Persons
STR	Suspicious Transaction Reports
TF	Terrorism Financing
UNODC	United Nations Office on Drug and Crime

CHAPTER 1
INTRODUCTION

Globally, banks have a significant and expensive issue with money laundering. Encompassed under this category include embezzlement, bank fraud, credit card fraud, investment fraud, prepayment fraud, and bankruptcy fraud. The perpetrators use various financial goods and services to conceal the illegal sources of the funds (Sanusi et al., 2022). The internet, electronic banking, and digital technology have expanded money laundering beyond conventional methods (Aziz & Daud, 2022).

The banking sector relies on anti-money laundering (AML) to secure the financial system and combat financial crime. As essential organisations responsible for implementing anti-money laundering (AML), commercial banks must identify and prevent money laundering. Despite the fact that anti-money laundering (AML) policies are necessary for the smooth running of the global financial system, the enormous expenses associated with compliance might be a problem. On the other hand, if anti-money laundering (AML) policies are not carried out in an acceptable manner, banks may be subject to unfavourable repercussions (Biswakarma & Bhusal, 2023). In recent research, for instance, the large fines of $10.4 billion that have been levied on global financial institutions serve as an indication of the seriousness of AML compliance breaches (Sanusi et al., 2022). This report was published only recently. It is because of this that economic stability is undermined, financial markets are disrupted, and public faith in institutions is diminished. In view of the fact that banks are the preferred way of money transfer and the fact that illegal financial activities are becoming more sophisticated, it is of the utmost importance to grasp and enhance the effectiveness of anti-money laundering (AML) measures in private banks.

Money laundering is a complex offence that cannot be readily identified through a straightforward investigation, as it is executed by multiple parties and involves numerous layers. As a consequence of this, it has an impact not just on a limited number of persons and financial organisations, but also on society in its whole. The UNODC estimates that between two and five percent of global GDP is laundered yearly. For context, this amounts to 715 billion to 1.87 trillion euros annually. This makes effective anti-money laundering (AML) procedures more important than ever.

Intergovernmental Financial Action Task Force (FATF) was created during the 1989 Paris G-7 Summit. This was done to address the huge threat money laundering posed to banks and financial institutions (FATF-2022). Myanmar has been placed on the greylist and blacklist on numerous occasions, with the most recent blacklisting occurring in 2006 and 2016, respectively. Nevertheless, it was able to be removed from the FATF categories. It was placed on the greylist in 2020 as a result of strategic deficiencies. Myanmar was placed on the blacklist in October 2022 as a result of its failure to fully implement its action plan within the designated timeframe (dfdl.com, 2022).

The Central Bank of Myanmar (CBM) has clarified that Myanmar is not in the same status as North Korea and Iran, despite being on the FATF's backlist. The CBM emphasised that all countries are required to implement the 40 recommendations of the FATF, with Myanmar having implemented half of them thus far. Myanmar will be removed from the FATF's blacklist once it has addressed the counter-financing of terrorist regimes and anti-money laundering practices. The organisation will periodically assess Myanmar's progress. (2022, Stephanie). Blacklisting would tighten Myanmar's financial system, limiting remittances, humanitarian program funds transfers, and other essential transactions, thereby exacerbating extreme poverty and deprivation among the population.

AML legislation is designed to prevent money laundering by employing a variety of strategies, policies, and laws, as per Mahmud and Ismail (2023). The AML regime in Myanmar is regulated by the Anti-Money Laundering Law 2014 and the Counter Financing Terrorism Law 2014. To address the issues of money laundering, terrorist funding, and criminal operations revenues, this Act was enacted in 2014 and its rules were enforced in 2015. In order to safeguard consumers and prevent the generation of funds from illicit activities, Myanmar private banks are obligated to adhere to stringent regulations.

The effectiveness of AML practices is paramount for several reasons. Firstly, stringent AML measures ensure compliance with both local and international regulatory frameworks, thereby safeguarding banks from potential legal repercussions and financial penalties. Secondly, by implementing robust AML controls, banks can significantly reduce their exposure to financial crimes, thereby enhancing their operational security and financial health. Thirdly, the reputation of a bank is closely tied to its AML practices. Banks that are perceived to be diligent in preventing money laundering are more likely to attract and retain customers, investors, and correspondent banking relationships.

Thus, anti-money laundering (AML) practices in banking sector are essential to avoid terrorist financing, money laundering, and other financial crimes. They protect the financial system by preventing financial institutions from being used for illicit reasons, which helps stabilise the economy. Additionally, banks with strong AML frameworks demonstrate a commitment to ethical business practices and social responsibility, further reinforcing their reputation and trustworthiness.

1.1 Rationale of the Study

AML is a vital pillar for private banks, supporting regulatory compliance, financial security, and moral business practices. It acts as a first line of defence against the influx of illegal money, which has the potential to rock the banking industry and, therefore, the whole road economy. AML practices are crucial for maintaining the integrity of the banking industry and public confidence, not merely because they are required by law (amlyze.com, 2024). In addition to decreasing economic growth and causing fluctuations in interest rates and foreign exchange rates, money laundering and financing terrorist activities also undermine the legal sector, the capacity of the state to combat corruption, and the informal economy (Department of Money Laundering Investigation, Nepal, 2021).

Four state-owned banks, twenty-seven commercial banks, seventeen international bank branches, and three foreign subsidiaries are present in Myanmar (CBM, 2024). The "Big Three" private banks control the majority of the market. Three banks together hold two thirds of the nation's loans, deposits, and bank branches: Kanbawza Bank (KBZ), Ayeyarwady Bank (AYA), and Cooperative Bank PCL (CB Bank PCL) (Schellhase & Sun, 2017). Because of their standing and extensive policies, the three biggest private banks in Myanmar—KBZ, AYA, and CB—are the subjects of this research, which looks at the efficacy of their anti-money laundering (AML) practices. The analysis provides valuable insights into the effectiveness and implementation of AML practices in these banks, serving as a benchmark for other banks and contributing to a broader understanding of AML effectiveness in Myanmar. Myanmar, like many other countries, faces significant challenges related to money laundering within its banking system. AML practices are crucial for maintaining the integrity of financial institutions and preventing illicit funds from infiltrating the economy.

AML regulations in Myanmar have historically been less robust compared to international standards. However, efforts are underway to strengthen the legal framework and align it with global best practices. High-Risk sectors such as gemstone trading, real estate, and informal financial services, are particularly vulnerable to money laundering. Banks need to exercise due diligence when dealing with customers from these sectors.

Corruption and political instability exacerbate AML risks. Funds obtained through corrupt practices can easily find their way into the formal banking system.

Myanmar shares borders with countries known for money laundering activities. Effective monitoring of cross-border transactions is essential to prevent illicit funds from entering or leaving the country. Private banks need to improve their Customer Due Diligence (CDD) and Know Your Customer (KYC) procedures in order to detect high-risk clients, evaluate their wealth sources, and track transactions. This includes verifying customer identities, understanding their business activities, and reporting suspicious transactions. Programs for capacity-building and training are required to teach bank employees about AML legislation, red flags, and reporting obligations. It is vital to provide regular information on emerging risks. To enhance AML practices, Myanmar must work with international organisations like the Financial Action Task Force (FATF).

The global intensification of regulatory enforcement, with significant fines and legal consequences for non-compliance, underscores the importance of robust AML measures. The evolving nature of criminal activities, including those employed by lonewolf terrorists, cybercriminals, and e-commerce fraudsters, further highlights the necessity for effective AML practices. Beyond regulatory compliance, the reputation of financial institutions is at stake; a compliance crisis can severely damage brand image and erode customer trust, while efficient AML measures can significantly enhance institutional reputation.

The need to study the effectiveness of AML practices is particularly urgent in the context of Myanmar's developing banking sector. Despite efforts to establish regulatory frameworks, substantial gaps remain in the implementation and enforcement of AML measures. These gaps are attributed to insufficient regulatory oversight, a lack of comprehensive staff training, inadequate technological infrastructure, and a general lack of awareness about AML practices among financial institutions. Consequently, the financial sector of Myanmar is susceptible to money laundering operations, thus posing noteworthy hazards to the stability and soundness of the financial framework.

This research intends to assess the efficacy of AML practices in Myanmar's private banks, with a particular emphasis on AYA Bank, KBZ Bank, and CB Bank PCL. By examining the impact of AML policy and procedure, Know Your Customer (KYC), staff training, internal control, and audit processes on the reputation of banks and the trust of correspondent banks, this research seeks to identify areas for improvement and provide recommendations for strengthening AML compliance.

1.2 Objectives of the Study

The main objectives of this study are as follows;

(a) To identify the Anti-Money Laundering practices in the selected private banks.

(b) To analyze the effectiveness of Anti-Money Laundering Practices in the selected private banks.

1.3 Scope and Method of the Study

This study intends on the AML practices of selected private banks in Myanmar that are boosting their reputation and the trust of their correspondent banks.

To determine the degree of compliance with AML practices of the chosen private banks, including Co-operative Bank Public Company Limited (CB Bank PCL), Ayeyarwady Bank Public Company Limited (AYA Bank), and Kanbawza Bank Limited (KBZ Bank), both primary and secondary data are employed. The random sample approach with two stages is used for primary data collecting. Three private banks are chosen for the first stage, and in the second, the sample size was determined using Yamane's technique, which led to the selection of 96 employees from the 126 available. For second, the survey questions prepare by using 5 points Likert Scale. In this study, it uses to descriptive statistic method and quantitative research method.

1.4 Organization of the Study

This thesis is divided into five chapters. The first chapter introduces the study by outlining the objectives, scope, method, and its organization. The second chapter presents the theoretical foundation, covering the concept of AML practices, relevant previous studies, and the conceptual framework of the study. The third chapter provides an overview of the selected private banks in Myanmar, along with details about their AML practices. The fourth chapter focuses on analyzing the effectiveness of the AML practices in these banks. Lastly, the fifth chapter discusses the findings, suggestions and recommendations, and highlights areas for future research.

CHAPTER 2
THEORITICAL BACKGROUND

This chapter outlines the theoretical background related to the influencing factors, bank reputation, and the trust of the correspondent banks. The next section explores the underlying theories relevant to the study. The final section provides a review of prior research and presents the conceptual framework of the study.

2.1 Concept of Money Laundering and Anti Money Laundering

Money laundering refers to the process of disguising or hiding the true origin of financial assets in order to legitimize the use of illicit funds. According to Santosh and Leepa (2011), organised criminal groups utilise money that has passed through the process of laundering to finance their illegal activities and even, in certain cases, to carry out acts of terrorism.

The money laundering process is generally understood to consist of three distinct stages, though the complexity and sophistication of the methods used by launderers can vary. The first stage, placement, involves introducing illicit cash into the financial system through deposits, wire transfers, or other financial instruments. The second stage, layering, entails converting these illegal proceeds into different forms and executing numerous complex financial transactions to obscure the origin and ownership of the assets. This often involves buying and selling stocks, commodities, or real estate to complicate the audit trail. The final stage, integration, aims to present the laundered money as legitimate by providing plausible explanations for its origins. This stage often involves creating fictitious transactions and invoices to facilitate the return of the funds to the criminals (Santosh and Leepa, 2011).

Although it is not the oldest crime in the book, money laundering is quite almost at the top. The practice of money laundering has its roots in organised crime and dates back to the 1930s. The American mafia's control of launderettes is where it started. Gangsters there were making enormous quantities of money from prostitution, gambling, extortion, and the sale of illicit alcohol, and they had to provide documentation of a legal source of income (Davies and Saltmarsh, 1994).

Some policies, laws, and guidelines are called "anti-money laundering" (AML) to prevent people from earning money illegally. Money laundering, terrorist financing, and other unlawful financial transactions are identified and reported via AML procedures and processes. Preventing criminals from passing off "dirty money" as legal income is the ultimate goal, since it might affect the whole financial system (aratek.com, 2024). Harun (2004) states that the FIU works with regulatory and supervisory organisations, reporting institutions, and law enforcement agencies to ensure that the Anti-Money Laundering Act (AMLA) is properly applied throughout an organisation.

