Industry Monthly: Banking & 3 Threats in Focus

Industry Threat in Focus
Banking

Wilson James

1 OVERVIEW

2 THREATS – Who, What, How

3 BANKING & TERRORISM

4 BANKING & ACTIVISM

5 BANKING & ATM CRIME

5 GUIDANCE

6 STATISTICS

7 DISCUSSION

Industry Threat in Focus
Banking – Overview [1.] [2.] [3.]

Threats to the banking industry take many shapes and forms. This month, Advisory Services takes a three threat focus approach to the Banking Industry, where we concentrate on emerging and existing trends to the Banking threat landscape.

- Terrorism - through financing, proximity or affected employees.
- Activism - banks face criticism for ESG policies and/or remove board members through shareholder activism or activist investors.
- Banking threats for consumers - where scammers, ATM fraudsters and opportunistic criminals take advantage of customers.

All three threats; Terrorism, Activism and Customer fraud will feature significantly in 2023 as they grow even more popular and sophisticated.

- Terrorism will see an increase in the worrying trend of Advance Persistent Threats (APTs) drawing on every cyber-security mitigation tool in one's arsenal and more.
- Activism, boosted by HSBC's backing down on their fossil fuel strategy and Barclays targeted by campaigns on climate and arms trading.
- Consumers will receive more convincing banking scams on-line and in person.

Industry in Focus – BANKING

Threats in Focus:
Banking & Terrorism
Banking & Activism
Banking & Cash Point Crime

Industry Threat in Focus
Banking Threats 4.

WHO

THREATS TO BANKING INDUSTRY:

- **Organised criminals** e.g. Brink's-Mat Robbery 1983
- **Terrorist groups/State Sponsored Terrorism** e.g. APT31's attack on French Organisations 2021
- **Corrupt Senior Political Leaders** e.g. Bank of Credit and Commerce International accused of money laundering for Saddam Hussein, Manuel Noriega and the Medellin Cartel amongst others.
- **Business Leaders** e.g. Allegations Gautam Adani engaged in stock manipulation to inflate value of company
- **Customer, Supplier, Contractor** (as victims or criminals) e.g. ATM Scams and Invoice Fraud
- **Employees** e.g. Santander Robberies linked to G4S Security officer employee 2018
- **Opportunist fraudsters** e.g. Taking advantage of a crisis like COVID19 pandemic

WHAT

TYPES OF FINANCIAL CRIME:

- Fraud
- Cyber crime and Ransomware as a Service (RaaS)
- Money laundering
- Terrorist financing
- Bribery and corruption
- Market abuse and insider trading

HOW

FINANCIAL CRIME LINKED TO TERRORIST FINANCING

- Money Laundering to hide the source of payments for Terrorism
- To disguise themselves as a credible source
- Self-financing (i.e. through their members or sympathisers)
- Criminal activity
- State sponsored acts

Industry Threat in Focus
Banking & Terrorism 5. 6. 7. 8. 9. 10.

APTS - STATE SPONSORED ADVANCED PERSISTENT THREAT (APTS)

- Coordinated cyber activities between sophisticated criminals & state-level government or commercial entities.
- State protection.
- Skilled, Motivated, Organised, Well-funded.
- Compromising information or information systems.
- Remaining undetected is crucial to success.

HOW:

- Internet-based malware infection:
  - Email links or attachments / Phishing / Physical malware infection / Infected USBs, CDs and DVDs.
- External exploitation and intrusion:
  - Hacking or Wi-Fi penetration.

complyadvantage.com

ITGovernance.co.uk

MONEY LAUNDERING

Three Stages of Money Laundering

1. **Placement**
   - Adding illicit cash to legitimate takings.
   - False invoicing.
   - Smurfing – below AML reporting threshold, small amounts deposited into numerous accounts/credit cards to pay expenses.
   - Hiding the beneficial owner's identity.
2. **Layering**
   - Chain-hopping — converting one cryptocurrency into another and moving from one blockchain to another.
   - Mixing or tumbling — blending of transactions across several exchanges.
   - Cycling —making deposits of fiat currency from one bank, purchasing and selling cryptocurrency, and then depositing the proceeds into a different bank or account.
3. **Integration**
   - Fake employees – paid in cash.
   - Loans – which will never be repaid.
   - Dividends – paid to shareholders of companies controlled by criminals.

