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ANTI-MONEY LAUNDERING TECHNOLOGY FOR BANKS IN JORDAN

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Anti-Money Laundering Technology for Banks

Financial Integrity, Oversight and Broadened Capital Markets

Anti-Money Laundering Technology for Banks

**By James M. Wright
September 11, 2007**



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Presentation Purpose

- To familiarize bankers with the anti-money laundering (AML) technology available on the market
- To discuss considerations in the procurement of AML Systems



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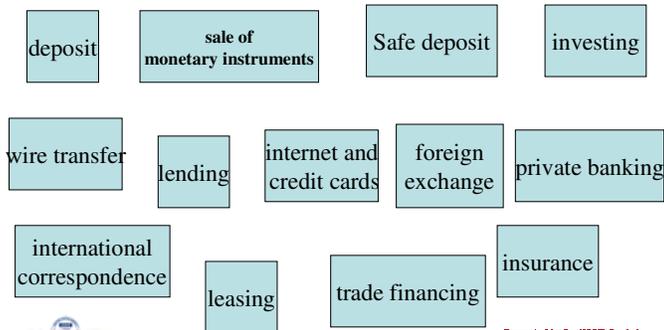
Systems Defined

- A computerized system which utilizes external and internal data to recognize suspicious customers and transactions.
- Examples:
 - Filtering
 - Transaction monitoring



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Bank AML Risk Areas



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Other AML Risks

- PEPs
- Non Resident Aliens
- Charities
- Offshore and other High Risk Countries
- High Risk Businesses



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Issues

- What technology exists that will fulfill the needs of your bank?
- What level of funding is available?



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Issues

- How will it fit into the organization?



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Issues

- Who is going to implement it?



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Issues

- How will it fit into the existing systems architecture?



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Issues

- What should the compliance officer's role in this versus the role of the technology staff?



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Who is evaluating these systems?

- In addition to the potential purchasers, (financial institutions) several trade associations and research firms are evaluating the systems.
 - Association of Certified Anti-Money Laundering Specialist AML Technology Solutions Directory 2003
 - Celent private research firm that now provides annual surveys Ranking the Vendors of Anti-money Laundering Solutions



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What are the ranges in cost

- In general \$125,000 - \$1,500,000*
- Low range - Filtering systems
 - Tracker
- High range – Transaction monitoring
 - Mantus, Searchspace, ACI
 - * Some systems are actually higher



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What is driving the demand?

- High costs of manually performing the AML tasks
- Penalties for AML poor performance
- Regulators expect systems in large institutions



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Other Reasons

- A Manual approach relies on a staff selecting only a sample of transactions
- Most AML systems cover the full transaction environment



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Other reasons

- Concern over false identification of suspicious transactions



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Other reasons

- Money laundering schemes usually involve numerous transactions touching different bank departments
- Manually tracking of these multiple transactions is difficult and time consuming
- AML software can accomplish these tasks easily and efficiently while covering the full transaction environment



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Methods Used in Systems

- Rule based
 - Relies on information regarding past money laundering activity and includes typologies and identification of traditional high risks activities and groups
 - Also uses lists



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Methods Used in Systems

- Self history Analysis
 - The historical profile of an individual is used to determine unusual activity
 - When this unusual activity is surfaced, a red flag is noted



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Methods Used in Systems

- Peer group
 - A peer group are sets of customers or accounts that some how fit together.
 - For example a peer group might be a group of cinemas in the Zurich area.
 - Normalcy in this context refers to the degree to which the event under consideration fits the expected patterns associated with peer groups.



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Methods Used in Systems

- Link analysis
- Link analysis is the investigation of relationships between separate entities involved in financial transactions. Several known methods of money laundering are based on the use of networks of accounts that are known to be legally related.
 - For example several corporations related and used for money laundering.



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Filtering Systems

- Screen customers against OFAC lists and United Nations lists
- But utilize data bases on hundreds of thousands of other individuals



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Transaction monitoring

- Using a host of different kinds of methodologies including:
 - Rule based
 - Profile
 - Peer group
 - Link analysis



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Single Function Systems

- While most artificial intelligence systems focus on all account activity and bank transactions, some vendors have developed systems that specifically focus on one function.
 - Wire Watch developed by Alternatives Group, is a system which combs through completed wire transfer data in search of suspicious activity, suspicious beneficiaries, suspicious originators and out of profile transactions



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Conclusions

- There are significant benefits to using AML systems vs. manual methods of compliance.
- A variety of types and prices exist.
- Banks will have to address a number of issues prior to deciding on a system.
- Self assessment of AML risks is a first step



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Record Keeping and Reports

- Meet record keeping requirements
- Reports to assist in compliance



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