AML is a word used to combat financial crimes and money laundering. Every policy, rule, and legislation in the globe is part of the battle against money laundering. The purpose of these rules is to stop thieves from concealing money they have gained unlawfully. To spy on and keep an eye on financial crimes, illicit money flows, and money laundering in their communities, governments have established national and international organisations (innovatrics.com, 2024).

Regulatory compliance is fundamental, assessed by adherence to AML laws, regulations, and guidelines, with effectiveness measured by the number of compliance violations, fines, sanctions, and results of regulatory inspections. The detection and reporting of suspicious transactions are crucial, evaluated by the number of Suspicious Activity Reports (SARs) filed, their timeliness, accuracy, and regulatory feedback on their quality. Staff training and awareness programs must be effective, measured by training frequency, comprehensiveness, staff proficiency, and completion rates.

When discussing anti-money laundering (AML), "effectiveness" relates to a bank's policies, procedures, and systems' ability to identify, prevent, and mitigate money laundering threats. This capability is what we mean when we talk about "effectiveness." For the purpose of constructing a robust defence against illegal financial activities, it is essential to guarantee that internal controls are linked in a smooth manner, that regulatory compliance is maintained, and that cutting-edge technology is used. The Anti-Money Laundering Law of 2014 demands that all financial institutions comply. This legislation applies to all financial organisations and individuals. These requirements include such particular areas as the Know Your Customer, Customer Due Diligence (CDD) legislation, record keeping, ongoing due diligence and business relationship monitoring, reporting suspicious transactions, and internal controls. Other areas that are addressed include internal controls.

2.2 Anti-Money Laundering Practices

Anti-money laundering practices in banking are explored in this section. There are five elements of AML practices which are discussed as follows;

(a) AML Policy and Procedures

Businesses may better comply with regulatory requirements and safeguard themselves against the dangers connected with financial crime by implementing AML policy and processes. According to financial crime academy.com (2024), these policies specify the precise steps that businesses must take to stop money laundering, sponsorship of terrorism, and other illegal activity. The Anti-Money Laundering Law of 2014 states in Section 28(a) that banks must set up and put into place internal programs, policies, procedures, and controls in order to manage and reduce identified risks in an efficient manner. Monitoring and improving these policies and controls is necessary. According to Risk Management Practices of Banks 2020, the bank's policies should address money laundering and terrorism financing risks, including risk assessment, customer identification and verification, and due diligence, including enhanced measures for high-risk customers.

(b) Know Your Customer (KYC)

The Know Your Customer (KYC) procedure is an essential tool for assessing client risk and is required by law to comply with anti-money laundering (AML) controls. An essential aspect of successful Know Your client (KYC) is determining the authentic identity of a client, their financial transactions, and the level of risk they pose to the national economy (Priti Bhusal, 2022). According to Yusoff et al. (2023), KYC is an essential procedure that banks use to confirm the identification of their clients, profile their risks, and evaluate their financial situation. Typically, this comprehensive approach incorporates a Customer Identification Program (CIP), Customer Due Diligence (CDD), and Enhanced Due Diligence (EDD). The KYC process entails verifying client identity by gathering and documenting their name, address, date of birth, and government-issued identification. The purpose of this data is to analyse the operational behaviour of the customer and evaluate the potential for money laundering (Yusoff et al., 2023).

(c) Technology System

The United Nations Office of Drugs and Crime (2009) mandates that banks and other financial institutions must adhere to many regulations. An all-encompassing anti-money laundering and countering the financing of terrorism (AML-CFT) system should include legislative protocols that empower a nation to optimise international collaboration. It is imperative that the seamless incorporation of cutting-edge technology be given the highest priority in order to ensure that anti-money laundering (AML) activities are as effective as possible. A proactive approach against emerging risks is ensured by incorporating blockchain technology, machine learning algorithms, and automated transaction monitoring into AML standards. Regular updates and upgrades to technological systems are paramount, enabling the institution to remain agile and adaptive in the face of emerging risks. This proactive approach not only fortifies AML infrastructure of the banks but also underscores its commitment to staying ahead of illicit financial activities, safeguarding both its reputation and integrity within the financial sector (Yusri & Nurul, Nur & Sharifah ,2024).

(d) Staff Training

According to Shanmugan and Thanasegaran (2008), ensuring staff competence may be achieved by appropriate training techniques like AML programs. AML/CFT awareness is a component of AML practice. complementary legal, forensic accounting, and investigative skills for asset seizure and criminal cases. Additionally, the research conducted by Bahrin, Yusuf, Muhammad, and Ghani (2022) discovered that staff expertise positively affects the efficiency of the AML system. Adequate training and development programs for frontline bankers that focus on their capacity to recognise hazards linked to suspicious transaction reports (STRs) and effectively execute customer due diligence (CDD) procedures are one approach to guarantee staff proficiency. AML training ensures that bank staff are aware of the latest regulations, risks, and typologies related to money laundering. This training equips employees with the knowledge to identify and report suspicious activities. The banks conduct refresher training tailored to the varying levels of staff, ensuring that each employee receives instruction commensurate with their specific role in AML practices.

(e) Internal Controls and Audits

Internal controls as part of an AML program must generate mandated reports, surveillance, and records retention for compliance with the Banking Secrecy Act, FinCEN, and OFAC. These controls include policies, procedures, and processes to mitigate money laundering risks and support AML regulations, tailored to the specific organization and its risks (lowersrisk.com, 2015). AML audits are essential in assessing and improving a company’s internal control systems, policy and procedures to ensure that they comply with AML regulations. They not only assess the procedures in place, but also evaluate how employee adhere to these procedures in practice through sample testing (amlyze, 2024). In order to lower risk assessment hazards, the International Finance Corporation (2019) suggests AML rules, protocols, and internal controls. They have to adhere to local standards, prevent, identify, and report suspicious conduct, and set up robust internal control and risk management.

2.3 Effectiveness of Anti-Money Laundering Practices

Tang et al. (2010) explored the impact of China's AML policies on various facets, including the efficacy of AML legislation, regulatory measures, monitoring and analysis, investigative processes, and legal proceedings. In the AML context, effectiveness pertains to how well a bank's policies, procedures, and systems can identify, prevent, and address risks related to money laundering. This involves effectively integrating regulatory compliance, internal controls, and sophisticated technologies to create a robust defense against illegal financial activities. AML standards and regulations apply to all financial institutions. These standards include Customer Due Diligence (CDD), record keeping, continued due diligence and business relationship monitoring, suspicious transaction reporting, and internal controls (Amirah et al., 2018).

2.4. Background Theories of Money Laundering

This study condiments the three theories and one model. These are placement, layering, and integration (PLI) model, rational choice theory, crime opportunity theory, network theory and crying wolf theory.

(a) Placement, Layering, and Integration (PLI) Model

The Financial Action Task Force (FATF) presented this model, which delineates the three phases involved in money laundering. "Placement" refers to the process of bringing illegal money into the financial system, often by way of transactions or cash deposits. "Layering" refers to the use of intricate financial operations, such as several cross-border and account transfers, to obfuscate the audit trail. "Integration" is the process of reintroducing money that has been laundered into the legal economy so that it appears as genuine assets or income.

(b) Rational Choice Theory

Cornish and Clarke defined the rational choice theory in 1987. This theory posits that individuals engage in money laundering when the benefits outweigh the costs and risks. Money launderers weigh factors such as the potential profit from illegal activities, the likelihood of detection and prosecution, and the severity of penalties. By understanding the rational calculations of money launderers, authorities can design more effective deterrents and enforcement strategies (Cornish & Clark,1987).

(c) Crime Opportunity Theory

Reuter, P. defined the crime opportunity theory in 1983. According to this theory, criminal activity occurs when three factors come together: a criminal who is motivated to commit the crime, a target that is suited for the criminal, and a lack of proper supervision. Opportunities to launder money develop when criminals identify holes or gaps in the financial system that they might use to their advantage in order to wash illegal monies . Strengthening anti-money laundering measures can reduce these opportunities and deter money laundering activities (Reuter,1983).

(d) Network Theory

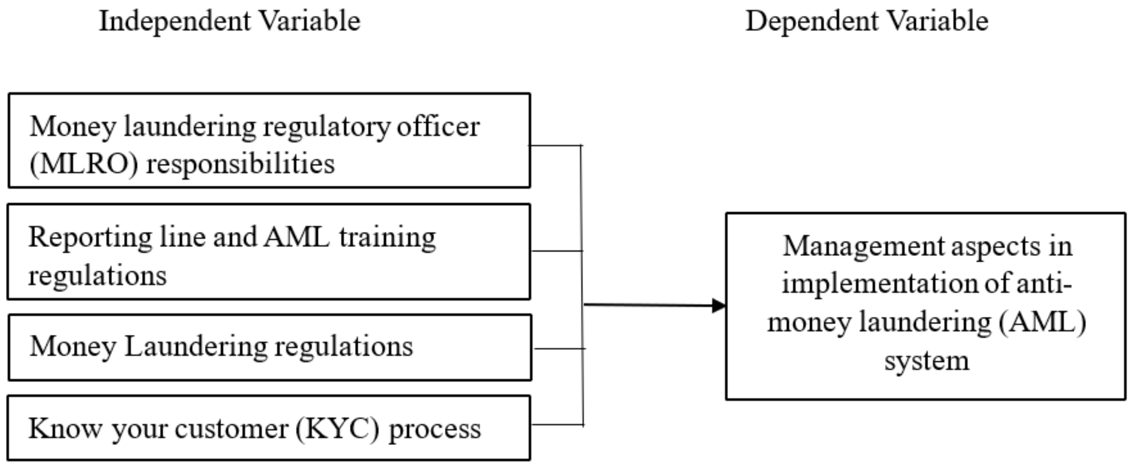
Passas, N. defined the network theory in 1999. Money laundering often involves complex networks of individuals, organizations, and financial institutions. Network theory examines the structure and dynamics of these networks, including how information and resources flow between nodes. By analyzing these networks, authorities can identify key players, detect patterns of illicit activity, and disrupt money laundering operations.

2.5 Previous Studies

The empirical research that served as the conceptual framework of the study is presented in this part. These are: management aspects in implementation of Anti-Money Laundering (AML) system, challenges and practices of Anti-money laundering and combating of terrorism Financing, Assessment on the role of Ethiopian private banks in combating money laundering and their effectiveness and implementation of Anti-Money Laundering Practices in Nepalese Banks.

Webb (2004) conducted a survey on the management components of the AML system installation. To get data for the research, personal interviews were carried out with the money laundering reporting officers (MLRO) of thirty distinct London banks, categorised as small, medium, and large. The framework to be used for the investigation is shown in Figure (2.1).