Industry Threat in Focus
Banking & Activism

11. 12. 13. 14. 15. 16. 17. 18.

ENVIRONMENTAL/SOCIAL ACTIVISM

- Activism against banks tends to focus (as with many corporate companies) on their Environmental, Social and Governance (ESG) policies.
- More and more activists find reasons to hold the financial sector to account examples include the industry association to:
  - Fossil Fuel Investment.
  - Animal Rights.
  - Deforestation.
  - Greenwashing.
  - Funding of defence contracts for other nations.
  - Human rights.
  - Excessive shareholder payouts/tax avoidance.
  - Political party donations.
- HSBC and Barclays have faced significant activism in the financial sector in 2022.
- At the end of 2022 HSBC announced they were moving away from funding fossil fuels. Leaving Barclays as the larger target.

BARCLAYS – Activist Review

- Barclays' financing strategy creates a low ESG approval rating for a number of reasons including their association to:
  - West African deforestation.
  - Illegal mining of indigenous Amazon land.
  - Myanmar and Israeli military through shares in defence contractors.
  - Greenwashing - Founder of Net Zero Banking Alliance but one of the top financiers of fossil fuel investments.

1. Extinction Rebellion (XR)

- **XR sub-group Money Rebellion** specifically targets financial institutions.
  - Barclays, Lloyds, HSBC, Bank of England, Department of Economic Affairs, JP Morgan and pensions plans as enablers.
  - Together with other activist groups, targeted the AGMs of HSBC, Barclays and Standard Chartered Bank in 2022.

2. 'Better without Barclays'

- Conglomerate of multiple climate activist groups targeting Barclays. Actions include:
  - 'Break-up with Barclays' Valentine's Day campaign 2022.
  - Vandalism/destruction of property
  - Brandalism.

3. Palestine Solidarity Campaign (PSC)

- **Barclays Banking on Apartheid**
  - Joint campaign with PSC including War on Want, and Campaign Against Arms Trade (CAAT).
  - *"Research by Palestine Solidarity Campaign, Campaign Against Arms Trade, and War on Want has identified that Barclays invests over £1 billion in companies supplying weapons and military technology to Israel, used in militarised repression of Palestinians."* Lewis Backon PSC campaigns officer.

SHAREHOLDER ACTIVISM and ACTIVIST INVESTORS

- **Shareholder Activism** is 'a key feature of global markets' and expected to increase significantly in 2023, particularly as financial visibility improves.
- Key Targets for Activists:
  - Transactional Opportunity
  - Strategy
  - Business Performance
  - Share Capital
  - Governance
  - ESG
- **Activist Investors, often** referred to as similar to 'corporate raiders', pose just as much risk to a company and can often support shareholder activism efforts.
- Barclays Bank resisted a three-year take-over campaign by activist investor Edward Bramson in 2021.

Industry Threat in Focus
Banking & Cash Points Crime [19.](#) [20.](#)

CASH MACHINES (ATMs) are a very safe way to access your accounts and can assist in enabling an individual to not having to carry large amounts of cash for extended periods of time.

The chances of becoming a victim of ATM crime remain low.

However, it's important to take care when using an ATM and remain aware of your surroundings.

WHAT IS IT?

Criminals use a variety of methods to target cash machines, including:

Skimming devices: This involves attaching a device to the cash machine to record details from the magnetic strip of a card, while a miniature camera captures your PIN. A fraudulent card is then produced to withdraw cash.

Entrapment devices: Inserted into the card slot in a cash machine, these devices prevent the card from being returned to the cardholder. Once the individual leaves the machine, the criminal removes the device and the card.

Shoulder surfing: In order to identify someone's PIN the criminal watches over the cardholder's shoulder when they are using an ATM or card machine. The criminal then steals the card using distraction techniques or pickpocketing.

