Validating Anti-Money Laundering Systems

PROBLEM

A global European bank needed AML system validation for its US branch, which had no documentation, within a very tight timeframe

SOLUTION

Alacer independently validated the customer risk scores, transaction monitoring profiles and routines, data mapping, and report outputs for accuracy

RESULTS

All AML systems fully validated on time and per regulatory requirements

OVERVIEW

Financial institutions are facing steeper penalties from federal regulators and prosecutors for failure to comply with anti-money laundering (AML) laws. According to one financial analyst firm, the penalties for non-compliance have increased ten times over the last five years. After a major European bank migrated its key AML compliance systems for its US banking branch, it realized it had little or no systems documentation available. The bank partnered with experts from Alacer to validate its compliance systems and applications, as required by regulators, focusing on:

• The customer on-boarding system, ensuring it works as designed and that it identifies reporting and efficiency opportunities

• Office of Foreign Asset Control (OFAC)/Sanctions monitoring routines to ensure that the stop descriptors and fuzzy logic settings are effective and are performing as documented and designed

• Monitoring routines (profiles and watch list utility) to ensure that the CHIPS, SWIFT and FedWire payment streams are being captured accurately

CHALLENGES

In the last 12 months, the bank migrated its key AML compliance systems - but created little or no systems documentation, a regulatory requirement. Alacer needed to work closely with a range of stakeholders including system vendors, compliance personnel and business teams to document baseline requirements and business rules and to build detail test cases. Alacer independently validated the customer risk scores, transaction monitoring profiles and routines and data mapping and report outputs for accuracy. Additionally, the Alacer team identified multiple areas where process inefficiencies existed and where the bank deviated from regulatory and best practices requirements in its AML program.

RESULTS

Within the designated tight timeframe, Alacer completed all of the requirements for validating the bank branch’s AML systems. New testing documentation was created and formed a baseline for enhancing the bank’s AML program going forward.

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