Case Study – AML Operations

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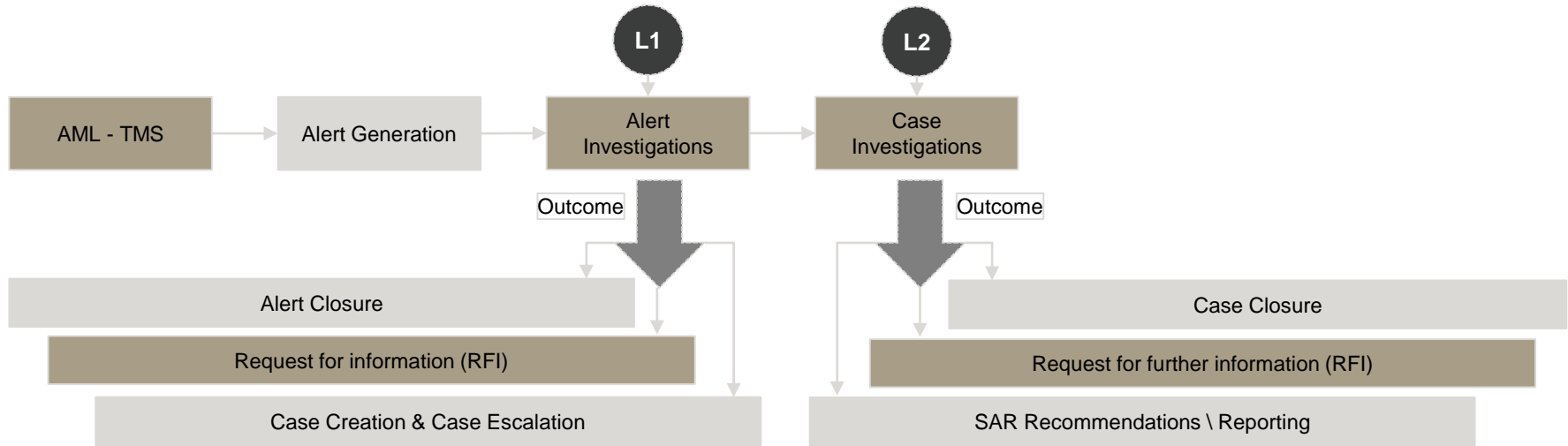
Case Study: Transaction Monitoring Operations (1/2)

Client Requirement

- Reviewing the alerts triggered by the Anti-Money Laundering - Transaction Monitoring system (AML-TMS) to detect potentially unusual or suspicious pattern of transactions
- Suspicious Activity Report (SAR) reporting of suspicious cases for regulatory purpose.
- Identifying the scenarios which are resulting in more false positives and to identify the processes which can be automated effectively
- 100% quality within the Turn Around Time (TAT) \ Service Level Agreement (SLA) with effective closure & potential escalations.

Approach & Execution

L1

L2

| AML - TMS | → | Alert Generation | → | Alert Investigations | → | Case Investigations |

Outcome

Outcome

Alert Closure

Case Closure

Request for information (RFI)

Request for further information (RFI)