Figure (2.1) Management Aspects in Implementation of Anti-Money Laundering (AML) System

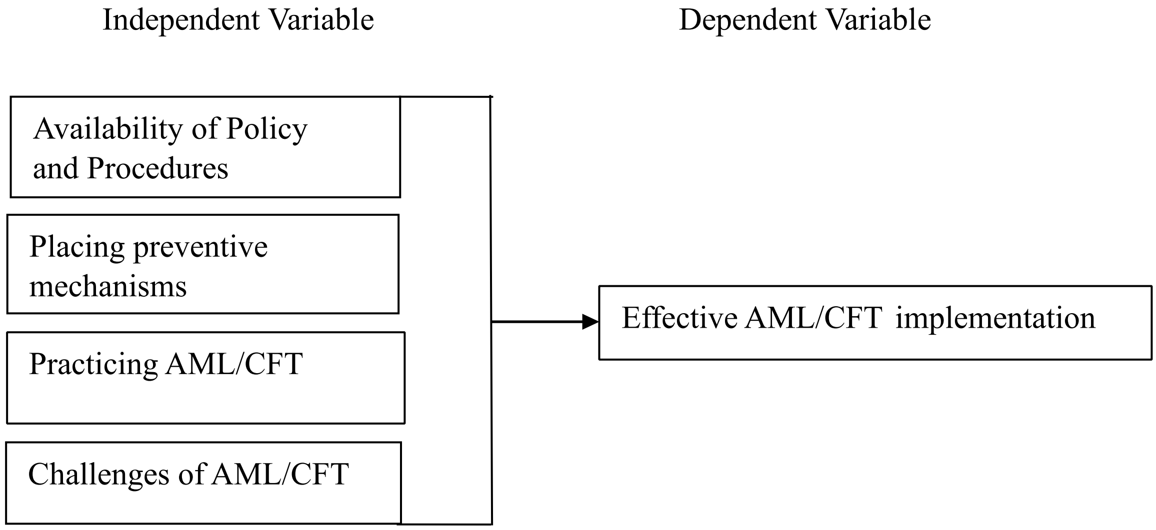


Source: Webb (2004)

Based on responses from employees at commercial banks, Ethiopian banks are fulfilling their obligations by implementing and practicing Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) measures. On the other hand, serious flaws were found in the countermeasures against terrorist funding and money laundering. The results showed that automated electronic customer or transaction screening systems are not present in commercial banks. Serious obstacles for banks also include the lack of a national ID system, list of Politically Exposed Persons (PEPs), inadequate technology to improve AML/CTF operations, and a lack of knowledge in the nation. Prioritizing improvements in AML/CTF practices are essential to ensure the effectiveness of preventive measures in the banking sector.

Bethelihem Addis (2019) focused on the prevention mechanisms employed by ethiopian commercial banks, the degree of compliance with AML/CFT practices by these banks, the policies governing AML/CFT, and the difficulties in putting into practice efficient anti-money laundering and counterterrorism financing procedures in Ethiopian commercial banks were the main topics of Bethelihem Addis' (2019) study.

Figure (2.2) Challenges and Practices of Anti-Money Laundering and Combating of Terrorism Financing

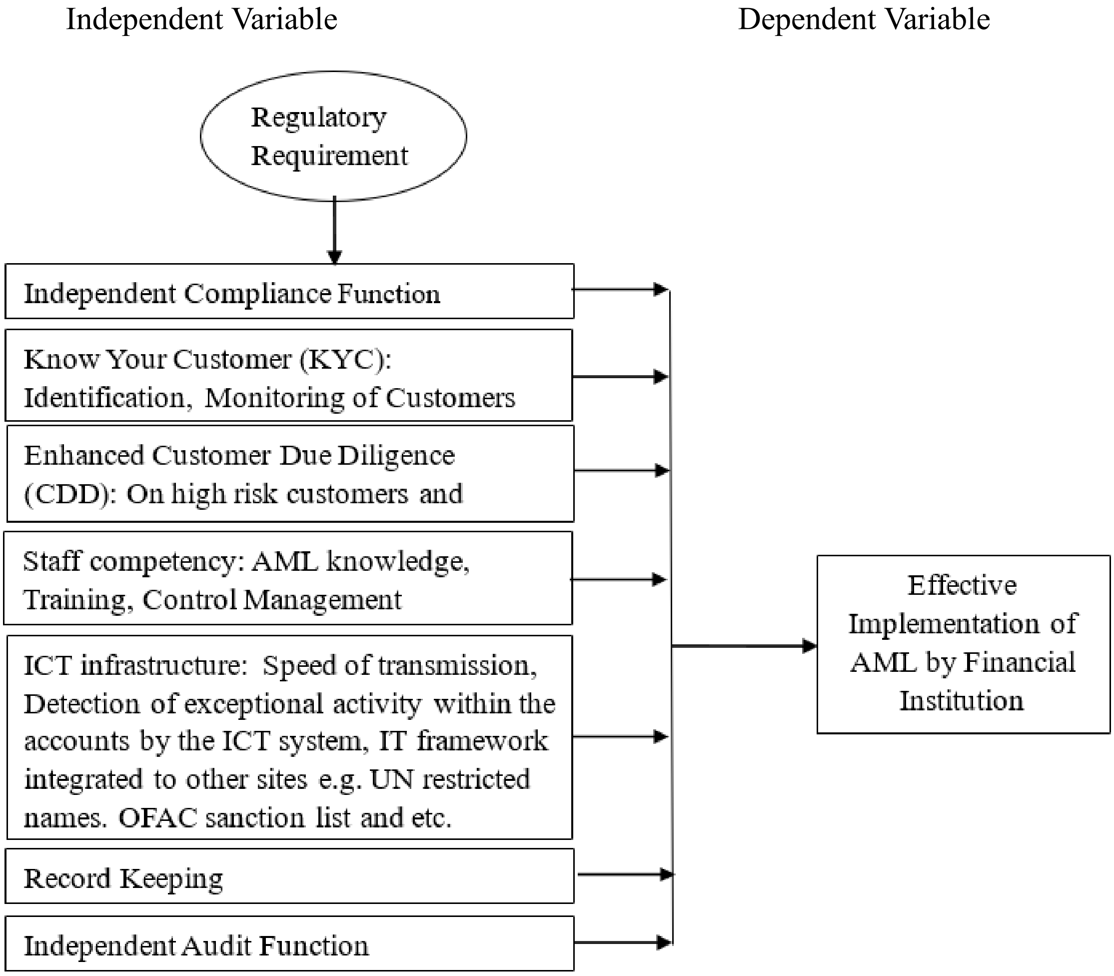


Source: Bethelihem (2019)

In Figure (2.2), this study showed that banks have effective compliance program, policies and procedures which is approved by the board. Enough resources are set aside for compliance management to operate properly, and an independent audit role is assigned to evaluate the efficacy of the compliance program. the study shows besides adopting policies and procedures and placing preventive mechanisms, banks are practicing the AML/CFT preventive mechanisms to protect themselves from criminals, launderers and terrorists with the exception of screening transactions and customers through automated system.

Solomon Ayalew (2016) conducted a study assessing how private commercial banks in Ethiopia contribute to combating money laundering, evaluating their effectiveness and compliance with regulatory requirements. Dashen and Berhan Banks are two of the sixteen private commercial banks in Ethiopia that will be the subject of the case study in the article.

Figure (2.3) Assessment on the Role of Ethiopian Private Banks in Combating Money Laundering and their Effectiveness



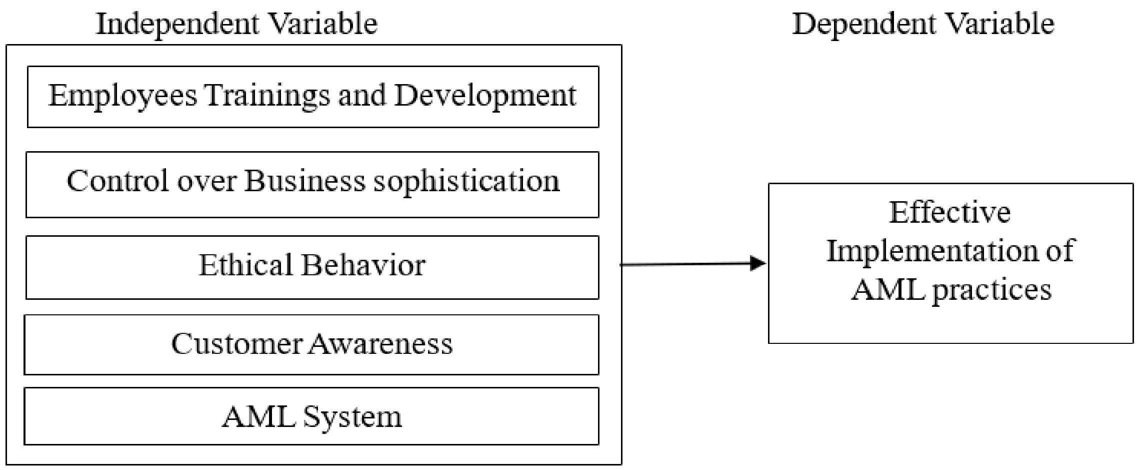
Sources: Solomon Ayalew (2016)

The findings of this study demonstrated that, although having complete jurisdiction to penalise any bank or financial institution that does not meet its standards of oversight, the Financial Intelligence Centre (FIC) has never done so. Although the main objective of FIC may not be to enforce fines on banks for violating Anti-Money Laundering/Countering Terrorism Financing (AML/CFT) regulations, these sanctions must still be effective in this aspect. The reason for this is that penalties imposed on banks must be effective in this regard. There are the challenges faced by banks in implementing AML rules and regulations; the absence of a standardized national identification card and a reliable government database for verifying individual identities to perform KYC and CDD processes; A shortage of trained personnel and a small number of staff assigned to compliance, particularly for AML implementation; inability to conduct enhanced due diligence on Politically Exposed Persons (PEPs), high-risk countries, and locally designated terrorists, as FIC does not provide a comprehensive list of these individuals;

Reporting suspicious and cash transactions, which are key monitoring mechanisms established by the FIC, requires robust Information and Communication Technology (ICT) infrastructure. However, the necessary AML software is absent in both the banks and other institutions due to its high cost.

According to Priti Bhusal's (2022) research, bank clients have a moderate knowledge of ML/AML procedures and a high understanding of money laundering and terrorist financing practices. Their knowledge of money laundering, reporting duties, standards for client identification, and the operation of the Financial Information Unit at Nepal Rastra Bank is greater. Here is the conceptual framework;

Figure (2.4) Implementation of Anti-Money Laundering Practices in Nepalese Banks



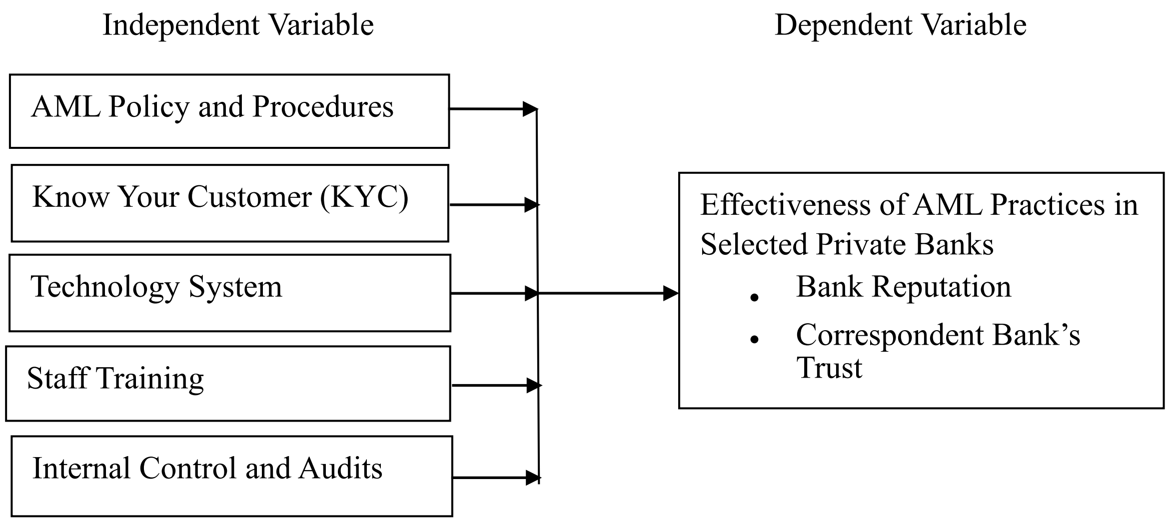
Source: Priti Bhusal (2022)

The research discussed the cause of the notably low degree of knowledge on AML/CFT regulations. The customer's lack of awareness of national laws and regulations could be due to the frequent changes in Nepal. In addition, a lack of proper "civic education" has left Nepalese residents ignorant at the fundamental level. The findings of the study indicate that many respondents are not aware of the "Asset (Money) Laundering Prevention Act, 2008," even though the majority of respondents 65.2% have bachelor and above. Customers' knowledge of FIU-NRB and its role was fairly limited. Furthermore, the findings of this study show that the control over business sophistication, business ethics, customer awareness, and the AML system are major factors that play a role in the effective implementation of anti-money laundering practices in Nepalese banks. The effectiveness of the implementation of AML practices in Nepalese banks, however, is not significantly impacted by staff development and training.

