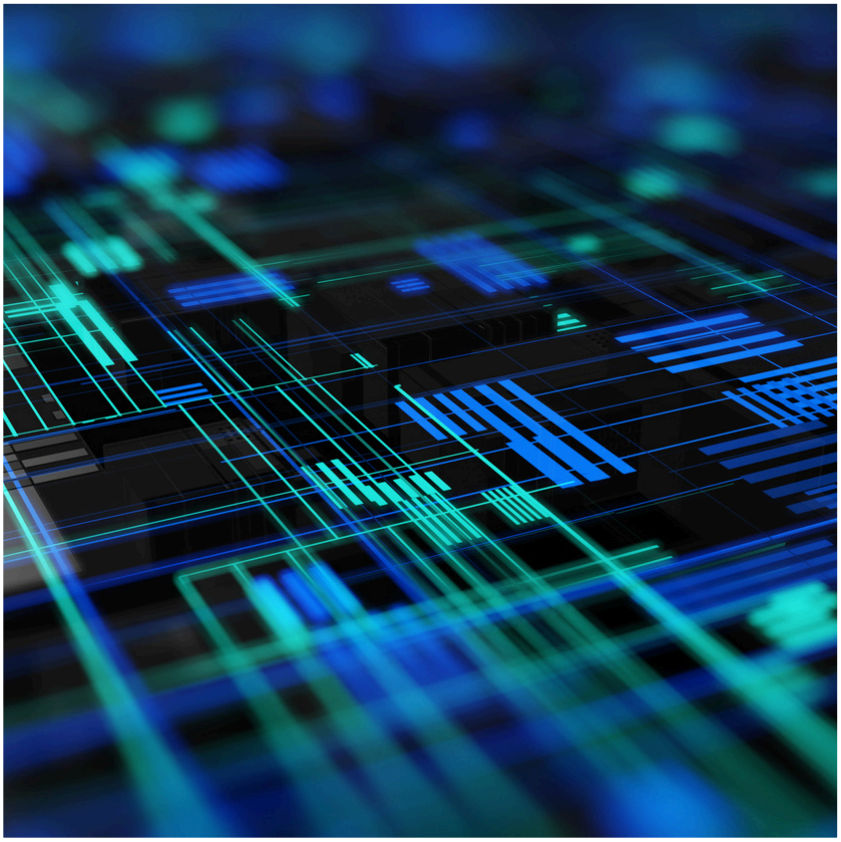
FIDE FORUM



MASTERCLASS

Navigating High-Tech Financial Crime: Key Risks and Board Responsibilities

6 May 2025

WWW.FIDEFORUM.ORG

Event Overview

In an increasingly digitized world, financial crime has evolved into a multi-dimensional threat demanding sophisticated governance and oversight.

On May 6, 2025, FIDE FORUM hosted a masterclass titled “Navigating High-Tech Financial Crime: Key Risks and Board Responsibilities” at the Asia School of Business. The session aimed to empower board directors with the insights and foresight necessary to lead their institutions in confronting emerging financial crime risks.

Welcoming Remarks

Mr. Tay Kay Luan, Chief Executive Officer, FIDE FORUM welcomed participants by emphasizing the urgency for board leaders to remain vigilant in the face of high-tech crime. He stressed that scams and fraud—once regarded as isolated threats—have now evolved into a systemic and sophisticated industry. Mr. Tay referenced recent cases, including online trading frauds and cyberattacks on international retailers, to illustrate the gravity and pervasiveness of the issue.

He noted that directors can no longer afford to regard financial crime as a compliance item alone. Instead, they must take a proactive stance, ensuring that both the board and management are aligned in addressing technology-driven financial crime. His message was clear: board readiness, awareness, and resilience must evolve in step with the threat landscape.

Keynote Presentation: Robin Lee

Robin Lee began by sharing his unique career journey—from his days as a coder in Silicon Valley to his current role as General Manager, APAC for Hawk AI.

With a warm, anecdotal style, Robin described how he once took aerobics classes with Sheryl Sandberg pre-Facebook, demonstrating how quickly change can occur and why leaders must adapt rapidly.

TYPES OF FINANCIAL CRIME DISCUSSED

Mr. Robin Lee categorised the primary forms of financial crime impacting institutions today, offering critical insights into how these crimes evolve and intersect with board-level oversight:

- **Money Laundering:** Involves disguising the origins of illegal funds through placement, layering, and integration.
- **Terrorist Financing:** Using legitimate financial channels to fund terrorism, often involving small, seemingly benign transactions.
- **Fraud:** Includes internal deception (first-party), collusion (second-party), and impersonation or external scams (third-party).
- **Cybercrime:** Encompasses ransomware, phishing, deepfake impersonations, and large-scale data breaches.
- **Bribery and Corruption:** Misuse of authority for personal gain, often involving procurement or regulatory evasion.
- **Tax Evasion:** Illegal avoidance of tax obligations, sometimes through offshoring or underreporting income.
- **Embezzlement:** Theft of entrusted funds by employees or insiders.
- **Market Abuse and Insider Dealing:** Trading based on non-public, material information to gain unfair advantage.
- **Information Security Breaches:** Exploits aimed at compromising data confidentiality and integrity.

Robin underscored that these crimes are now powered by technology—executed at scale through AI, blockchain, and the dark web. Criminals no longer need to break into banks physically; they operate through sophisticated digital tools.

