

METAVANTE WHITE PAPER

Contrasting Prime Compliance Suite's AML Case Management and Report based AML Systems

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Report Based AML Systems

For many banks the transition of manually monitoring for money laundering and fraud suspicious activity to a report based systems to detect such activity is an easy one to make. Report based systems are easy to install and implement, as reports are pre-defined, require little configuration and resemble the processes of manual monitoring. However, determining what is suspicious versus what is not is open to the interpretation of the reviewer analyzing the reports or is left up to chance in the sampling methodology. In principle reports show a large number of false positives and some true suspicious activity mixed in. Unless every activity on a report is reviewed, true hits will be missed, and possibly missed repeatedly. Report based systems have a large manual effort in the detection of suspicious activity.

In order to obtain supporting information to investigate a potential incident, the reviewer will need to access additional data sources besides the reports in the monitoring system to create a complete picture of the customer, the customer's accounts, and the transactions that caused the customer to appear on the report.

When evaluating a report-based system, consider the following questions:

- How would we be able to view all prior suspicious activity for a specific customer?
- When has this customer appeared on a report in the past?
- How frequently has this customer appeared on certain reports?
- Is the customer's risk class considered as part of the suspicious activity detection?
- Can the system use different criteria for natural persons (individuals) and entities (corporations, banks, etc)?
- Can the system monitor customers more stringently for those customers where a SAR has been filed?
- How is the due diligence or investigation recorded and retained for each suspicious activity incident?
- How would we show examiners or auditors the investigation details for each suspicious activity incident?
- How would you know if a report was forgotten to be viewed?
- How will the monitoring efforts and resources expand with the growth of the business?

BSA Reporter Case Management System

Prime® Compliance Suite's BSA Reporter includes a sophisticated case management tool for reviewing suspicious activity cases with integrated e-mail creation and receipt, attachment of electronic documents to cases, and automated case tasks for workflow management. Below we highlight the features and benefits of case management, to show the contrasts between case management and report based AML systems.

CASE CREATION

BSA Reporter uses configurable Rules and Profiles to detect suspicious activity for various segments of the customer base. Each instance of suspicious activity is presented as a case detailing the transactions that are suspect.

Rules are used to detect known money laundering and fraud scenarios. Each rule detects specific behavior based on a number of parameters. The bank determines what it considers suspicious and a rule is configured to detect that specific behavior. BSA Reporter comes standard with many template rules that can be configured to monitor for AML-related suspicious activity. Rules can be configured based on different attributes such as a customer's risk classification (i.e. low, medium, high, etc), customer type (individual, business, bank, etc) and other attributes to ensure the generated cases are relevant and require further investigation.

Profiles are used to detect unexpected behaviors or anomalies in behavior. BSA Reporter utilizes 3 types of profiles to flag suspicious behavior:

- User, account, and transaction type level profiles automatically detect a variation in behavior for a customer. The profile defines the expected behavior of a customer based on past activity and compares the current period to the past. The risk class of the customer determines the tolerances allowed above the expected behavior (i.e. low: 100% above customer's average, medium: 50%, and high: 20%). Any activity that exceeds the average behavior plus the tolerance will result in a suspicious activity case.
- Country or geographic profiles determine countries that a customer is expected to transact with; any transaction to or from a country not defined in the country profile will trigger a case.
- Peer profiles compare expected behavior of a customer to that customer's peers. A case is created for any customer whose behavior is statistically significant outside the normal deviation of the group behavior. Groups can be defined by one or more attributes and the tolerances set for each set of groups.
- Reporting limit cases and alerts are designed to detect or aggregate transactions that result in an excess of the government reporting limit for currency transactions.

EFFICIENT

In a report based system the reviewer spends a lot of time analyzing and determining what is suspicious.

In the AML case management system, rules based suspicious activity detection eliminates the analysis step. A rule is configured with parameters that detect a scenario determined to be suspicious. Whenever a rule is violated, suspicious activity is very likely to have occurred. Instead of determining suspicious activity, the reviewers are refocused on investigating suspicious activity and customers. This refocus allows the reviewers to be more efficient. Their time is spent on due diligence investigations rather than finding the needles in a haystack. In a case management system the needles are presented to the reviewer and the effort is in determining if a SAR or CTR will be filed.

SCALABLE

In a report based system, reports will grow larger as the bank's customer base grows in size. This means that a reviewer will have to spend more time on each report, the report criteria will have to be watered down, or the report must be divided into multiple reports. In any case, the reports will become increasingly unmanageable and numerous, as will the staffing requirements.

In the AML case management system, no adjustments are necessary to manage the increased activity. The existing rules can be used to monitor the expanding customer base. The flexibility in the rule parameters enables the growing bank to create separate rules for specific customer types such as Individual, businesses, banks, employees, MSB's, etc. Each customer type can be monitored with their own set of relevant rule parameters to ensure that the detected activity is truly suspicious for that type of customer. In addition, Routing rules can be used to manage the growing case load to route cases to specific reviewers that specialize in specific customer types.

AUDIT RECORD

In a report based system there is no uniform method to document a suspicious activity case.