Case Creation & Case Escalation
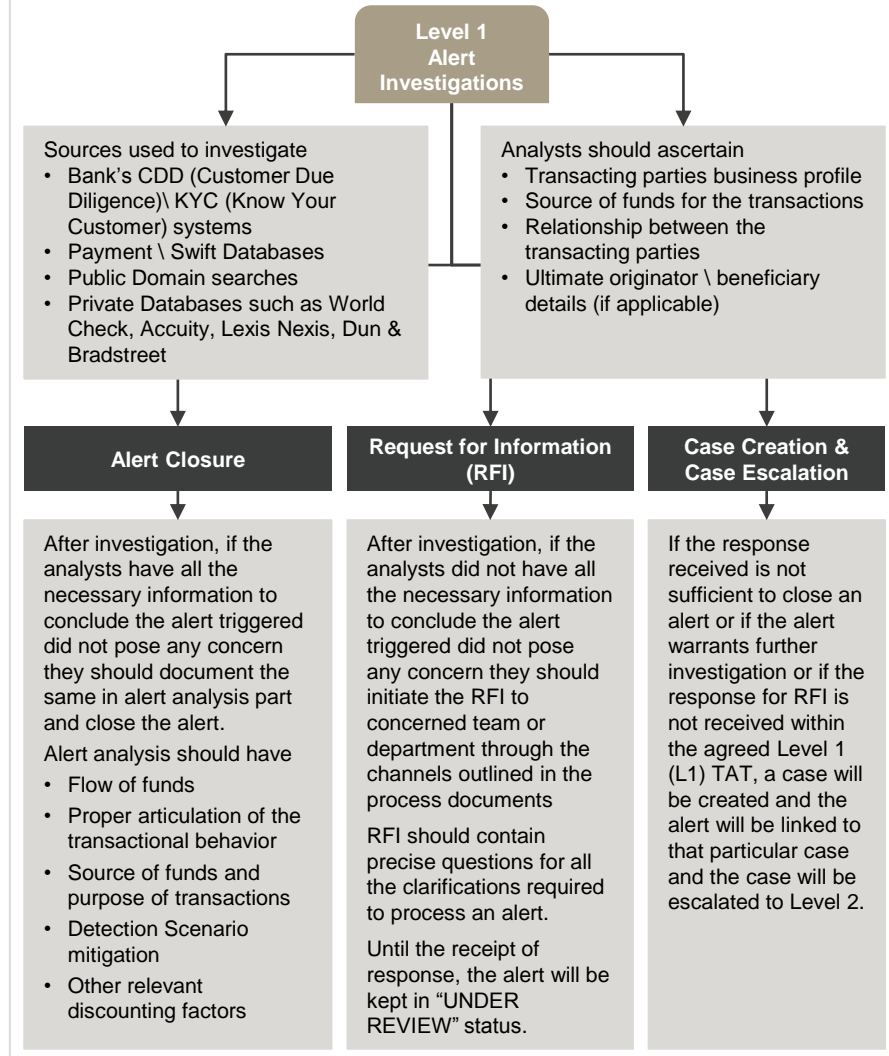
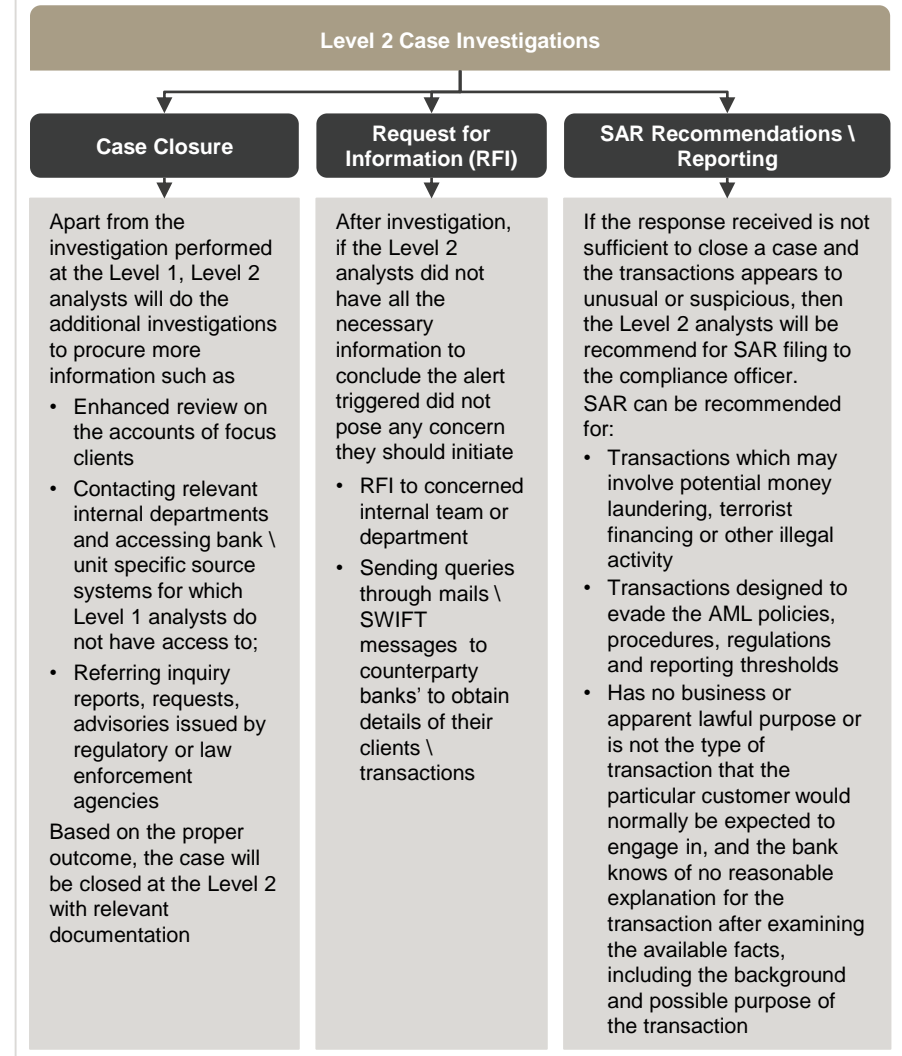SAR Recommendations \ Reporting

Client Impact

- Preventing the client from reputational loss and regulatory charges \ fines
- Cost reduction through effective process streamlining \ automation
- Identification of reduction and non performing scenarios. Necessity for the thresholds to be retuned for scenarios