2.6 Conceptual Framework of the Study

Based on previous researches, a conceptual framework was created to study the anti-money laundering practices in the selected private banks. Figure 2.5 demonstrates this framework, which includes anti-money laundering policy and procedures, know your customer, staff training, AML system, internal controls, and audits.

Figure (2.5) Conceptual Framework of the Study



Source: Own Compilation (2024)

The AML practices of the chosen private banks in Myanmar are the dependent variable, and the AML policy and procedures, Know Your Customer, staff training provision, technology system, internal control, and audit are the independent factors, according to Figure (2.5). It is crucial to assess the extent to which private banks are taken into account for each independent variable and identify the one that has the most influence on the banks' compliance with AML regulations.

Working Definitions:

AML policy and procedures: are a collection of controls and guidelines that financial institutions have put in place to prevent and identify money laundering and the funding of terrorism. Ensuring regulatory compliance and preserving the integrity of financial institutions depend heavily on the efficacy of these policies and procedures.

Know Your Customer: refers to the process by which banks thoroughly confirm a customer's identity. This process includes gathering personal data, such as name, address, date of birth, and identity information. It is an essential first step in preventing financial institutions from being misused for illicit activities, including money laundering, terrorism financing, and other financial crimes.

Staff Training: In order to combat money laundering issues, it is essential to have staff who are both properly trained and motivated, and who are able to readily recognise, monitor, and report suspicious transactions.

Technology System: enhances the efficiency and accuracy of AML compliance efforts, facilitating the detection and prevention of money laundering activities through automated processes and data analytics.

Internal Control and Audit: designed to enforce transaction monitoring, suspicious activity reporting, and customer due diligence in order to detect and prevent money laundering. AML audits are impartial assessments that determine how well an organization's AML program is working, as well as if it is in accordance with legal standards and where it needs to be strengthened.

CHAPTER 3
OVERVIEW ON THE ANTI-MONEY LAUNDERING PRACTICES OF SELECTED PRIVATE BANKS IN MYANMAR

In this chapter, there are included the background information and anti-money laundering practices of the three banks, namely KBZ Bank, AYA Bank, and CB Bank PCL

3.1 Background Information of the Selected Private Banks

This study focuses on three selected banks in Myanmar: KBZ Bank, AYA Bank, and CB Bank PCL. The following sections provide background information on these institutions, including their history, profiles, and significant milestones.

3.1.1 Background Information of KBZ Bank

KBZ Bank was founded in 1994 and has grown to become Myanmar's largest privately owned bank, an important part of the country's financial system. Initially founded to provide basic banking services, KBZ Bank has expanded its operations and scope significantly over the years. The bank's growth is marked by a series of strategic initiatives and technological advancements aimed at modernizing Myanmar's banking landscape. KBZ Bank's comprehensive portfolio includes retail banking, corporate banking, and international trade services, catering to a diverse clientele ranging from individual consumers to large enterprises (KBZ Bank, 2024).

In October 2018, the bank launched KBZ Pay, a real-time e-wallet platform designed to promote financial inclusion across Myanmar. This initiative has been instrumental in extending banking services to underserved and unbanked populations, achieving significant milestones such as onboarding over 4 million customers and facilitating 300,000 transactions daily. Additionally, KBZ Bank's commitment to corporate social responsibility is evident through various community development programs and sustainable practices aimed at contributing to Myanmar's socio-economic progress. Its profile as a dynamic and forward-thinking institution is underscored by its innovative approaches, robust risk management practices, and unwavering commitment to customer service excellence. As KBZ Bank continues to expand and innovate, it remains a cornerstone of Myanmar's financial system, contributing significantly to the nation's economic transformation and stability (KBZ Bank, 2024).

3.1.2 Background Information of AYA Bank

One of the most well-known private institutions in Myanmar's financial industry is the AYA Bank group. For the purpose of functioning as a development bank, the Central Bank of Myanmar granted authorisation to AYA Bank on July 2, 2010. AYA Bank quickly became a key pillar of financial stability in the country. The bank was incorporated as a Private Company Limited by Shares on July 14, 2010, and officially created on August 11, 2010. Since then, it has played a crucial role in promoting economic stability and progress. AYA Bank underwent a transition to become a Public Company Limited on December 30, 2022, as part of a deliberate effort to achieve long-term sustainability and growth. This transition highlights the bank's dedication to improved transparency, strict financial standards, tight reporting deadlines, and compliance requirements. AYA Bank's decision to go public is driven by the goal of expanding ownership to encompass a wider range of shareholders, including the general public. This move is intended to distribute the advantages of the bank's performance by providing strong returns. (AYA Bank, 2024)

AYA Bank has a wide-reaching branch network throughout Myanmar, serving people, small- and medium-sized businesses, major organizations, and government agencies. In addition to its local presence, the bank is closely connected with the wider Asian area and worldwide markets, establishing itself as a crucial participant in Myanmar's efforts to integrate its financial system. AYA Bank has achieved significant development due to its vast and devoted client base, which consists of almost 3 million consumers and is spread across 260 locations nationally. The key to its success lies in its unwavering commitment to cultivating client connections, providing excellent service experiences, and utilizing technical innovations to rapidly and effectively grow its customer base. (AYA Bank,2024)

3.1.3 Background Information of CB Bank

CB Bank PCL is one of the biggest private banks in Myanmar. It started out with 33 workers in 1992 and now has 30,000. In 2022, the bank changed its name to a Public Company Limited so that it could grow and be successful in the long run. CB Bank is very committed to technology and new ideas because it gives customized financial solutions for large businesses, small businesses, and individuals. Since 2004, the bank has been a leader in Myanmar's banking industry. In 2012, it brought in a foreign core banking system from Switzerland. CB Bank started agency banking and internet and mobile banking in 2014. In

2016, they issued Myanmar's first credit card. The bank wants to be Myanmar's best digital bank by giving customers the best digital experiences and bringing banking services to rural areas (Soe Thandar Myint,2023).

The bank implemented ATMs in 2011 and began accepting Visa, MasterCard, and China Union Pay through POS terminals in 2012. In addition, it introduced internet and mobile banking services in 2014, along with agent banking. The following year, it expanded its offerings to include business internet banking, and in 2016, it became the first bank in Myanmar to offer credit cards. CB Bank strives to establish itself as the top digital bank in Myanmar by offering a complete digital customer experience, enabling customers to conveniently handle their accounts and loans through various digital channels. CB Bank has implemented Agent Banking to provide financial services to rural areas where opening physical branches is not feasible. This initiative aims to cater to the unbanked population in these regions and ensure they have access to essential financial services. Additionally, it was the first bank to establish a partnership with Post Offices across the country, enabling the provision of Mobile Agent Banking Services. CB Bank aims to establish itself as a prominent player in the banking sector of ASEAN and as the leading provider of financial solutions in Myanmar. This vision is backed by a solid framework of robust corporate governance, with the aim of assisting clients and partners in realizing their aspirations and ambitions (Soe Thandar Myint,2023).

3.2 AML Practices of the Selected Private Banks

AML practices has become a crucial aspect of banking industry, and thus, private banks are heavily focused on enhancing their AML measures. The followings presented the AML practices of the selected banks, namely, KBZ Bank, AYA Bank and CB Bank PCL.

3.2.1 AML Policy and Procedures

By adhering to the Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) rules and regulations in every country in which it does business, KBZ Bank has shown its dedication to ensuring compliance. The bank enforces stringent policies to ensure compliance and mitigate risks associated with financial crimes. KBZ Bank blocks or rejects transactions that fall outside its risk appetite or are required by applicable sanctions laws, avoiding serving individuals or entities listed on sanctions lists issued by the UN, EU, and other regulatory authorities.

AYA Bank also upholds rigorous AML policies through its comprehensive Customer Acceptance Policy, which categorizes clients based on risk levels. The bank employs a methodical approach to Customer Due Diligence, assessing potential risks in business relationships. The policy of AYA Bank emphasizes monitoring high-risk transactions and promptly reporting suspicious activities, in accordance with legal and regulatory requirements.

CB Bank is in compliance with the associated rules that have been set by the Central Bank of Myanmar and the Ministry of Home Affairs in relation to the Anti-Money Laundering Law (2014) and the Counter Terrorism Law (2014). Additionally, CB Bank demonstrates its commitment to maintaining global security and financial integrity by adhering to the criteria established by the Financial Action Task Force (FATF).

3.2.2 Know Your Customer

In order to prevent money laundering and the funding of terrorism, KBZ Bank adopts, creates, and puts into practice extensive internal policies, procedures, systems, and controls. For infrequent transactions involving clients who do not have a connection with the bank, the bank must additionally do increased Customer Due Diligence (CDD). This is especially true when the transaction value equals or surpasses USD 15,000 in Kyat or other currencies. Additionally, KBZ Bank maintains records of all documents obtained during the CDD process, as well as records of both domestic and international transactions, whether attempted or completed, along with related reports and documentation, for a minimum of five years.

AYA Bank emphasizes a thorough Customer Due Diligence process as part of its KYC efforts. This involves verifying the identities of new clients, understanding their ownership structures, and gathering information on their transactions and business relationships. AYA Bank uses a risk-based approach to monitor high-risk clients and transactions, aiming to counter money laundering and terrorist financing.

The KYC process of CB Bank complies with CDD measures as well as AML and CTF rules and regulations. By ensuring that it conforms with both national and international requirements, the KYC procedures reinforce its function in maintaining a safe financial environment.

3.2.3 Technology System

KBZ Bank leverages advanced technologies, including Oracle Financial Services Analytical Applications (OFSAA) and the REFINITIV World-Check database, to automate transaction screening and monitoring. These technologies help detect suspicious financial transactions and anomalous consumer behavior, ensuring the bank's adherence to AML/CTF standards and enhancing the overall security of its operations.

AYA Bank utilizes sophisticated technology systems to support its AML/CTF efforts. These systems are integrated into the risk management framework in the Bank, allowing for the effective monitoring of high-risk transactions and ensuring compliance with legal obligations. The bank's technology infrastructure is designed to support the continuous adaptation to changing regulatory requirements and emerging financial threats.

CB Bank employs technology systems that comply with the regulatory requirements set by AML and CFT Laws in Myanmar. These systems are also aligned with FATF guidelines, enabling the bank to monitor transactions effectively and maintain a robust AML/CTF compliance framework.

3.2.4 Staff Training

Compliance Department of KBZ Bank plays a critical role in training staff on AML/CTF procedures, ensuring that employees are well-informed about compliance requirements and risk mitigation strategies. Its proactive approach to training enhances its ability to prevent financial crimes and maintain compliance with both local and international regulations. AML training programs of the Bank are effective in enhancing employees' ability to detect and report suspicious activities, thereby strengthening the bank's overall AML framework.

AYA Bank invests in continuous staff training programs to enhance productivity and reduce risks related to AML/CTF compliance. The training programs are designed to keep employees updated on regulatory changes and to foster a culture of integrity and ethical conduct. AYA arrange training awareness program to their staff and external training to trainers for training.

CB Bank also carries out regular training sessions for its employees to ensure that they are knowledgeable about the latest AML/CTF regulations and practices. The training initiatives are aligned with both national laws and FATF guidelines, emphasizing the importance of compliance and ethical behavior in maintaining a secure financial environment.

