Enhancing the AML Risk Assessment Process

PROBLEM

Attrition, data integrity, technology issues and special projects within the AML Compliance department led to process breakdown in establishing a robust and comprehensive risk assessment process

SOLUTION

Alacer provided professionals with deep expertise in AML Compliance Risk Management and Technology and worked with bank management to enhance the bank's AML risk assessment process

RESULTS

Greatly improved AML risk assessment process, improved management reports to better assess AML risk and decreased regulatory risk

OVERVIEW

As the AML regulatory landscape changes, risk assessments continue to be a focal point for the regulators. An analysis of recent enforcement actions highlighted the lack of comprehensive risk assessments processes as one of the most frequent findings for banks and other financial institutions. Regulators expect the development of procedures to be proportionate to risk and expect banks and other financial institutions to evaluate and update their risk assessments at least annually. Thus, banks and other financial institutions are called upon to have an effective process in place in order to better identify, measure, monitor, control and report on AML risk.

CHALLENGES

A foreign banking organization (FBO) had its AML Compliance Program criticized by its internal auditors and regulators for the lack of a robust and comprehensive risk assessment process. While the institution developed, adopted, and implemented a risk assessment methodology, the risk assessment rationale and methodology had not been adequately documented to include all of its products and services, reports to senior management and how these risk assessments were incorporated into the overall AML program.

RESULTS

Alacer's Senior Consultants worked with bank management to fully document the approach, rationale and methodology to include customers, products and services, and business units risk assessments in order to meet regulatory expectations. Roles and responsibilities were defined for personnel and business units involved in the process such as ownership, development and refining of risk factors used and rationale and description of the assignment of risk weights and the approval process for adjusting the weightings. Additionally, Alacer developed and documented operating procedures and controls to mitigate risks identified in the AML risk assessments, and established a defined body of reports for senior management and the Board of Directors regarding the identification, monitoring, measurement and assessment of AML risk. The bank's internal auditors and senior management reviewed and acknowledged Alacer's work which resulted in a comprehensive AML risk assessment process and an enhanced AML Program that met regulatory expectation.

Historical client engagement. Results reflect the original case study; outcomes vary.