Examples of ATM Tampering

This is Money (2016)

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Banking

GUIDANCE

BANKING & TERRORISM

BANKING & ACTIVISM

BANKING & CASH POINT CRIME

Industry Threat in Focus
Banking & Terrorism Guidance

21. 22. 23. 24. 25. 26. 27.

TERRORISM

APTs should be specifically reviewed in any counter terrorism strategy. Considering only conventional cyber-tools is not sufficient.

APT indicators include (but not limited to):

- Unusual behaviours e.g. Late-night logins.
- Unusual data movement.
- Phishing attacks targeting specific staff.

APT Mitigations:

- **Deep Learning** (which recognises normal cyber behaviour in a company and identifies unusual activity) is more than 85% successful in identifying attacks.
- Value the assistance of a **third party specialist** to audit all intrusions (not just those identified in-house) preventing further breaches.
- **Deception Technology Solutions** confuse attackers through decoys and traps in system's infrastructure to imitate real assets.
- **Staff training** to raise awareness on Phishing techniques and insider threats.

MONEY LAUNDERING

- Various risk-based Anti-Money Laundering **(AML)** solutions related to the three stages of money laundering (consisting of predictive analysis, transaction monitoring etc) exist to mitigate against this threat.

ML indicators include (but not limited to):

- Secretive or evasive clients.
- Client's failure to provide information or documentation.
- Suspicious documentation.
- Criminal associations.
- Suspicious knowledge of money laundering processes.
- Loss making transactions
- Unusual source of funds
  - Size. nature, frequency of payments.
  - Unexplained payments from a third party.
  - Loans from suspicious lenders.
  - Use of multiple/foreign accounts.

ML mitigations

- International Monetary Fund (IMF) and other financial governing institutions have issued tools and guidance to assist with these solutions and to improve 'Combating the Financing of Terrorism' **(CFT)**:

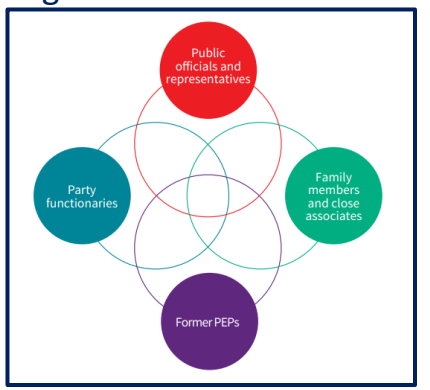
1. Off-shore financial Centres (OFC) assessment program.
2. Financial Action Task Force
   - Project CRAAFT – 2020 three-year research project against the financing of terrorism.
3. Suspicious Activity Report (SARs)
   - National Crime Agency (NCA) initiative

Other AML Mitigations

- Third Party due diligence.
- Politically Exposed Persons (PEPs) and negative sentiment media screening.
- Testing and Training.

PEPs screening factors

LexisNexis.com (2016)



Contact AdvisoryServices@wilsonjames.co.uk for details regarding our media monitoring tool

Industry Threat in Focus
Banking – Activism Guidance

28. 29. 30. 31. 32. 33. 34.

ENVIROMENTAL/SOCIAL ACTIVISM

KEEPING STAFF INFORMED AND PREPARED

- Inform staff of impacted routes to work.
- Provide guidance on how to approach the site (e.g. consider dressing down, no identification on display, organised travel from transport hubs).
- Morning Briefs to include lockdown measures and scenario discussion to aid confidence in SOPs.
- Escalation and Incident procedures to be brief.
- Allocated Team Leads and Named First Aiders on site communicated to team daily.
- Consideration should be given to working from another location.

ACCESS CONTROL

- Secondary access points to be used.
- Enhanced Perimeter Surveillance.
- Reinforce security on approach to site.
- Patrol in pairs, change routes and check exterior fencing.

