



# AML Programs - Business as usual, or not?

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# Determine Customer/Entity Risk



- Regulatory expectations:
  - CIP?
  - CDD?
- How to score and how does it matter?
- How does the client score fit into your bank's AML risk assessment?
- At what threshold should a score factor into:
  - EDD?
- When/how does monitoring factor into your client risk scoring?
- When should scores be refreshed?

# Determine Customer/Entity Risk



| Risk Scoring Elements                                 | Risk Factor   | Risk Score                   |     |     |        |     |
|---|---|------------------------------|-----|-----|--------|-----|
|   |   | High                         |     |     | Medium | Low |
|   |   | H1                           | H2  | H3  | M      | L   |
| Customer Risk   | Anticipated Relationship size                               |                              |     | 10  | 5      |     |
|   | Source of First Deposit                                     |                              |     | 10  | 1      |     |
|   | Number of accounts with ownership                           |                              |     | 100 | 10     | 1   |
|   | Channel of origination                                      |                              |     |     | 10     | 1   |
|   | Relationship with High risk customer (relationship premium) | 500                          | 250 |     |        | 1   |
|   | Government High referral type                               |                              |     | 100 |        |     |
|   | SARs  |                              | 250 | 100 |        |     |
|   | Employment Status   |                              |     | 10  | 1      |     |
|   | TIN applied   |                              |     | 10  | 1      |     |
|   | Owner Type  | 500                          |     | 100 | 10     | 1   |
|   | Country Risk  | Country-Zip Physical address | 500 |     | 100    | 10  |
| Country-Zip Headquarters Address                      |   | 500                          |     | 100 | 10     | 1   |
| Country of Permanent residency                        |   | 500                          |     | 100 | 10     | 1   |
| Country of Primary citizenship                        |   | 500                          |     | 100 | 10     | 1   |
| Country of Dual citizenship                           |   | 500                          |     | 100 | 10     | 1   |
| Country of Legal Organization                         |   | 500                          |     | 100 | 10     | 1   |
| Country of Business on OFAC/CRS international country |   |                              | 250 |     | 10     | 0   |
| Business Owner/Partner/Investor's citizenship         |   | 500                          |     |     |        |     |
| Sector Risk   | NAICs   |                              | 250 |     | 10     |     |
| Product Risk  | Service Usage (ACH, bill pay, wire, Cash etc)               |                              | 250 | 100 | 10     | 1   |
|   | Account/product type (Checking, saving, loan etc.)          |                              |     |     | 10     | 5   |
|   | Open method   |                              |     |     | 10     | 1   |

For Illustration Purposes Only

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# Determine Customer/Entity Risk



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| Overall Risk | Risk Level | Risk Score |
|--------------|------------|------------|
| High Risk    | H1         | 800+       |
|              | H2         | 700 - 800  |
|              | H3         | 600 - 700  |
| Medium Risk  | M          | 250 - 500  |
| Low Risk     | L          | 1 - 250    |

Scoring used for:

- Surveillance/Monitoring
- CDD
- EDD – Internet Searches/Vendor Sold Solutions/Full On-Site Investigations
- Watch List
- Overall AML Risk Assessment
- NOTE: Factor in recent enforcement actions!

# AML Monitoring



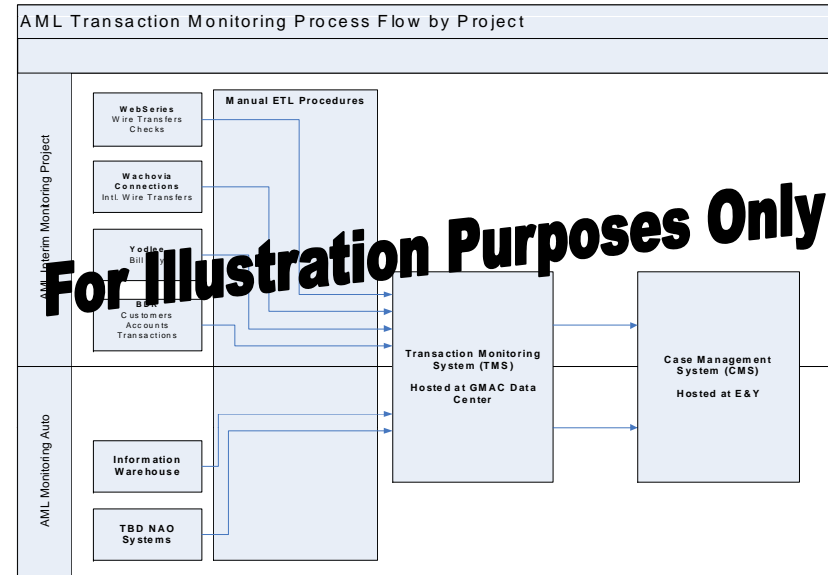
- Automated versus Manual Monitoring (what's best for your bank)?
- How do decide on a vendor?
- What is the right approach in measuring the risk of products/delivery channels?
- What results should you expect from automated monitoring solutions?
- What else can you leverage:
  - Fraud monitoring?
  - Sanctions monitoring?
  - Information Security monitoring?
- Can you monitor for terrorist financing?

# AML Monitoring



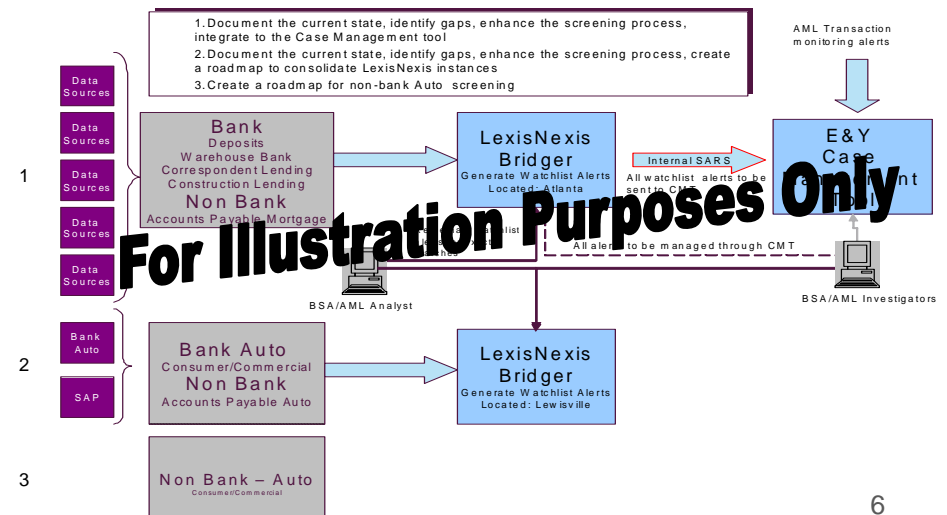
- Transaction Monitoring

- Data
- Products/Channels
- Flows
- Rules/Scenarios
- Output



- Lists Screening

- Thresholds
- Logic
  - 314
  - OFAC
  - Watch Lists
  - Fraud



# Summary



- No bright line for high risk (will you know it when you see it?).
- One size does not fit all!
- Client risk scoring is part of a consolidated AML Risk Assessment.
- What you cannot obtain and verify upfront requires more back-office discipline.
- Monitoring alone may produce small results (at a costly price).
- You cannot determine that a product/channel is low risk without doing your homework.
- Leverage resources/solutions for the best results.
- Output must be handled appropriately.
- Document, document, and then, document!

# Would this pass your CIP program?







Thank you

