The Examiner’s Perspective
Regulatory Roundup
Disclaimer

The views and opinions expressed in this presentation are ours and do not represent the official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.
Objectives

• Customer Due Diligence
• Suspicious Activity Reports
• Subpoena Review
• MIS Testing
• Risk Assessments
• Hot Topics
Customer Due Diligence

Purpose

• Who is the customer?
• What is the customer doing?
• Who is the customer dealing with?
Customer Due Diligence

Process

• Gather the data
• Analyze the data
• Summarize the data
• Document the results
Customer Due Diligence

Commercial Account Example

• Signature cards
• Statement analysis
• Business/government references
• Site visitation memo
• Research resources
  • Mantas
  • LexisNexis
  • World Check
  • Regulatory Data Corp
  • Google
Customer Due Diligence

Retail Account Example

- Signature cards
- CIP information
- Loan summary
- Front-line personnel memos
- Statement
- Social media
  - Facebook
  - Twitter
  - Qzone
  - Habbo
Suspicious Activity Reports

Observations

• Data input v. outcome (charts)
• Disclaimers and assumptions
• Back-office SARs
• Redundant information
  • Branch address
  • Customer account number and address
<table>
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<th>Amount</th>
<th>Date</th>
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</table>

The funds withdrawn by Bob Customer were credited by account transfer from the following accounts #987654321 business LLC and #654987 Bill and Jean Customer or were deposited by Jean Customer. The total credits for this period were $21,695. The credits are as
Subpoena Review

Relevance

• Who should review?
• What should be reviewed?
• Why is this important?
Question and Answer Break
MIS Testing

Identify the Systems

• Core processor
• Automated software
• Ancillary vendors
  • Equifax
  • OFAC
MIS Testing

Identify the rules

• Cash
• Checks
• Wires
• Loans
• ACH
MIS Testing

Identify the workflow

- Reporting from personnel to BSA/AML officer
- Submission of audit report
- Review and verification of alerts
MIS Testing

Testing Part 1: Accuracy

- Data mapping
- Data integrity

Testing Part 2: Relevance

- Relevance of the rule
- Effectiveness of the rule
- Logic of the rule
Risk Assessments

Purpose

- Identify the risk of:
  - Money laundering
  - Terrorist financing
  - OFAC violations
  - Financial crimes
Risk Assessments

Exam Issues

• Lack support and/or in-depth analysis
• No relevance to the high-risk list
• Inaccurate or missing elements
Risk Assessments

Risk Scoring

• Automated risk-scoring software
• Manual risk scoring
Hot Topics

• Prepaid card regulation
• Embassy accounts and PEPs
• Internet gambling
• Human trafficking
• SAR Tips, Trends & Issues
• Chapter X
Questions
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