SOCIAL MEDIA AND CYBER SECURITY

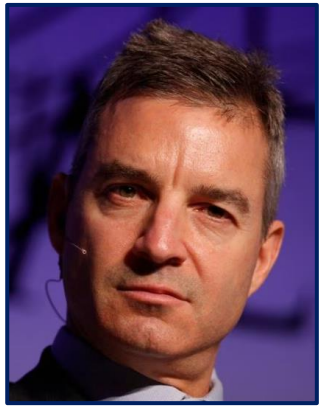
- Monitor social media platforms for sentiment.
- Further guidance for staff on personal cyber security and WFH.

SHAREHOLDER ACTIVISM

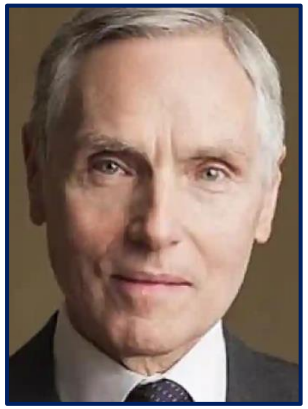
Directorpoint.com

- Banks were considered too large for shareholder activism but are now front and centre in the climate crisis and feature heavily in ESG activist concerns.
- Increase director-shareholder engagement.
- Increase board transparency.
- Engage an Activist Defense Team.
  - Communicating to both activists and shareholders.
- Assess shareholder activism resolution voting results via ShareAction's league table.
- Assess Banking on Climate Chaos risk rating (see next slide).

- Online AGMs avoid physical disruption of event by protestors.
- Be mindful of new US 'universal proxy' voting rules for director elections post August 2022.



Shell - Actvist Investor - Dan Loeb (Reuters 2021)



Barclays - Activist Investor – Edward Bramson (Guardian 2021)

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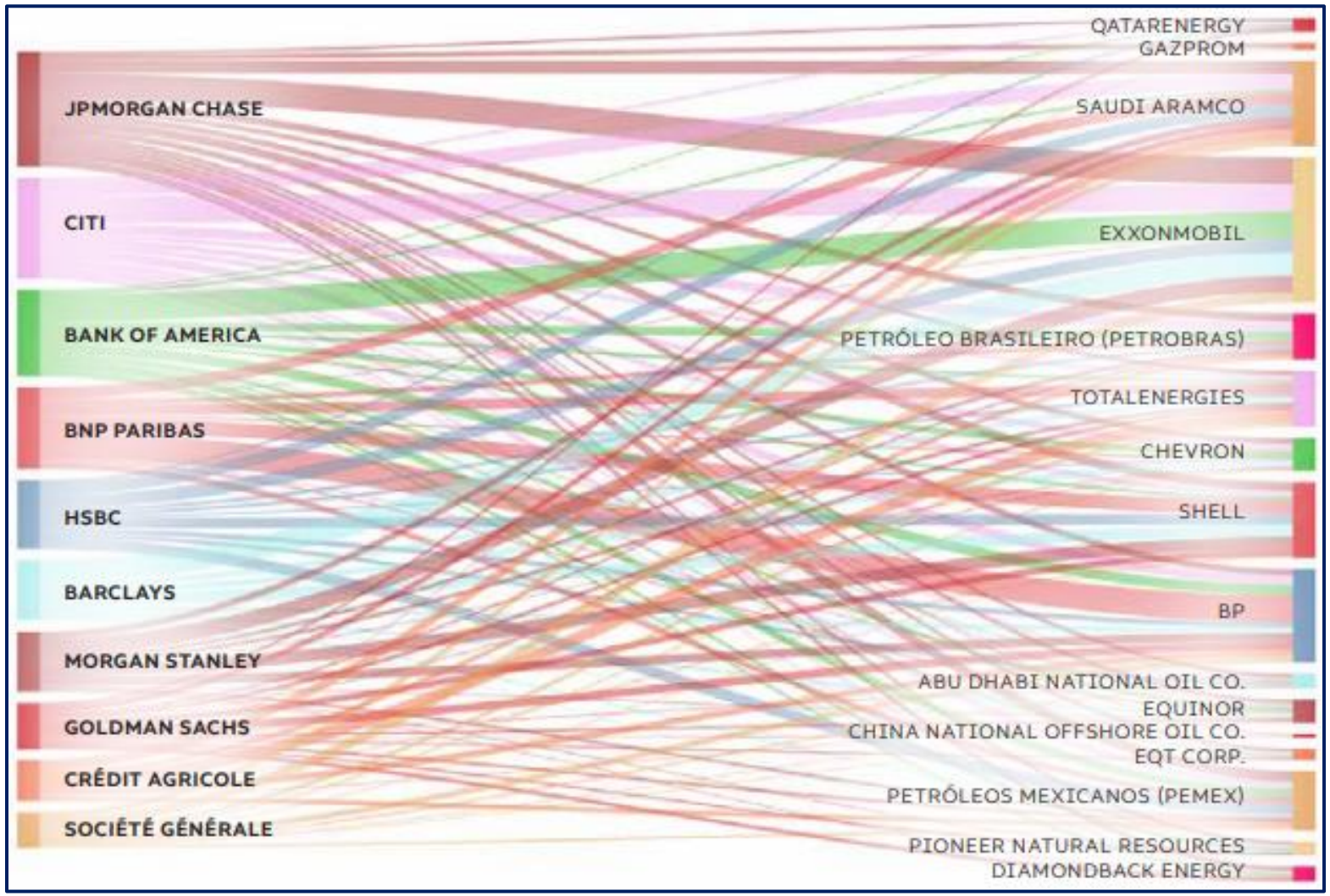
Banking – Activism Guidance [35.]