3.2.5 Internal Control and Audit

Internal control and audit processes of KBZ Bank are integral to its AML/CTF compliance framework. They oversee these processes, ensuring that the bank's policies and procedures are effectively implemented to mitigate risks associated with financial crimes.

Internal Audit Team of AYA Bank is actively involved in identifying and evaluating potential risks, vulnerabilities, and non-compliances related to AML/CTF. The team works closely with all departments to ensure adherence to AML/CTF standards and legislation, fostering a culture of transparency and accountability within the bank.

Internal control and audit mechanisms of CB Bank PCL are designed to ensure compliance with AML and CTF laws and its subsequent rules and regulations, as well as FATF recommendations. The audit processes are focused on maintaining the integrity of its operations and preventing financial crimes, thereby supporting the stability and security of the financial system.

CHAPTER 4
ANALYSIS ON EFFECTIVENESS OF ANTI-MONEY LAUNDERING PRACTICES IN SELECTED PRIVATE BANKS

This chapter presents an analysis on anti-money laundering practices and its effectiveness in the selected private banks. The analysis includes the research design, variables utilized in the study, as well as the analytical methods and tools applied and multiple linear regressions. A reliability test will be conducted based on the data, followed by an analysis of the relationship between anti-money laundering practices and its effectiveness in selected private banks.

4.1 Research Design

This research investigated the effectiveness of anti-money laundering (AML) practices in selected private banks, utilizing a survey-based methodology. The survey questions played a pivotal role in shaping the study design and assessing the effectiveness of AML practices within these banks. Focusing on selected private banks in Myanmar, the study aimed to evaluate how improving AML practices could enhance bank reputation and trust.

Both primary and secondary data were employed to determine the level of compliance of AML policies of the chosen private banks, including CB Bank PCL, AYA Bank, and KBZ Bank. The two-stage random sampling procedure was used to primary data collecting. Three private banks were chosen for the first stage, and 96 employees out of 126 were chosen for the second stage using Yamane's technique to calculate the sample size. The second method was to create the survey questions using a five-point Likert scale. Both quantitative research methods and descriptive statistics would be used in this investigation. Three sections made up the questionnaire. The respondents' demographic information was in the first section, the variables impacting the efficacy of private banks' anti-money laundering procedures were in the second, and bank reputation and trust were covered in the third.

The survey questionnaire employs a five-point Likert scale to measure respondents' opinions. The scale has numerical values ranging from strongly disagree to strongly agree (strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5). The following Table (4.1) displays the meaning of the Likert Scale.

Table (4.1) Likert Scale Score Interpretation

No	Mean Score between	Interpretation
1	1.00 -1.80	Strongly disagree
2	1.81 – 2.60	Disagree
3	2.61 – 3.40	Neutral
4	3.41 – 4.20	Agree
5	4.21 – 5.00	Strongly agree

Source: Best (1977)

According to table (4.1), which displays the average mean of agreement level, the average mean between 1.00 and 1.80 is very low, the average mean between 1.81 and 2.60 is low, the average mean between 2.61 and 3.40 is medium, the average mean between 3.41 and 4.20 is high, and the average mean between 4.21 and 5.00 is very high.

Based on the data, the study would be conducted the respondents' demographic character and a reliability test that examines the effectiveness of anti-money laundering practices at private banks. Descriptive statistics, including mean values, standard deviation, and correlation coefficients, were calculated from the data gathered through the questionnaire. The data was then analyzed using the SPSS software. Multiple regression analysis was employed to examine the factors influencing the effectiveness of anti-money laundering practices in private banks.

4.2 Demographic Characteristics of Respondents

The first step in the analytic process is to find out the demographic details of the research participants. Using background data on the personal traits of 96 employees from selected private banks, a demographic profile of the responders is created. The responders' profile contains basic details about the users, like their gender, age, education, job title, experience, bank they work for, department they work in, and the number of employees in the compliance department. The demographic characteristics summary table is used to more clearly show the data after each feature has been analysed in terms of absolute value and percentage.

Table (4.2) Profile of Respondents

Items	Demographic	No. of Respondents	Percent
Total		**96**	**100**
Gender	Male	36	37.5
	Female	60	62.5
Age (Year)	21 to 30 years	29	30.2
	31 to 40 years	43	44.8
	41 to 50 years	19	19.8
	Over 50 years	5	5.2
Education	Graduate	44	45.8
	Post Graduate Diploma	30	31.3
	Master Degree	22	22.9
	Doctorate	0	0
Institution of employment	KBZ Bank	45	46.9
	AYA Bank	28	29.2
	CB Bank	23	24.0
Position	Assistant Supervisor	21	21.9
	Supervisor	29	30.2
	Assistant Manager	18	18.8
	Deputy Manager	12	12.5
	Senior Manager	8	8.3
	Manager	6	6.3
	Assistant General Manager	1	1.0
	Deputy General Manager	1	1.0
Year(s) of working experience	Less than 1 year	13	13.5
	1 to 2 years	16	16.7
	3 to 5 years	22	22.9
	More than 5 years	45	46.9

Working Department	Legal and Compliance	21	21.9
	Operation	29	30.2
	Loan	4	4.2
	International Business Department	13	13.5
	Risk Management	10	10.4
	IT	10	10.4
	Audit	9	9.4
The number of staff in the compliance department at the bank	1 to 5	12	12.5
	6 to 10	31	32.3
	11 to 15	31	32.3
	More than 15	22	22.9

Source: Survey data (2024)

According to table (4.2), 37.5 percent of respondents are female, and 62.5 percent of respondents are male. Male respondents make up the majority of respondents. The age distribution of the respondents was split into four categories, and the results showed that the majority of respondents (44.8%) were between the ages of 31 and 40, and 5.2% were older than 50. According to the result of respondent's education level, the majority 45.8 percent of respondents are graduate while 22.9 percent are Master Degree.

According to the result for the question "which banks are you currently working at?", major group of the respondents were working at KBZ Bank with the response rate of 46.9 percent while 24.0 percent were working at CB Bank PCL. Regarding the respondent's current position, major group of respondent's 30.2 percent were supervisor while 1 percent of respondents were Assistant General Manager and Deputy General Manager. Regarding the results of experience, major group of respondent's 46.9 percent were working at the bank more than 5 years long while 13.5 percent were working less than 1 year long. From the result data of the department that the respondents working in, major group of respondent 30.2 percent were working in Operation while 2.1 percent were working in other departments. According to the result, 32 percent of the major respondents respond there were 6 to 10 or 11 to 15 staff in compliance department at their bank while 12.5 percent of respondents respond there were 1 to 5 staff in compliance department at their bank.

4.3 Reliability Test of the Study

According to Zikmund (1997), reliability is the extent to which measurements are free from random error and provide consistent findings. The reliability test is crucial for the study's analysis. As a result, before using any dimension, its dependability should be evaluated. Cronbach's Alpha is the study's internal consistency metric. According to Sekaran (2003), Cronbach's Alpha is a dependability coefficient that indicates the degree to which a collection of elements are positively connected with one another. For your convenience, the Cronbach's Alpha Coefficient result criteria are included in Table (4.3).

Table (4.3) Rule of Thumb on Cronbach's alpha

Alpha Coefficient Range	Strength of Association
< 0.6	Poor
0.6 to < 0.7	Moderate
0.7 to < 0.8	Good
0.8 to < 0.9	Very Good
0.9	Excellent

Source: Sekaran (2003)

Cronbach's alpha was used to assess the internal consistency or reliability of the variables based on the survey data. Table (4.4) displays the Cronbach's alpha coefficient result for the survey research.

Table (4.4) Reliability Test for Effectiveness of Anti-Money Laundering Practices in Selected Private Banks

Sr. No.	Factors	No. of items	Cronbach's Alpha
1	AML Policy and Procedures	8	.800
2	Know Your Customer (KYC)	8	.926
3	Technology System	8	.886
4	Staff Training	8	.927
5	Internal Control and Audits	8	.931
6	Effectiveness of AML Practices of Private Banks	8	.959

Source : Survey data (2024)

The aforementioned finding demonstrated that all Cronbach's alpha coefficient composite reliability values varied from 0.800 to 0.959, indicating the dependability of the data. As a consequence, every one of these findings suggested that the items' internal consistency is really high. As a consequence, the findings above showed high internal accuracy and the sample's reliability for the size.

4.4 Descriptive Analysis on Anti Money Laundering Practices and its Effectiveness in the Selected Private Banks

In this study, the effectiveness of anti-money laundering practices was evaluated through eight statements covering various influencing factors, including AML policy and procedures, Know Your Customer (KYC) , technology systems, staff training, and internal controls and audits. Each statement was rated on a five-point Likert scale (1: strongly disagree, 2: disagree, 3: neutral, 4: agree, 5: strongly agree). The mean score for each statement was calculated to reflect its central tendency. Additionally, the standard deviation was used to measure the dispersion of responses; a low standard deviation suggests that responses are clustered closely around the mean, indicating higher reliability, while a high standard deviation indicates a broader spread of values, suggesting lower reliability.

4.4.1 AML Policy and Procedures

Table (4.5) described AML policy and procedures that are measured by 8 statements. Regarding the AML policy and procedures towards the effectiveness of AML practices, the scores are range. Table (4.5) displays the average value for both the overall summary and each individual statement.

Table (4.5) AML Policy and Procedures

No.	Items	Mean	Standard Deviation
1.	An effective Anti-Money Laundering program, policy, and procedure approved by the bank's board.	3.99	.788
2.	A written policy framework is adopted stating the bank's commitment to comply with AML obligations in accordance with applicable proclamations, laws, and international standards.	3.46	1.025
3.	An adequately resourced and independent audit function is designated to test the effectiveness of the compliance program against international standards and applicable proclamations and laws.	3.48	.502
4.	New AML laws or changes to the existing policies or practices are timely communicated to concerned employees.	3.68	.788
5.	AML policy and procedures are effective in preventing financial crimes.	3.47	.807
6.	Bank complies with all national and international AML regulations.	4.15	.632
7.	Procedure is in place to identify, assess and understand money laundering risks in the bank.	4.00	.711
8.	Written policies are developed documenting the process required to prevent, detect and report suspicious transactions.	3.78	.897
Overall Mean		3.75	

Source : Survey data (2024)

The data shown in Table (4.5) indicate that the mean value varied from 3.46 to 4.15. The aggregate mean value of 3.75, which is higher than the statistical average, suggested that respondents believed that AML policy and procedures variables impact the success of AML operations in private banks. 3. The question with the lowest mean score, 3.46, was "A written policy framework is adopted stating the bank's commitment to comply with AML obligations in accordance with applicable proclamations, laws, and international standards”. The question "Bank complies with all national and international AML regulations" has the highest mean score (4.15), which is greater than the neutral value. 3. When a standard deviation is lower than 1, it indicates that the survey results are more acceptable and the data stray less from the mean. Overall, the data indicates that although the selected private banks are generally regarded as having effective AML policy and procedures, there are certain areas, such as the formal adoption of policies and the timely communication of legal changes, where improvements could further enhance the effectiveness of their AML practices.

4.4.2 Know Your Customer (KYC)

Table 4.6 presents an analysis of the "Know Your Customer" (KYC) component, which is assessed through eight distinct statements. The table illustrates the mean and standard deviation values for each statement, providing insight into respondents' concerns regarding KYC. Additionally, the table includes the overall mean value for these statements, reflecting the aggregate perspective on KYC.

