



# Forensic services

Helping to protect your business  
from fraud, misconduct and  
non-compliance

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In the present global scenario, the banking system has acquired new dimensions. Today, the banking system has entered into competitive markets in areas covering resource mobilisation, human resource development, customer services and credit management as well. In the current environment of increased regulation, corporate scandals, heightened threat from terrorism and organised criminal gangs, banks and other financial institutions are under more scrutiny than ever. Fraud in the financial services industry poses a significant risk to institutions and the integrity of capital markets. Its effects can be widespread and cause not only long term financial but also reputational damage. It is vital that banks protect themselves against the significant risks that exist and implement robust anti-fraud systems and controls to counter such risks and maintain market confidence.

### **KPMG's Forensic team can help**

KPMG's Forensic team helps clients protect their business from fraud, misconduct and non-compliance, which in turn helps organisations reduce reputation risk and commercial loss. We do this by providing independent, proactive and responsive services through our investigative, accounting and technology capabilities. Our team has more than 800 professionals, each one bringing in not only rich and extensive experience but also competitive and specific skill sets.

## **Do you suspect that fraud or other financial loss has taken place in your company?**

### **Fraud and misconduct investigation**

An industry-wise analysis of responses received in our KPMG in India Fraud Survey Report 2012 revealed that the Financial Services industry was perceived to have the highest levels of fraudulent activities in India, with over 59 percent of the respondents having suggested that their organisation had experienced fraud in the last two years. With the banking sector being vulnerable to various fraud such as electronic fraud, identity theft, forgery, falsification of accounts etc. organisations need to be extremely vigilant.

Our Forensic team has undertaken some of the largest financial fraud investigations across industry sectors and assisted organisations in solving a range of fraud and misconduct situations. We have carried out investigations across extremely technical and complex areas. One example that stands out is frauds in the dealing room area. Such frauds usually involve somebody taking advantage of a position that the financial institution is going to take in the stock market by taking the position prior to the financial institution executing its trades. Typically, it involves confidential information about the trades that the financial institution is going to place and may involve an insider. We have also worked with other capital market intermediaries like depositories and brokerages in areas like misuse of pool accounts and irregularities into the settlement operations.

We are one of the largest investigative teams in the country and using our experience and the knowledge of your organisation's particular circumstances, we can conduct event-led investigations by gathering and analysing data to help identify instances of impropriety, the parties involved as well as uncover the modus operandi. We also help gather evidence that can be presented in the court of law and assist the client in litigation.

### **Data theft detection and prevention**

A large number of processes in a bank deal with sensitive information. This may be customer information, transactions information or data relating to proposed investments or trades. Any leakage of such information could result in financial losses as well as loss of reputation and business. KPMG Forensic can help you with the detection and, if possible, prevention of any data theft.

## **Fraud loss management**

KPMG Forensic can support banks in their continuous efforts to prevent, detect and respond to fraud and misconduct through the design, implementation and evaluation of antifraud programmes and controls.

One of the main issues of detecting fraud in a bank is the sheer volume of transactions that take place and it is simply not practical to review every single one manually for suspicious activity. Forensic data analysis can help banks analyse vast volumes of data to identify underlying trends relating to transactions that have taken place. With our extensive industry knowledge and experience with fraud schemes we can develop the preventive framework and proactive programmes to detect various forms of misconduct. We also carry out fraud loss management exercises for niche technical areas like dealing room activities and irregularities into settlement and trading operations.

## **Ethics Helpline**

Our ethics helpline service assists clients by providing an independent conduit for employees to report incidents of unethical practices. The helpline is managed by trained call handlers and not interactive voice response systems, thus ensuring that a wide range of concerns are addressed. The helpline numbers can be generic or customised to client requirements (subject to availability with the service provider).

We provide ethics helpline services to over 130 clients across Asia, Africa, Australia and Latin America. While maintaining the whistleblower's confidentiality, we provide customised reporting as per the needs of our clients based on their industry, business and approach to issue resolutions.

## **Are you sure about the credibility of your employees, customers and/ or agent?**

### **Pre-employment screening**

An identified issue for all banks continues to be verifying the credentials of employees they hire. Often, due to the pressures of large scale recruitment, especially in terms of sales-force, companies are not able to conduct a thorough verification. KPMG conducts professional and impartial background checks on employment candidates without violating their privacy. We help you base your hiring decisions on facts and not on job seekers' representations or disclosures. These checks include employment checks, education checks, reference checks, criminal checks, etc.

### **Know your customer**

On account of a defaulting customer, banks not only incur financial loss but can also attract regulatory action against them. KPMG Forensic can help companies conduct background checks on their prospective customers to help ensure the credibility of information submitted including address check, verification of documents submitted etc.

### **Integrity due diligence on high value loans**

Entering into any kind of relationship without an appreciation of the possible downside can expose organisations to financial and reputation risks. KPMG's Forensic team can help banks in identifying any hidden factors or red flags through gathering intelligence by public and non-public sources. We help organisations uncover facts that may impact negatively on their businesses and puts them in a better position to make informed decisions on high value loans.