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Case Study: Transaction Monitoring Operations (2/2)

Transaction Monitoring – Level 1 Investigations

Level 1 Alert Investigations

Sources used to investigate
- Bank's CDD (Customer Due Diligence)\ KYC (Know Your Customer) systems
- Payment \ Swift Databases
- Public Domain searches
- Private Databases such as World Check, Accuity, Lexis Nexis, Dun & Bradstreet

Analysts should ascertain
- Transacting parties business profile
- Source of funds for the transactions
- Relationship between the transacting parties
- Ultimate originator \ beneficiary details (if applicable)

Alert Closure

After investigation, if the analysts have all the necessary information to conclude the alert triggered did not pose any concern they should document the same in alert analysis part and close the alert.

Alert analysis should have
- Flow of funds
- Proper articulation of the transactional behavior
- Source of funds and purpose of transactions
- Detection Scenario mitigation
- Other relevant discounting factors

Request for Information (RFI)

After investigation, if the analysts did not have all the necessary information to conclude the alert triggered did not pose any concern they should initiate the RFI to concerned team or department through the channels outlined in the process documents

RFI should contain precise questions for all the clarifications required to process an alert.

Until the receipt of response, the alert will be kept in "UNDER REVIEW" status.

Case Creation & Case Escalation

If the response received is not sufficient to close an alert or if the alert warrants further investigation or if the response for RFI is not received within the agreed Level 1 (L1) TAT, a case will be created and the alert will be linked to that particular case and the case will be escalated to Level 2.

Transaction Monitoring – Level 2 Investigations

Level 2 Case Investigations

Case Closure

Apart from the investigation performed at the Level 1, Level 2 analysts will do the additional investigations to procure more information such as
- Enhanced review on the accounts of focus clients
- Contacting relevant internal departments and accessing bank \ unit specific source systems for which Level 1 analysts do not have access to;
- Referring inquiry reports, requests, advisories issued by regulatory or law enforcement agencies

Based on the proper outcome, the case will be closed at the Level 2 with relevant documentation

Request for Information (RFI)

After investigation, if the Level 2 analysts did not have all the necessary information to conclude the alert triggered did not pose any concern they should initiate
- RFI to concerned internal team or department
- Sending queries through mails \ SWIFT messages to counterparty banks' to obtain details of their clients \ transactions

SAR Recommendations \ Reporting

If the response received is not sufficient to close a case and the transactions appears to unusual or suspicious, then the Level 2 analysts will be recommend for SAR filing to the compliance officer.

SAR can be recommended for:
- Transactions which may involve potential money laundering, terrorist financing or other illegal activity
- Transactions designed to evade the AML policies, procedures, regulations and reporting thresholds
- Has no business or apparent lawful purpose or is not the type of transaction that the particular customer would normally be expected to engage in, and the bank knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction

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Case Study: Negative News Screening

Filtering Tool

Alert creation:
- Financial Crime
- Non-financial Crime
- PEP
- TAT – 30 DAYS

Level 1 Alert Investigation

False Positive (FP)
Quick Clearence (QC) → **Alert Closed**

Further Review (FR) →

Level 2 Investigation → **Enhanced Due Diligence**

- Regulatory Data Corp.
- Supporting Documents
- Case Recommendation

- False Positive (Alert Closed)
- Action Taken – Case Created
- No Action Taken – Review & Alert Closed

Concerened & Alleged Entity Match — NO (OR) undetermined → **Financial Crime**

YES → **Suspicious Activity Reporting Filing**

Financial Crime YES →

Reputational Risk — NO → **Relationship Manager Response**

NO

YES

Positive

Negative → **Case will be Created by Offshore Team**

Case Scenario	Case Analysis	Case Recommendations
• Alert has been generated in the name "XXXX" • Allied entity is "YYYY". • An alert for an entity can be triggered for the reasons like – match / partial match with adverse media (Money laundering, Drug trafficking, human trafficking, tax evasion, etc.,) watch lists.	• The alerted name XXXX has been checked in Clients database using the unique data like Tracking ID, Client ID, etc. of the allied entity YYYY. • Reviewing the details attached and adverse information of the alerted entity YYYY. • Matching the concerned entity XXXX with the alleged entity YYYY under the criteria like name match, line of business match, date of birth or year of birth match, country match, gender match, etc.,	Each case have three recommendations **False Positive** • Clear mismatch of date of birth, year of birth, full name, address, gender, line of business. **Action Taken – Case Created** • Could be matched with the client and the case could be escalated if adverse found relevant to financial crimes. **No Action Taken – Review & Clear** • The entity would have paid the penalty or imprisoned or non-financial crimes or nil impact on reputational risk and good to proceed with current review.

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