Table (4.6) Know Your Customer

No.	Factors	Mean	Standard Deviation
1	Bank has issued KYC Policy and Procedures.	4.07	.603
2	Know your customer (KYC) procedures are properly implemented before establishing business relations, whenever doubt exists about the adequacy of previously obtained records and whenever suspicion of money	3.99	.788
3	laundering and financing of terrorism arises.Customer due diligence (CDD) procedures are carried out on customers on an ongoing basis.	3.46	1.025
4	Enhanced customer due diligence is conducted on highrisk customers such as, PEPs, NGOs, Non-resident customers and transactions to/from high-risk jurisdictions.	3.48	.502
5	Bank collects sufficient information to verify customers' identities and regularly updates customer information.	3.68	.788
6	KYC procedure is effective in identifying potential risks associated with new customers.	3.47	.807

7	KYC procedure is conducted and AML/CFT controls are assessed before establishing business relationship with potential correspondent banks and money transfer agents.	3.38	.798
8	KYC procedure helps in identifying the suspicious activities.	3.46	1.025
Overall Mean		3.62	

Source: Survey data (2024)

According to the findings shown in Table (4.6), the average value ranged from 3.38 to 4.07 out of a possible 4.07. It was clear that respondents were in agreement that the criteria connected to perceived ease of knowing your customer have an influence on the effectiveness of anti-money laundering (AML) policies in private banks. This is because the aggregate mean value of 3.62 is higher than the statistical average. 3. The question that received the lowest mean score, 3.38, was the one that said that "KYC procedure is conducted and AML/CFT controls are assessed before establishing business relationship with potential correspondent banks and money transfer agents." In terms of mean scores, the question "Bank has issued KYC Policy and Procedures" receives the maximum possible score of 4.07, which is higher than the figure known as neutral. 3. The fact that the standard deviation is less than one implies that the survey findings are more acceptable and that the data deviate from the mean to a lesser extent. Although KYC policies and procedures are generally successful, their efficacy varies depending on many factors. For example, continuous customer due diligence and increased due diligence for high-risk clients demonstrate a modest level of performance, indicating room for development.

4.4.3 Technology System

In the analysis of technology system factors, it was measured with 8 statements. It is possible to determine how concerned respondents were with the outcome of the technological system component by looking at averages and standard deviations. The following Table (4.7) displays the means and standard deviation analysis findings.

Table (4.7) Technology System

No.	Items	Mean	Standard Deviation
1	An AML system that helps the Bank comply with international regulations by monitoring transactions for suspicious activity.	3.38	.669
2	The AML system is user-friendly	3.55	.913
3	The AML system is regularly updated to meet the latest regulatory requirements.	3.46	.925
4	The AML system effectively detects and provides real-time alerts for suspicious transactions.	3.46	.917
5	The AML system is regularly updated to cope with new money laundering techniques.	3.88	.700
6	The bank faces difficulties in integrating AML systems with existing IT infrastructure.	3.57	.805
7	The effectiveness of the AML system has reduced the risk of financial crimes in the bank.	4.30	.564
8	Bank's AML system is effective in detecting suspicious transactions	4.19	.670
Overall Mean		3.72	

Source : Survey data (2024)

According to the findings shown in Table (4.7), the mean value changed between 3.38 and 4.30 during the course of the study. It was shown that respondents considered that technological system aspects had an influence on the effectiveness of AML operations in private banks. This was demonstrated by the aggregate mean value of 3.72, which is greater than the statistical norm. 3. The question is, "An AML system that helps the Bank comply with international regulations by monitoring transactions for suspicious activity," and the lowest mean score is 3.38. The question "The effectiveness of the AML software system has reduced the risk of financial crimes in the bank" gets the highest mean score (4.30), which is higher than the neutral value. 3. When a standard deviation is lower than 1, it indicates that the survey results are more acceptable and the data stray less from the mean. Therefore, The AML system, while effective in reducing financial crime risk and detecting suspicious transactions, requires improvements in compliance, user-friendliness, regulatory updates, and IT infrastructure integration.

4.4.4 Staff Training

In the analysis of this factor, the respondents are required to answer total 8 questions. The following Table (4.8) displays the means and standard deviation analysis findings.

Table (4.8) Staff Training

No.	Items	Mean	Standard Deviation
1	The Board of Directors (BOD), management team, and all staff members of the bank have received formal training and possess a comprehensive understanding of the key relevant laws, regulations, policies, and procedures relating to AML practices.	3.86	.947
2	The bank conducts frequent refresher training sessions on AML practice.	3.48	.502
3	AML training programs incorporate the latest data and trends in money laundering techniques.	3.49	.503
4	The AML training programs fully cover all necessary topics related to money laundering prevention and provide the understanding of all relevant AML laws and regulations.	3.87	.837
5	The AML training programs are effective in improving employees' ability to detect and report suspicious activities.	3.58	.675
6	The AML training programs are relevant to the specific money laundering risks the bank faces.	3.57	.805
7	Employees feel more confident in AML knowledges and skills after participating in the training programs.	3.58	.496
8	AML training programs incorporate the latest data and trends in money laundering techniques.	3.88	.700
Overall Mean		3.67	

Source : Survey data (2024)

According to the findings shown in Table (4.8), the mean value changed between 3.48 and 3.88 during the course of the study. Given that the aggregate mean value is 3.66, which is more than the statistical norm of 3, it was evident that respondents considered that staff training had an effect on the effectiveness of AML operations. The question is, "The bank conducts frequent refresher training sessions on AML practice," and it has the lowest mean score (3.48). The question "AML training programs incorporate the latest data and trends in money laundering techniques" had the highest mean score (3.88), which is higher than the neutral value. 3. When a standard deviation is lower than 1, it indicates that the survey results are more acceptable and the data stray less from the mean. Hence, the bank's AML training programs are strong, covering essential topics and integrating data. However, there's opportunity for improvement, including increasing refresher training frequency, tailoring content to address unique risks, and enhancing the detection and reporting of suspicious activities.

4.4.5 Internal Control and Audits

Internal control and audits were covered by eight question items in this survey. Table (4.9) displayed the means and standard deviation of the data.

Table (4.9) Internal Control and Audits

No.	Items	Mean	Standard Deviation
1	Internal controls and audits are implemented to prevent criminals from using the bank's facilities for money laundering.	3.57	.805
2	The bank has a dedicated team for internal controls and audits relating to AML practices.	4.18	.995
3	The Banks conducts regular internal and external audits to ensure compliance with AML regulations.	3.99	.447
4	The Bank has independent audits and testing of AML programs on a periodic basic.	3.88	.700
5	Audit findings related to AML are promptly addressed and corrective actions are implemented.	4.08	.706
6	The internal controls implemented by our bank effectively mitigate money laundering risks across all business areas.	3.88	.700
7	Internal controls are regularly reviewed and updated to address emerging money laundering risks.	3.88	.700
8	The system of internal controls in the bank adequately covers all major money laundering (ML) risk areas.	4.08	.536
Overall Mean		3.94	

Source : Survey data (2024)

The values of the means differed from 3.57 to 4.18, as shown by the findings that are displayed in Table (4.9) presented above. It was clear that respondents thought that internal control and audits had an effect on how effective AML practices are in private banks, as seen by the aggregate mean value of 3.94, which is higher than the statistical average. 3. "Internal controls and audits are implemented to prevent criminals from using the bank's facilities for money laundering" is the question that had the lowest mean score of 3.57 out of a possible 5.00.

The question "The bank has a dedicated team for internal controls and audits relating to AML practices" had the highest mean score (4.18), which is greater than the neutral value. 3. When a standard deviation is lower than 1, it indicates that the survey results are more acceptable and the data stray less from the mean. The mean indicates that internal controls and ensuring regular updates could enhance the bank's AML framework by effectively addressing money laundering risks.

4.4.6 Overall Mean Scores of Anti-Money Laundering Practices in Selected Private Banks

Based on the statistical findings of the selected private banks analysis of AML practices Table (4.10) displays the mean scores for each of the six independent variables.

Table (4.10) Mean Score of AML practices

Independent Variables	**Mean**
AML policy and procedures	3.75
Know Your Customer (KYC)	3.62
Technology System	3.72
Staff Training	3.67
Internal Control and Audit	3.94

Source: Survey data (2024)

Table (4.10) presents the mean scores for various independent variables associated with Anti-Money Laundering practices. The mean score of AML policy and procedures is 3.75, reflecting a moderate level of effectiveness and implementation of AML policy and procedures. It suggests that while AML policy and procedures are generally in place, there may be opportunities to further enhance their comprehensiveness and impact. With a mean score of know your customer is 3.62, the effectiveness of KYC practices is rated slightly lower compared to other components. This indicates that while KYC practices are being implemented, there may be opportunities for improvement in their effectiveness and execution. Technology System's mean score of 3.72 indicates a generally positive assessment of the technological tools used in AML practices. This suggests that while technology systems are considered effective, there may be areas where further advancements could improve their functionality. The mean score of staff training is 3.67 that reflects a moderate perception of the effectiveness of staff training in AML practices. This suggests that while training programs are in place, there may be opportunities to enhance their quality and impact on staff performance. The highest mean score of 3.94 for internal control and audit indicates a strong perception of the effectiveness of these practices in the AML framework.

This score suggests that internal controls and audits are viewed as particularly robust and effective in mitigating money laundering risks. Therefore, the analysis reveals that while internal control and audit practices are perceived as the most effective component of the AML practices, there are moderate levels of effectiveness across other areas such as AML policy and procedures, KYC, technology systems, and staff training. These insights suggest that while foundational elements of the AML practices are in place, targeted improvements could further enhance overall effectiveness.

4.4.7 Effectiveness of Anti-Money Laundering Practices in Selected Private Banks

For the purpose of this investigation, a Five-Point Likert Scale was used to assess the efficiency of anti-money laundering policies in private banks. The mean scores were used to evaluate the 10 items that were included in this investigation. Presented in table (4.11) are the findings for the mean score as well as the standard deviation.

Table (4.11) Effectiveness of Anti Money Laundering Practices in the Selected Private Banks

Sr. No.	Items	Mean	Standard Deviation
1	Implementation of the AML system has improved bank's compliance with international standards.	3.97	.774
2	The effectiveness of AML system positively impacts the bank's reputation.	3.98	.632

3	The measures of internal control and audit have helped the bank to build stronger relationships with correspondent banks.	3.97	.774
4	The effective AML measures increase confidence among correspondent banks.	3.97	.774
5	AML software system has helped the bank to build stronger relationships with correspondent banks.	3.98	.781
6	The trust of correspondent banks has a positive impact on bank operations.	3.97	.774
7	Correspondent banks trust the bank more due to AML practices which is effective.	4.08	.842
8	The Effective AML practices of the bank positively impact bank's reputation.	3.78	.602
9	AML training for staff significantly improves the bank's compliance with international standards.	3.97	.774
10	The AML training program has strengthened the relationships with correspondent banks	4.06	.831
Overall Mean		3.97	

Source : Survey data (2024)

The effectiveness of anti-money laundering practices at the selected private banks was evaluated using ten questions, and the individual mean score was provided in Table (4.11). The mean value is between 3.78 and 4.08. Given that the aggregate mean of the respondents was 3.97, which is higher than the statistical norm of 3, the respondents believed that AML practices in private banks are successful.

The question is, "The Effective AML practices of the bank positively impact bank's reputation," and the lowest mean score is 3.78. The question "Correspondent banks trust the bank more due to AML practices which is effective" has the highest mean score (4.08), which is greater than the neutral value. 3. When a standard deviation is lower than 1, it indicates that the survey results are more acceptable and the data stray less from the mean. The data indicates a positive view of the AML system's effectiveness in enhancing compliance, improving the bank's reputation, and fostering trust with correspondent banks.

4.5 Relationship between Influencing Factors and Effectiveness of AML Practices in the Selected Private Banks

Correlation quantifies the relationship between two variables, with the correlation coefficient ranging from -1 to 1, indicating both the direction and strength of their linear association. In this analysis, bivariate regression was used to determine the correlation coefficients for individual variables. Bivariate correlations assess the strength of the relationship between two variables in isolation, without accounting for the influence of other variables, which may affect the observed relationship between the variables under study.. The correlation of independent variables as influencing factors (AML policyand procedures, know your customer, technology system, staff training and internal control and audits) was evaluated to demonstrate the correlation with dependent variable (effectiveness of AML practices). In order to conduct the study and achieve the research objectives, the average scale scores for each measure were calculated, and the correlation coefficient for each variable pair was determined. Table 4.12 illustrates the relationship between the average scores of influencing factors and the effectiveness of AML practices in the selected private banks.

