AML Programs - Business as usual, or not?

Elizabeth Snyder – Leaders Bank
June 16, 2010

BSA Coalition Anti-Money Laundering Conference
Leaders Bank

Founded in 2000
$674 million assets
58 FTE
2 branches
Commercial bank focused on privately held businesses
Determine Customer/Entity Risk

- What is the customer’s line of business (NAICS)?
- Is this a cash intensive business?
- What types of products and services do they offer?
- Who are their customers and where are they located?
- Does the ownership structure permit anonymity?
- Is this customer/entity identified as higher risk in the BSA/AML Exam Manual?
- What services will be utilized? What is the expected activity level?
• NAICS drives inherent risk rating
• Responses from Commercial Customer Due Diligence Questionnaire scored to determine overall risk rating
• NAICS and overall risk rating guide monitoring
  – Low – no scheduled review
  – Moderate – semi annual
  – Moderate high – quarterly
  – High - monthly
1. Describe your products and services:

2. Do you provide any of the following services to your customers?
   - Contact the BSA Officer if the customer provides any of these services:
   - Check Cashing
   - Wire
   - Own, Operate, or Service ATMs
   - Sell Money Orders
   - Money Transfers

3. Business Type
   - Corporation
   - Sole Proprietorship
   - Partnership
   - Limited Liability Company
   - Other, please specify

   Documentation received?  Yes  No

4. Who are your customers?

5. Where are your customers located? Check all that apply:
   - Local area
   - Multi-state
   - State wide
   - International, what countries?

6. What year was business established?

7. How long have current owners been in control of business?

8. Owners
   - US Citizen(s)
   - Resident Alien(s)
   - Nonresident Alien(s)
   - Publicly Traded

9. Facsimile Signature  Yes  No

10. Number of locations?  International offices?  Yes  No

11. List additional business owned/operated by the owners of this business:

12. What banking services do you expect to use at your financial institution on a monthly basis?

- Currency deposits
- Currency withdrawals
- Checks written
- Checks deposited (Domestic or Foreign)
- NSF
- How will deposits be made?
  - ACH
  - Night Drop
  - Walk-in
  - Wire
  - ACH

- Currency exchanges (Domestic or Foreign)
- Domestic wire services
- International wire services
- Receipt of ACH transactions
- Origin of ACH transactions
- Internet banking services
- Privately owned ATMs
- Accept credit cards
- Signature Guarantee
- ATMs/Debit Card
- Purchase of official checks, traveler’s checks, or other negotiable items
• Customers risk rated low will be reviewed if:
  – Submission of SAR
  – Change in currency transaction pattern
  – Potential suspicious activity

• FIU re-evaluates assigned risk rating during review process, determination made if risk rating should be elevated or decreased

• Mandatory initial and annual site review required for customers meeting certain parameters
Site Review Worksheet

Legal Name of Business: ____________________________

Owner or Controlling Person: ____________________________

Primary Business Street Address: ____________________________

Multiple locations: ______________________________________

Type of business: ______________________________________

Account Transaction Activity

☐ Currency deposits in excess of $5,000
☐ Withdrawals in excess of $5,000
☐ Check deposits of third party checks
☐ Check deposits of third party Federal Government Checks
☐ Domestic wire transfers
☐ Foreign wire transfers
☐ Use of multiple branches for deposits on same business day
☐ Armed Car Services

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Site Visit Comments and Observations</th>
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<tbody>
<tr>
<td>Is the business physically located at the address provided by the customer?</td>
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<td>Is the business operating under a trade name not provided by the customer?</td>
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<td>Is the nature of the business as described at account opening?</td>
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<td>Are there also other types of activities/products/services offered by the business that were not identified at account opening?</td>
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<tr>
<td>Does the activity at the business location appear to support the anticipated volume of cash activity indicated on the Commercial Customer Due Diligence Questionnaire?</td>
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<td>Are there any signs posted that indicate wire transmittal services are offered, such as &quot;Western Union&quot;, &quot;MoneyGram&quot; or the like? If so, indicate name of transmittal company.</td>
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<tr>
<td>Question</td>
<td>Yes</td>
<td>No</td>
<td>Comments</td>
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<td>Does the business sell money orders, traveler’s checks and/or stored value cards?</td>
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<td>Was this identified at time of account opening?</td>
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<td>Are there any dollar restrictions?</td>
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<td>Will the business cash a check for a customer?</td>
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<td>Was this identified at time of account opening?</td>
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<tr>
<td>Are there any dollar restrictions?</td>
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<td>What types of checks (payroll, government, 3rd party, out of state)?</td>
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<td>Is there an ATM on site?</td>
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<td>Who owns/operates the machine?</td>
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<td>Is a Leaders account is used to receive credits from the ATM processor and/or withdraw funds to load the machine?</td>
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<td>Does the business offer currency exchange services?</td>
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<td>Does the business act as a money transmitter?</td>
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<td>Does the business accept utility payments?</td>
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**Comments:**

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Conducted by: ____________________________ Date: ________________
Monitoring & Fraud Mitigation

**Now**

Manual
- Large item review & signature verification
- Kite & fraud suspect
- Balance fluctuation
- Velocity limits
- Overdrafts
- Call back procedures
- Past due loans
- Loan watch list

Automated
- Positive pay
- ACH filters
- Velocity limits
- Debit card usage analytics

**Future**

Automated monitoring solution

**Customer education**
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