### **Know your vendor/ business associate**

We can provide investigative due diligence to organisations seeking to screen prospective vendors or business associates for potential problems. Awareness of the background, past performance, reputation and history of vendors can help organisations to proactively decide or plan their relationship with them. By hiring business associates or vendors who behave ethically and stress on quality in their performance and behaviour, organisations can help lessen their own exposure to liability, litigation, audits, financial loss and government investigations.

## Are you concerned about regulatory compliance?

### **Anti Money Laundering (AML) compliance**

Many banks already employ software analytics in their fight against money laundering, but that is not enough. The need of the hour is for banks to understand the risks associated with their processes, customers, transactions and develop an appropriate risk based AML strategy. At KPMG, we offer, from compliance advisory to implementation support services. We assist in regulatory policy framework gap analysis, customer remediation's, policies, procedures and control enhancements, and transaction monitoring and testing.

### **Anti-Bribery and corruption and US FCPA / UK Bribery Act compliance**

Compliance with the US Foreign Corrupt Practices Act (FCPA)/ UK Bribery Act is challenging in developing countries and especially in countries where corruption is prevalent. We help clients develop and implement effective compliance programmes to prevent, detect and respond to issues related to anti-corruption noncompliance. KPMG has successfully investigated various engagements involving bribery/corruption issues. We also help clients to conduct pre-acquisition due diligence in mergers and acquisitions.

## Is your company embroiled in a commercial dispute?

### **Knowing strengths and weaknesses**

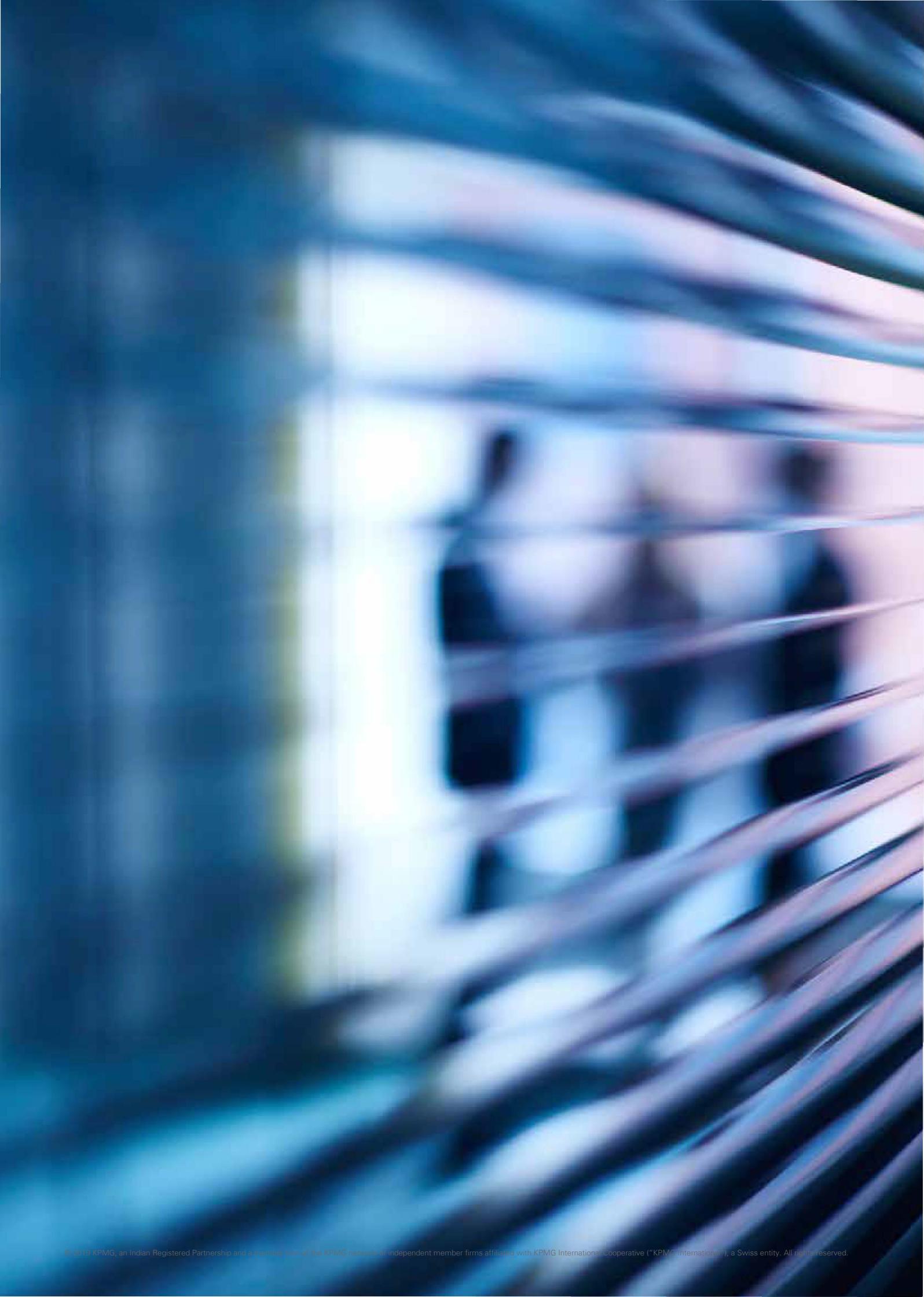
We work closely with clients and legal teams from the outset to give a realistic and authoritative assessment on key accounting issues and/or quantum in dispute. This helps you to make decisions about the case and negotiate from a position of strength.