BANKING ON CLIMATE CHAOS
RISK RANKING AND ASSOCIATED ENERGY CLIENTS

Position	Bank	Finance for fossil fuel expansion 2016-2021 (US$, billions, rounded up)	Total fossil fuel finance 2016-2021 (US$, billions, rounded up)
1	JP Morgan Chase	$117 bn	$382 bn
7	Barclays	$54 bn	$167 bn
13	HSBC	$55 bn	$130 bn
14	Goldman Sachs	$44 bn	$119 bn
32	Santander	$23 bn	$43 bn
45	Natwest	$4 bn	$15 bn
58	Lloyds	$4 bn	$13 bn
54	Danske Bank	$1 bn	$7 bn

For the full listing of all 60 banks visit the Banking on Climate Chaos report website.

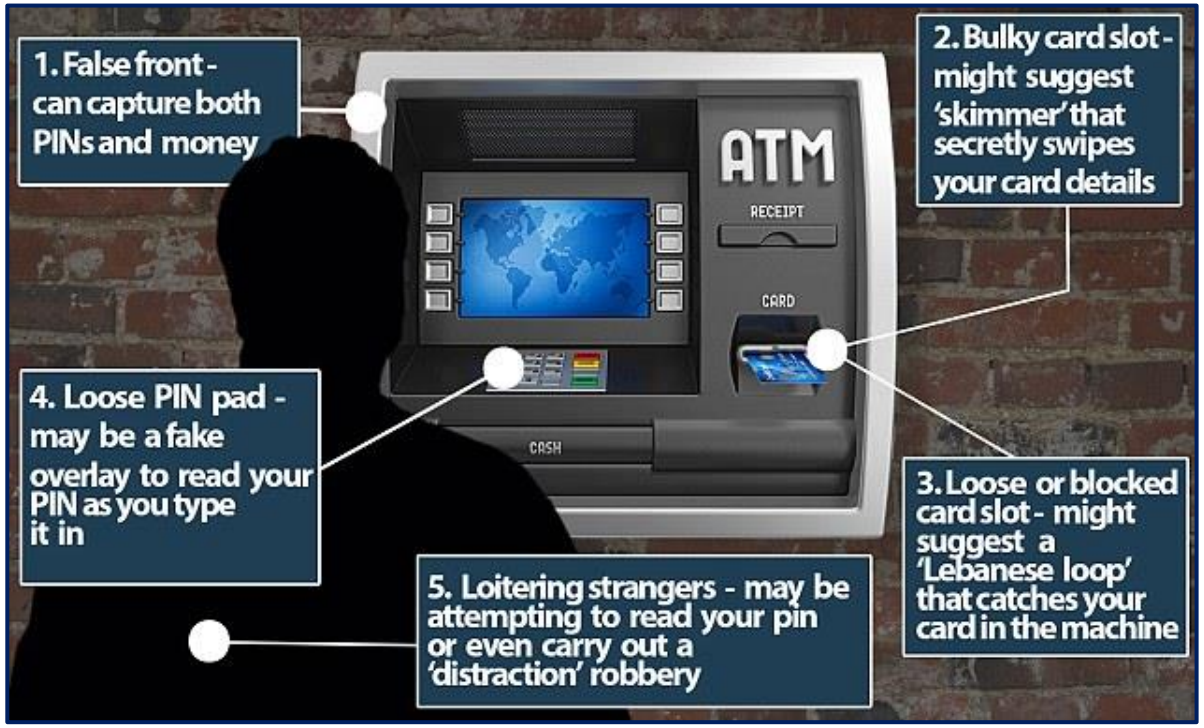
BankingonClimateChaos.org (2022)