Emerging Trends and Local Context

Robin localised the conversation by citing:

MALAYSIA'S RM1.3 BILLION IN LOSSES FROM OVER 32,000 SCAM CASES IN 2023.

THE **"MOON ASTRONAUT SCAM"** WHERE A WOMAN LOST RM1.3 MILLION TO SOMEONE CLAIMING TO BE A STRANDED ASTRONAUT.

CRIMINAL USE OF **DEEPFAKE VOICE IMPERSONATION,** WHERE A CEO'S VOICE WAS SIMULATED TO AUTHORIZE A FRAUDULENT PAYMENT.

He stated that financial crime is now scalable and hyper-personalised. AI allows criminals to clone voices, simulate identities, and orchestrate attacks with alarming precision.

Robin then explained why traditional systems can't keep up:

- Core banking systems built in COBOL are not scalable.
- Vendor lock-ins result in expensive rule changes.
- Organisations often resist cloud migration due to politics, not real security concerns.

He advocated for an integrated system—like Hawk AI—that unifies fraud detection, AML, and compliance into a real-time, intelligent framework.

BOARD OVERSIGHT: QUESTIONS DIRECTORS MUST ASK

Robin emphasised that effective governance requires the board to ask better questions, such as:

- Are AML and fraud systems integrated?
- Is the system rule-based or risk-based?
- Is the platform cloud-ready and AI-powered?
- Are compliance costs escalating due to vendor dependency?

He encouraged directors to look beyond vendor sales pitches and examine their architecture, transparency, and team capability.

Questions & Answers

Q: Can transformation happen with legacy systems still in place?

A: Robin suggested launching digital subsidiaries or phased migrations, bypassing old systems gradually.

Q: How can directors get educated quickly?

A: Focus on use cases. Ask for demos. Require independent tech due diligence and integrate learning into board strategy sessions.

Q: What protection mechanisms can boards implement now?

A: Invest in predictive analytics, integrated AML/fraud solutions, and proactive alert systems.

Q: Are local regulators keeping up?

A: Yes—Robin credited SC and BNM's sandbox frameworks but stressed that boards must act beyond regulatory requirements.

Q: How can boards upskill?

A: Insist on demo sessions, third-party validations, and embed tech learning in the board calendar.

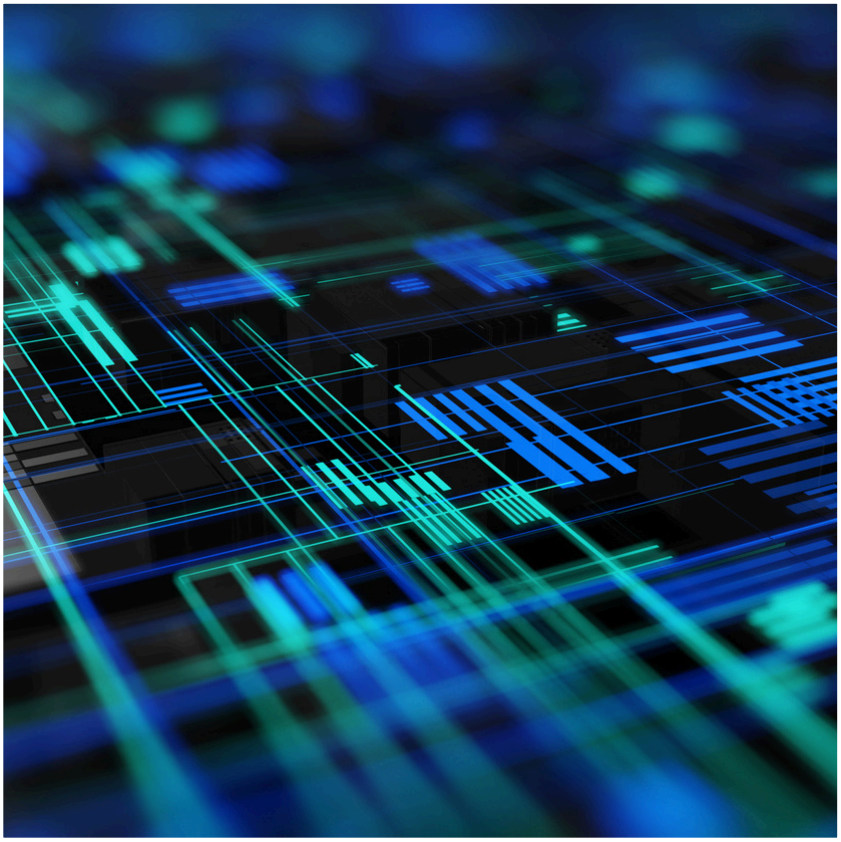
CLOSING REMARKS AND TAKEAWAYS

Robin closed by reframing the entire issue: “Criminals don’t rob banks anymore. They rob data, simulate voices, and automate fraud.”
His call to action:

1. Lead digital transformation—don’t wait for management.
2. Hold vendors accountable—interrogate the technology.
3. Bridge silos—AML, fraud, and risk should not operate separately.
4. Invest in tech literacy—technology is now core to governance.

The masterclass concluded with a powerful reminder: In this era, digital fluency is a core boardroom competency. Boards that embrace this responsibility will lead their institutions with resilience, insight, and foresight.

FIDE FORUM



THANK YOU

WWW.FIDEFORUM.ORG