### **Evaluating, documenting and presenting your case**

Our compelling and easy to understand reporting of facts, opinions and conclusions are supported by credible, robust oral evidence. We have testified as expert witnesses and have been cross examined in various litigation cases and legal proceedings.

### **Collecting and reviewing evidence**

KPMG's e-discovery capabilities can help ensure immediate and convenient access to evidence for review by legal teams and clients, irrespective of format and volume. We collect, manage and process paper and electronic records. We also provide a variety of review tools to enable fast and cost effective review of relevant material.



## Our value proposition

### Vast experience

We have investigated over 850 cases of economic crime of various kinds including some of the most high profile cases featured in leading financial dailies. Our proactive and reactive services address a wide range of issues including kickbacks and bribes, financial misrepresentations, accounting frauds, data theft, internet fraud, funds siphoning etc.

### Dedicated and trained resources

Our team comprises of management professionals with in depth experience in the financial industry, certified fraud examiners, former police officers, chartered accountants, certified public accountants, business ethics professionals, environment specialists, social workers, technology professionals and analysts. They are supported by our on-site investigation team that verifies facts in person, thereby increasing the credibility of our services.

### Technology-backed solutions

We produce accurate and objective reports with fast turnaround time, by using proprietary technology tools. Our dedicated forensic technology laboratory can mine and analyse large volumes of data in paper and electronic formats in minutes and effectively support on-site investigations.

## Select credentials

### Retail banking fraud

A multinational bank engaged KPMG Forensic to investigate allegations of loans being granted to customers on the basis of falsified documents. We conducted a loan portfolio analysis and analysed certain loan applications to identify issues. Physical and digital evidence relating to forgery by the sales teams was recovered through search and seizure and through the use of forensic technology.

### Front running/Insider trading

One of India's largest mutual fund houses appointed KPMG to investigate into allegations of front running against one of its employees. The review involved establishing whether there was any substance to the allegations and if so, probe the involvement of other employees as well. We helped the client assess the extent and scale of the issue as well as quantify the potential loss suffered by the fund. The review also involved working closely with the regulator.

### Irregularities in demat, trade and settlement operations

A large securities trading company providing financial intermediary and advisory services suspected irregularities in demat, trade and settlement operations in one of their branches. KPMG assisted in identifying the irregularities and people responsible; as well as establishing modus operandi of the fraud. We also helped in highlighting the weaknesses in their IT system.

### Know your customer (KYC) / AML advisory

A foreign bank, having branches in India, engaged KPMG to review and advice on KYC/ AML policies and assist in implementing the revised policies. We carried out gap analysis between Reserve Bank of India's KYC norms and the bank's KYC standard procedure. We also identified process lapses in the current KYC/ AML procedures and assisted in setting up revised policies and implementation across branches.

### Regulatory compliance review

KPMG Forensic was mandated by the banking regulator in India to assess the level of compliance to regulations by the foreign exchange trading desk of a leading bank. We reviewed their systems, process, individual transactions and trading relationships and assessed them for regulatory compliance.





## **Senior management fraud**

A leading non-banking financial corporation engaged us to investigate allegations that the CEO had entered into securities transactions resulting in losses for the company and personal gain for himself. Numerous transactions were not in accordance with stock exchange rules resulting in diversion of funds. There were also indicators of attempts by the CEO to misrepresent the financial status of the company to the Board of Directors.

## **Data analytics**

The banking regulator engaged KPMG to develop a tool to assist them in identifying red flags in various areas. We helped them develop around 70 queries that facilitated in identifying red flags in various areas such as KYC, foreign currency, derivatives, non performing assets etc.

## **Fraud risk management**

We were engaged by a leading bank listed on the New York Stock Exchange to assess their preparedness in the prevention and detection of fraud. We assisted the management in implementing anti-fraud programmes and controls, including fraud risk assessment to help ensure regulatory compliance. We developed 200+ fraud schemes that could be perpetrated in the existing control environment and evaluated the adequacy of the existing preventive and detective controls to mitigate the risk of fraud as identified above.

## **Asset tracing**

KPMG Forensic was engaged by a large financial institution to conduct an investigation. Some of the large borrowers had misappropriated funds and had declared their establishments as "sick" units. During the course of our investigation, we identified assets created by the borrowers out of funds siphoned off including personal properties and properties held in the names of their associates.

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