Industry Threat in Focus
Guidance – Cash Points Crime [36.] [37.]

HOW TO STAY SAFE WHEN USING YOUR CARD AT A CASH MACHINE

1. Always cover the keypad to avoid your PIN being compromised, by someone looking over your shoulder, or in case of a hidden recording device near by.
2. Be aware of your surroundings. Choose a cash point that you feel safe at, well lit and not hidden from view. Be cautious of people who may be standing too close or trying to distract you as you use an ATM.
3. If your card has been retained by a card machine, ensure you report it to your card provider immediately.
4. Banking Apps can allow you to place a temporary or permanent freeze on your card allowing for an immediate response.
5. If you notice suspicious activity at an ATM do not use it for your transaction and report it to your bank immediately.
6. Keep your belongings secure, ensure you put your card and money away after use and prior to leaving the cash machine.
7. Dispose of your receipts, mini-statements, or balance enquiries securely.

Examples of ATM Tampering



This is Money (2016)

Industry Threat in Focus Banking - Statistics

38. 39. 40. 41. 42. 43. 44. 45.

From January 2021 to February 2022, KELA tracked close to **16,000** unique, **leaked credentials linked to UK financial organizations** which appeared online.

In **2020 Commerzbank** (London) was **fined $50 million** for **failing to implement adequate AML measures** between 2016-17 despite warnings, resulting in USD $347 Million being laundered.

In **2012 HSBC** was fined **USD1.9 Billion** for having **insufficient anti-money laundering (AML) measures** in place enabling USD8 Billion to be laundered over seven years, providing services to terrorist organisations and blacklisted counties such as Iran and North Korea.

135 UK financial companies experiencing a **ransomware** incident in **2021**. The most active groups were: Conti, PYSA, LockBit and Sodinokibi

In a 2022 PwC survey **71% of directors** believed direct **engagement with shareholders enhances stakeholder trust**.

In **2022 35 faith institutions** announced their **divestment from fossil fuel companies** 19 of the 35 institutions divesting are from the UK. They represent 35% of all global divestment commitments.

In August **2021**, **USD 10Billion** was lent **to ExxonMobil** by banks such as Barclays, JP Morgan and HSBC

United Nations Office on Drugs and Crime (UNODC) estimates that **money laundering** schemes cost **2-5% of the world's total GDP** – an estimated $2 trillion..

The world's **60 biggest banks** have provided **$4.6 trillion** in **financing** for **fossil fuels since** the **2015** Paris Agreement

APT40 and APT31, both Chinese, are amongst the many APTs **to target the UK** in the last few years .

The Anti-Phishing Working Group (APWG) stated in Q1 2022 the **financial services industry** experienced a **35% increase in attacks**.

2023 the **Global Deception Technology market** is worth USD 2Billion, its CARG is expected to increase to over 14% (**USD $ 7.5 Billion**) by **2033**.

Banking Threats
Discussion Prompts for your Team

Why do Activists target Banks?

What is an APT?

What are three stages of Money Laundering?

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