In the AML case management system, cases are designed to be a complete record of the suspicious activity, investigation and reporting (SAR or CTR) of the customer. Each case contains the transactions that triggered the case, an overview of past cases, the SAR or CTR related to the case, research and audit notes, emails and other supporting documentation such as scanned documents, as well as links to the case reason (rule or profile), the customer, and the account. Each case also includes a short narrative of the case reason.

Reviewers annotate their research and due diligence findings under each case making the case a single source of information about the entire process from detection to filing a government report. Once the research has been completed, the decision to file the appropriate government report is either waived or confirmed. Once cases and alerts have been confirmed or waived, they can be presented to a supervisor for approval to ensure proper due diligence and to verify the decision to file or not to file a government report is the desired decision.

Once a confirmed case is approved the reviewer can begin the SAR completion process utilizing the information gathered during the investigation to complete the form.

Once cases are closed they are retained for use in future investigations, examinations, and audits. An auditor has the ability to view all aspects of the case, investigation and decision. The case can be annotated with the auditor's notes and is flagged as having been audited.

PAPERLESS

In the AML case management system there is no need to maintain paper files to support each case.

Between the ability to directly annotate the case, attach electronic documents or images, and store any relevant email messages, there is no need to create paper files to document and record the due diligence relating to each case because all this information can be retained indefinitely. The supporting information can be accessed easily from almost any location in the system reducing the time spent looking for information.

The supporting information functionality allows for the retention of electronic documents, images and email communication from anywhere in the system. The customer record can contain documents related to CIP and KYC, the account record can have documentation specific to the account and the case can store everything relating to the investigation and reporting of suspicious activity.

WORKFLOW

In a report based system, how would one route incidents of suspicious activity to various reviewers and supervisors?

What is the approval process for incidents where a SAR needs to be created?

The AML case management system has a built in workflow to route cases to specific reviewers based on a simple or complex criteria. The routing can be determined by attributes such as severity of the activity, risk class, demographics, account officer, etc.

Each case is a separate record of suspicious activity pattern grouped together by the customer(s) involved. Each customer can therefore be managed separately from other customers created by the same method. This allows the reviewers to look at each instance holistically from the view of the customer and prioritize cases for high-risk customers, frequent offenders or the scenario/red flag that was detected.

Once the research has been completed the reviewer determines whether to waive filing a SAR or CTR or to confirm the reporting of the suspicious activity.

Confirmed or waived cases are presented to a supervisor for approval to ensure proper due diligence. The supervisor can approve the decision, or the case can be sent back to the reviewer to perform further research or correct errors in the procedures.

Once a confirmed case is approved, the reviewer can begin the SAR completion process. Once a SAR is added to a case, the system will pre-fill the SAR form with the bank and suspect information. SARs in the process of completion can be saved and completed at a later stage. Once the SAR is complete, it is "finalized" locking any further edits and queuing it for electronic or paper filing.

PRIORITIZATION OF REVIEW

In a report based system it may require separate reports to segregate high priority incidents from lower priority ones.

In the AML case management system the system can calculate a score for each case which enables the reviewer to prioritize cases that require immediate attention. Case scores are automatically generated by the system based on different parameters of each case. These parameters include the customer's risk class in order to prioritize cases for high-risk customers. Different case types can be given a score. For example, a case created based on a rule can be given

a higher score than a case created based on profiling. The case score can also reflect if a customer has generated cases in the past, and if that customer has had SARs filed in the past. Because of the past case attribute, those customers that have repeat cases will eventually score high enough that attention is given to them first. Unlike reporting systems where review of the customer is left up to the chance the sampling method will include them.

PAST CASES

In a report based system, how would one determine the history of suspicious behavior for a customer?

In the AML case management system, all suspicious activity cases generated for a customer can be accessed directly from any case relating to that customer. In addition, case history can be accessed from the customer record as part of the system's ability to give a comprehensive view of that customer.

EVENT LOGS

In a report based system, how would one show regulators which reviewers accessed a report, which reviewer researched the incident, and which supervisor approved the decision to file a SAR?

In the AML case management system, every action is recorded in the Events Log as an audit trail of actions and modifications that have occurred in the system for each case. This ensures that a full audit trail exists for each case. The event logs record the operator who made the modification, the date and time of the modification, and the nature of the modification. Where appropriate, more detailed information is also maintained, detailing the field that was changed with the old and new values.

Conclusions

The contrasts between a reports based system and a case management system are clear. The AML case management system offers scalability, auditability, workflow, and efficiency.

- Reviewers can focus on researching suspicious activities rather than trying to determine what is suspicious.
- Cases can be routed and prioritized for review.
- Suspicious activity is detected systematically and consistently.
- Auditors and examiners can review a complete case in the system with all relevant documentation at the click of a mouse, rather than reviewing paper case records and files.
- Suspicious activity is detected on an individual customer or customer account basis rather than in bulk like a report based system allowing for risk-based monitoring, review prioritization, workflow, and better control over the detection of suspicious activity.
- Rule parameters can be used to create separate rules for specific customer types such as Individual, businesses, banks, employees, MSB's, etc. in order to create relevant suspicious activity cases.

The Prime Compliance Suite case management system will pay for itself over the life of its use, by efficiencies gained, fines avoided, and risk reduced.