Table (4.12) Correlation between Influencing Factors and Effectiveness of AML Practices in Private Banks

No.	Factors	Correlation Coefficient	P-value
1	AML Policy and Procedures	.870**	0.000
2	Know Your Customer (KYC)	.972**	0.000
3	Technology System	.953**	0.000
4	Staff Training	.981**	0.000
5	Internal Control and Audits	.958*	0.026
6	Effectiveness of AML Practices	1	0.000
** Correction is significant at the 0.01 level (2 tailed)			

Source: Survey data (2024)

The correlation coefficient and p-value values between the efficiency of AML practices and the variables that determine them were shown in Table (4.12).. The influencing factors were favorably correlated and associated with effectiveness of AML practices. The greatest association between know your customer and the efficiency of AML practices in private banks was found to be.972. The residual correlation between the user and the five independent parameters varied from.870 to.972. Furthermore, every factor was significant at the 1% (2-tailed) level. This can be seen effectiveness of AML practices and their influencing factors are positively correlated. According to the results, know your customer is more associated and AML policy and procedures is leased associate with effectiveness of AML practices.

4.6 Analysis of AML Practices and its Effectiveness in the Selected Private Banks

To examine how various influencing factors impact the effectiveness of AML practices in selected private banks, a multiple regression analysis was performed. The findings are presented in Table 4.13.

Table (4.13) Analysis of AML Practices and its effectiveness in the Selected Private Banks

Dependent Variable: Effectiveness of AML Practices	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
	B	SE	Beta			
(Constant)	-.028	.074		-.371	.712	
AML Policy and Procedures	-.021	.039	-.016	-.529	.598	5.316
Know Your Customer (KYC)	.291***	.052	.294	5.637	.000	15.717
Technology System	.211***	.042	.200	5.062	.000	9.014
Staff Training	.514**	.058	.452	8.802	.000	15.168
Internal Control and Audits	.090*	.055	.082	1.649	.103	14.145
R2	.984					
Adjusted R^2	0.984					
F statistics	133.961***					
Statistically significant indicate ***at 1%, * at 10% level respectively						

Source: SPSS Output (2024)

All independent variables were positive, as shown by Table (4.13), and the adjusted R-squared was 0.984, indicating that the model matched the data well for the efficacy of AML practices in private banks. The F statistics in this table are 133.961, and the p value is 0.000, indicating a significant level of 1%. The regression result demonstrating the relationship between the influencing elements and the efficacy of AML practices in the selected private banks is also included in the above table. The highest beta value, 0.452, is found in staff training, indicating that more staff training increases the efficacy of AML practices in the selected banks. The other independent variables have beta values of 0.200 for the technology system and 0.294 for understanding your consumer, respectively.

Table (4.13) findings show that staff training, know your customer, and technology have p-values of 0.000, which is significant at the 1% level. The findings showed that internal control, audits, know-your-customer programs, staff training, and technological systems all positively and significantly impact how successful AML practices are in private banks. Furthermore, AML policy and procedures' p-value is thought to remain unaffected. This demonstrated that the efficacy of AML practices in private banks is unaffected by AML policy and procedures.

CHAPTER 5
CONCLUSION

This final chapter aims to draw conclusions regarding the findings of the study. This chapter discusses the results and discussion, recommendations, and analysis to emphasise the effectiveness of AML practices in selected private banks. It also entails need for further study in order to undertake potential research in the future.

5.1. Finding and Discussion

The main objective of study is to analyze the factors influencing of AML policy and procedures, know your customer, technology system, staff training and internal control and audits on effectiveness of AML practices in private banks. To accomplish the study's goal, 96 respondents from certain private banks are polled. When it comes to the respondents' demographics, the most of them are men who have completed a college degree and are between the ages of 31 and 40. In additions most of the respondents are supervisors who are working at KBZ Bank with 3 to 5 years working experience. Most of the respondents are working in operation and there were almost 6 to 10 or 11 to 15 staffs in the compliance department at the bank they are working.

According to the findings of the research, the strategy with the lowest mean score in terms of anti-money laundering (AML) policy and procedures is a written policy framework that has been established and expresses the bank's commitment to comply with AML duties in line with relevant proclamations, laws, and international standards. The bank that complies with all national and international AML regulations has the highest mean score in this regard. The study on KYC revealed that the bank with the highest mean score was the one that issued the KYC procedures. On the other hand, the bank that conducted the KYC procedure and evaluated AML controls prior to forming business relationships with potential correspondent banks and money transfer agents had the lowest mean score.

In terms of the technology system, the study discovered that the AML system that helps the bank comply with international regulations by keeping an eye on transactions for suspicious activity has the lowest mean score, while the system that effectively reduces the risk of financial crimes in the bank has the highest mean score. AML training programs that contain the most recent information and trends in money laundering strategies have the greatest mean score when it comes to staff training, according to the report, while the bank's regular refresher training sessions on AML practice have the lowest mean score.

The bank has a specialised team for internal controls and audits related to AML practices, according to the research, and this team has the highest mean score for the internal control and audits aspect. On the other hand, the bank often organises refresher training sessions on AML procedures, which has the lowest mean score. The research on the efficacy of anti-money laundering (AML) policies in private banks discovered that although successful AML practices had the greatest mean score, correspondent banks trust the bank more as a result of these practices, which have the lowest mean score.

According to the objective of the study , the effectiveness of staff training, know your customer, and technological systems have a significant beneficial impact on the efficacy of AML practices in private banks in Myanmar. However, it can be concluded as AML policy and procedures and internal control and audits are not significant, therefore AML policy and procedures and internal control and audits do not impact effectiveness of AML practices in the selected private banks.

5.2. Suggestions and Recommendations

Based on analysis and findings, the suggestions for effectiveness of AML practices of the selected private banks; bank reputation and correspondent bank's trust are discussed in this section. Firstly, the selected private banks should adopt a written policy framework that outlines the commitment of the bank commitment to complying with AML obligations in accordance with applicable laws, regulations and international standards in order to increase the efficiency of its AML practices. This is because the selected private banks have the lowest mean score when it comes to anti-money laundering policies and procedures. The fundamental basis for AML requirements placed on financial institutions is established by the AML Regulations, a significant piece of law in Myanmar. In order to encourage financial transparency, prevent money laundering, and identify individuals attempting to use the financial system for illegal activities, banks must have an AML compliance program. In order to identify and report suspicious activity, including crimes linked to money laundering and terrorist financing, banks should set up AML compliance procedures. Regulatory agencies should also provide guidelines and rules to banks to help them comply with AML standards. Fighting money laundering and terrorist funding also heavily relies on international organisations and cooperative efforts.

Second, the results of the research reveal that KYC procedures are carried out and anti-money laundering (AML) controls are examined prior to the establishment of commercial connections with potential correspondent banks. With regard to this particular aspect, the mean score for money transfer agencies is the lowest. Prior to establishing a business connection with potential correspondent banks, banks have to conduct a KYC process and conduct an evaluation of their AML control. A crucial component of AML laws is the KYC process, which entails determining a customer identification and risk level. Financial institutions, such as banks, are required to carry out KYC procedures in order to verify that the business connection with the client is appropriate and to make sure that AML requirements are followed. Banks are required to evaluate the AML controls of prospective correspondent banks and money transfer intermediaries in addition to the KYC process. This assessment is essential to detect and control the risks of money laundering and terrorist financing connected to the correspondent banking relationship,

Third, the study found that an AML system that helps the Bank comply with international regulations by monitoring transactions for suspicious activity the lowest mean score item regarding technology system. An effective AML system is crucial for banks to comply with international regulations and monitor transactions for suspicious activity. A system support for identifying and reporting potential money laundering and terrorist financing activities. It encompasses risk-based procedures for continuous customer due diligence and ongoing monitoring to detect and report suspicious transactions. Banks and other financial institutions use techniques like customer due diligence and Know Your Customer (KYC) to prevent money laundering (CDD). The system need to be able to recognise any suspicious behaviour automatically and notify the appropriate authorities. The banks should implement an effective AML system to enhance their ability to comply with international regulations and contribute to the prevention of money laundering and terrorist financing.

Forth, the bank's regular AML practice refresher training sessions had the lowest mean among tech-facilitating circumstances. To make sure that staff members are knowledgeable about the most recent anti-money laundering policies and procedures, banks should regularly hold refresher training sessions on AML practices. These training sessions are crucial in helping staff members comprehend the significance of adhering to relevant rules and regulations surrounding the prevention of money laundering as well as the need of following correct procedures when managing client information. It is crucial that banks keep records of their training initiatives, including the dates of training sessions, training materials, and assessment materials (if any). These documents need to be kept up to date and made accessible for inspection by auditors or examiners.

Fifth, the implementation of internal controls and audits to prevent criminals from utilising the bank's facilities for money laundering has the lowest mean score. In order to prevent criminals from laundering money via the use of bank facilities, banks should do audits and include internal controls. These steps are intended to guarantee adherence to AML regulations and identify any possible vulnerabilities and weaknesses in the system. Banks have to establish internal controls in order to prevent money laundering and other illegal activities. Internal controls aimed at addressing money laundering risks consist of various policies, procedures, and systems. These controls often involve measures such as customer due diligence (CDD), transaction monitoring systems, and mechanisms for reporting suspicious activities. In addition, regular audits should be conducted to assess the effectiveness of the bank's internal controls and AML practices. These audits can be conducted internally by the bank's inter audit department or by external auditors. The purpose of the audit is to evaluate the bank's compliance with AML regulations, identify any deficiencies or gaps in the system, and recommend improvements. By implementing internal controls and conducting audits, banks aim to strengthen their AML practices, identify and address any vulnerabilities, and prevent criminals from using their facilities for money laundering.

Finally, regarding the effectiveness of AML practices of private banks; bank reputation and correspondent bank’s trust, the effective AML practices of the bank positively impact bank's reputation was the lowest mean score. The effective AML practices of a bank should have a positive impact on the bank's reputation. Banks should implement robust AML practices, to demonstrate their commitment to complying with AML regulations and preventing money laundering and terrorist financing. This commitment enhances the trust and confidence of customers, regulators, and the public in the bank's operations. A bank with effective AML practices is seen as a secure institution that prioritizes the integrity of the financial system. Clients must have faith that the financial service providers they use are trustworthy and act in an ethical manner. Customers are reassured by effective anti-money laundering (AML) practices that their financial assets are handled in a system free from the corrupting of illicit monies.

In conclusion, to enhance the effectiveness of AML practices of private banks; bank reputation and correspondent bank’s trust in the future, the banks should adopt a written policy framework stating the bank's commitment to comply with AML obligations, conduct a KYC procedure and assess Anti-Money Laundering (AML) controls, comply with international regulations and monitor transactions for suspicious activity, conduct frequent refresher training sessions on AML practices, implement internal controls and conduct audits to prevent criminals from using the bank's facilities for money laundering and implement robust AML practices.

5.3 Needs for Further Research

This study focuses on evaluating the effectiveness of anti-money laundering (AML) practices of the selected private banks in Myanmar, specifically targeting KBZ Bank, AYA Bank, and CB Bank PCL. Other private banks are not included in this study. Future research could benefit from exploring additional influencing factors and examining the effectiveness of AML practices across a broader range of financial institutions, provided that resources and time permit. Additionally, incorporating open-ended questions alongside self-rating Likert scales in subsequent studies could enhance the research. Therefore, further researches should study the effectiveness AML practices of other private banks and non-bank financial institutions in Myanmar.

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APPENDIX A

SURVEY QUESTIONNAIRE

Effectiveness of Anti-Money Laundering Practices of Private Banks in Myanmar

Dear Respondents,

I am a student of Master of Banking and Financing at Yangon University Economic. The aim of this questionnaire is to get information regards “EFFFECTIVENESS OF ANTI-MONEY LAUNDERING PRACTICES OF PRIVATE BANKS IN MYANMAR”, for my research dissertation in the partial fulfillment of the requirement of Master’s Degree. The researcher would like to assure you that your responses will be completely kept confidential and shall be used for the purpose of this academic research only.

Thank you very much for your cooperation!

Part (I) Demographic Profiles of respondents

1. Gender of Respondents

    ☐ Male ☐ Female

2. Age of Respondents

    ☐ 21~30 years ☐ 31~40 years

    ☐ 41~50 years ☐ Above 50 years

3. Education Level

    ☐ University graduate ☐ Post graduate diploma

    ☐ Master degree ☐ Doctorate

4. Current Position

    ☐ Assistant Supervisor/ Supervisor ☐ Assistant Manager

    ☐ Deputy Manager ☐ Manager

    ☐ Senior Manager ☐ Deputy General Manager

□ General Manager and above □ Other

5. How long have you been working in this bank?

□ Less than 1 year □ 1 ~ 2 years

□ 3 ~ 5 years □ More than 5 years

6. Which bank are you currently working at?

□ KBZ Bank □ AYA Bank

□ CB Bank □ Others

7. Please indicate the department you are working in

□ Legal and Compliance □ Operation

□ Loan □ International Business Department

□ Corporate finance □ Risk management

□ IT □ Others

8. How many staffs are there in compliance department?

□ 1 to 5 □ 6 to 10

□ 11 to 15 □ More than 15

Part (II) Descriptive Analysis on Anti-money Laundry Practices of Private Bank

Please rate the most appropriate score on the factors affecting the anti-money laundering practices.

Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

AML Policies and Procedures:

Sr. No	AML Policies & Procedures	1	2	3	4	5
1	An effective Anti-Money Laundering program, policy, and procedure approved by the bank's board.					
2	A written policy framework is adopted stating the bank's commitment to comply with AML obligations in accordance with applicable proclamations, laws, and international standards.					
3	An adequately resourced and independent audit function is designated to test the effectiveness of the compliance program against international standards and applicable proclamations and laws.					
4	New AML laws or changes to the existing policies or practices are timely communicated to concerned employees.					
5	AML policies and procedures are effective in preventing financial crimes.					
6	Bank complies with all national and international AML regulations.					
7	Procedure is in place to identify, assess and understand money laundering risks in the bank.					
8	Written policies are developed documenting the process required to prevent, detect and report suspicious transactions.					

Know Your Customer (KYC):

Sr. No	Know Your Customer (KYC)	1	2	3	4	5
1	Bank has issued KYC Policy and Procedures.					
2	Know your customer (KYC) procedures are properly implemented before establishing business relations, whenever doubt exists about the adequacy of previously obtained records and whenever suspicion of money laundering and financing of terrorism arises.					
3	Customer due diligence (CDD) procedures are carried out on customers on an ongoing basis.					
4	Enhanced customer due diligence is conducted on high risk customers such as, PEPs, NGOs, Non-resident customers and transactions to/from high risk jurisdictions.					
5	Bank collects sufficient information to verify customers' identities and regularly updates customer information.					
6	KYC procedure is effective in identifying potential risks associated with new customers.					
7	KYC procedure is conducted and AML/CFT controls are assessed before establishing business relationship with potential correspondent banks and money transfer agents.					
8	KYC procedure helps in identifying the suspicious activities.					

AML System:

No	AML System	1	2	3	4	5
1	An AML system that helps the Bank comply with international regulations by monitoring transactions for suspicious activity					
2	The AML system is user-friendly.					
3	The AML system is regularly updated to meet the latest regulatory requirements.					
4	The AML system effectively detects and provides real-time alerts for suspicious transactions.					
5	The AML software system is regularly updated to cope with new money laundering techniques.					
6	The bank faces difficulties in integrating AML systems with existing IT infrastructure.					
7	The effectiveness of the AML software system has reduced the risk of financial crimes in the bank.					
8	Bank's AML system is effective in detecting suspicious transactions					

Staff Training:

No	Staff Training	1	2	3	4	5
1	The Board of Directors (BOD), management team, and all staff members of the bank have received formal training and possess a comprehensive understanding of the key relevant laws, regulations, policies, and procedures relating to AML practices.					
2	The bank conducts frequent refresher training sessions on AML practice.					
3	AML training programs incorporate the latest data and trends in money laundering techniques.					
4	The AML training programs of the bank fully cover all necessary topics related to money laundering prevention and provide the understanding of all relevant AML laws and regulations.					
5	The AML training programs at the bank are effective in improving employees' ability to detect and report suspicious activities.					
6	The AML training programs are relevant to the specific money laundering risks the bank faces.					
7	Employees feel more confident in AML knowledges and skills after participating in the training programs.					
8	AML training programs incorporate the latest data and trends in money laundering techniques.					

Internal Control and Audit:

No	Internal Control and Audit	1	2	3	4	5
1	Internal controls and audits are implemented to prevent criminals from using the bank's facilities for money laundering.					
2	The bank has a dedicated team for internal controls and audits relating to AML practices.					
3	The Banks conducts regular internal and external audits to ensure compliance with AML regulations.					
4	The Bank has independent audits and testing of AML programmes on a periodic basic.					
5	Audit findings related to AML are promptly addressed and corrective actions are implemented.					
6	The internal controls implemented by our bank effectively mitigate money laundering risks across all business areas.					
7	Internal controls are regularly reviewed and updated to address emerging money laundering risks.					
8	The system of internal controls in the bank adequately covers all major money laundering (ML) risk areas.					

(Part III) Effectiveness of AML practices of Private Banks in Myanmar

Please rate the most appropriate score on the factors affecting the anti-money laundering practices.

Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

Bank Reputation and correspondent banks' trust".

No	Bank Reputation and Correspondent Banks' trust	1	2	3	4	5
1	Implementation of the AML software system has improved bank's compliance with international standards.					
2	The effectiveness of AML software system positively impacts the bank's reputation.					
3	The measures of internal control and audit have helped the bank to build stronger relationships with correspondent banks.					
4	The effective AML measures increase confidence among correspondent banks.					
5	AML software system has helped the bank to build stronger relationships with correspondent banks.					
6	The trust of correspondent banks has a positive impact on bank operations.					
7	Correspondent banks trust the bank more due to AML practices which is effective.					
8	The Effective AML practices of the bank positively impact bank's reputation.					
9	AML training for staff significantly improves the bank's compliance with international standards.					
10	The AML training program has strengthened the relationships with correspondent banks					

APPENDIX B

STATISTICAL OUTPUT

Descriptive Statistics

	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
AML Policies and Procedures	96	3	5	3.99	.788
AML Policies and Procedures	96	2	5	3.46	1.025
AML Policies and Procedures	96	3	4	3.48	.502
AML Policies and Procedures	96	2	5	3.68	.788
AML Policies and Procedures	96	2	5	3.47	.807
AML Policies and Procedures	96	2	5	4.15	.632
AML Policies and Procedures	96	1	5	4.00	.711
AML Policies and Procedures	96	1	5	3.78	.897
Valid N (listwise)	96				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Know Your Customer	96	3	5	4.07	.603
Know Your Customer	96	3	5	3.99	.788
Know Your Customer	96	2	5	3.46	1.025
Know Your Customer	96	3	4	3.48	.502
Know Your Customer	96	2	5	3.68	.788
Know Your Customer	96	2	5	3.47	.807
Know Your Customer	96	2	5	3.38	.798
Know Your Customer	96	2	5	3.46	1.025
Valid N (listwise)	96				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Technology System	96	2	4	3.38	.669
Technology System	96	2	5	3.55	1.113
Technology System	96	2	5	3.46	1.025
Technology System	96	2	5	3.46	.917
Technology System	96	3	5	3.88	.700
Technology System	96	2	5	3.57	.805
Technology System	96	3	5	4.30	.564
Technology System	96	3	5	4.19	.670
Valid N (listwise)	96				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Staff Training	96	2	5	3.86	.947
Staff Training	96	3	4	3.48	.502
Staff Training	96	3	4	3.49	.503
Staff Training	96	2	5	3.87	.837
Staff Training	96	2	4	3.58	.675
Staff Training	96	2	5	3.57	.805
Staff Training	96	3	4	3.58	.496
Staff Training	96	3	5	3.88	.700
Valid N (listwise)	96				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Internal Control & Audits	96	2	5	3.57	.805
Internal Control & Audits	96	2	5	4.18	.995
Internal Control & Audits	96	3	5	3.99	.447
Internal Control & Audits	96	3	5	3.88	.700
Internal Control & Audits	96	3	5	4.08	.706
Internal Control & Audits	96	3	5	3.88	.700
Internal Control & Audits	96	3	5	3.88	.700
Internal Control & Audits	96	3	5	4.08	.536
Valid N (listwise)	96				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.97	.774
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.98	.632
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.97	.774
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.97	.774
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.98	.781
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.97	.774

Effectiveness of AML Practices of Commercial Banks	96	2	5	4.08	.842
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.78	.602
Effectiveness of AML Practices of Commercial Banks	96	3	5	3.97	.774
Effectiveness of AML Practices of Commercial Banks	96	3	5	4.06	.831
Valid N (listwise)	96				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AML	96	2.50	4.75	3.7500	.50556
KYC	96	2.50	4.75	3.6224	.65694
TS	96	2.63	4.88	3.7227	.61698
ST	96	2.75	4.38	3.6654	.57110
ICA	96	2.75	4.88	3.9414	.58741
E	96	2.90	4.90	3.9729	.64945
Valid N (listwise)	96				

Correlations

		AML	KYC	TS	ST	ICA	E
AML	Pearson Correlation	1	.889**	.825**	.858**	.881**	.870**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	96	96	96	96	96	96
KYC	Pearson Correlation	.889**	1	.927**	.951**	.940**	.972**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	96	96	96	96	96	96
TS	Pearson Correlation	.825**	.927**	1	.925**	.924**	.953**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	96	96	96	96	96	96
ST	Pearson Correlation	.858**	.951**	.925**	1	.949**	.981**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	96	96	96	96	96	96
ICA	Pearson Correlation	.881**	.940**	.924**	.949**	1	.958**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	96	96	96	96	96	96
E	Pearson Correlation	.870**	.972**	.953**	.981**	.958**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	96	96	96	96	96	96

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992[a]	.984	.984	.08341

a. Predictors: (Constant), ICA, AML, TS, ST, KYC

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.443	5	7.889	1133.961	.000[b]
	Residual	.626	90	.007		
	Total	40.070	95			

a. Dependent Variable: E

b. Predictors: (Constant), ICA, AML, TS, ST, KYC

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.028	.074		-.371	.712		
	AML	-.021	.039	-.016	-.529	.598	.188	5.316
	KYC	.291	.052	.294	5.637	.000	.064	15.717
	TS	.211	.042	.200	5.062	.000	.111	9.014
	ST	.514	.058	.452	8.802	.000	.066	15.168
	ICA	.090	.055	.082	1.649	.103	.071	14.145

a. Dependent Variable: E

Reliability Statistics

Cronbach's Alpha	N of Items
.800	8

Reliability Statistics

Cronbach's Alpha	N of Items
.926	8

Reliability Statistics

Cronbach's Alpha	N of Items
.886	8

Reliability Statistics

Cronbach's Alpha	N of Items
.927	8

Reliability Statistics

Cronbach's Alpha	N of Items
.931	8

Reliability Statistics

Cronbach's Alpha	N of Items
.959	10