

Introduction of the Global AML Insights Series

A leading approach to encourage the sharing of information across the globe

March 16, 2010

Global AML Insight Series

Association of Certified
Anti-Money Laundering
Specialists

ACAMS®

 **ERNST & YOUNG**
Quality In Everything We Do

Welcome

- ▶ The Association of Certified Anti-Money Laundering Specialists (ACAMS) and Ernst & Young LLP (E&Y) are pleased to announce the introduction of the “Global AML Insights Series” a leading approach to:
 - ▶ encourage the sharing of information across the globe and industries; and
 - ▶ to facilitate AML program comparison, improvement, and perspectives.

- ▶ Its purpose:
 - ▶ to explore emerging anti-money laundering strategies and practices, ranging from program design and effectiveness, to leading practices for mitigating the risk posed by money launderers.

Background

- ▶ ACAMS and E&Y recognized the need for thought leadership in the AML community that is timely and focused on current and emerging topics and trends.
- ▶ We agreed that a “series of surveys” would best address this need.
- ▶ Guiding Principles:
 - ▶ *Frequent circulation* - multiple times per year
 - ▶ *Brief* - should not require more than 20 minutes to complete
 - ▶ *Nimble* - must be flexible to address hot topics and target various financial institutions across the world
 - ▶ *Largely multiple choice* - to provide consistency across languages and industry sectors
 - ▶ *Precise topic* - to provide depth and usability
 - ▶ *Confidential* - to facilitate honest feedback

Survey #1 - Topic Selection

- ▶ “Effectiveness of Transaction Monitoring” is the topic for survey #1.
- ▶ Why?
 - ▶ Actively debated topic amongst AML professionals and regulators with respect to effectiveness
 - ▶ A sometimes expensive component of an AML Compliance Program
 - ▶ Relevant to most mid to large financial institutions around the world
 - ▶ Topic likely identifies universal opportunities for improvement
 - ▶ Integrates both operations and technology
 - ▶ Can be reasonably measured for effectiveness
 - ▶ Likely opportunities for improvement

Survey #1 - 23 questions and simplified delivery

The screenshot shows a Windows Internet Explorer browser window. The address bar displays the file path: C:\Documents and Settings\beatst\Desktop\Survey.mht. The browser's menu bar includes File, Edit, View, Favorites, Tools, and Help. The page content features a yellow header with the text 'Global AML Insight Series'. Below this, there are logos for 'Association of Certified Anti-Money Laundering Specialists' (ACAMS) and 'ERNST & YOUNG' with the tagline 'Quality In Everything We Do'. The main title of the survey is 'Survey 1: Effectiveness of Transaction Monitoring', with a blue button labeled 'Exit this survey' in the top right corner. The introductory text reads: 'ACAMS and Ernst & Young are pleased to welcome you to the Global AML Insight Series of surveys. This first survey is focused on the effectiveness of transaction monitoring systems and aims to understand how financial institutions are generating effective alerts.'

1. Is your transaction monitoring system purchased from a vendor or developed in-house?

- Vendor purchased
- In-house developed
- Combination of both
- Use of manual methods only, supported by user tools (e.g. spreadsheets)

2. Within your organization, your vendor-purchased solution:

- Offers effective "off-the-shelf" monitoring and implementation
- Requires additional customization to monitor within your environment
- Requires extensive customization and additional "outside the system" analysis to be effective
- Vendor built transaction monitoring solutions are not employed within my organization

The browser's taskbar at the bottom shows the Start button, several application icons, and the system tray with the time 2:25 PM.

Survey #1 - Participants and Areas of Focus

- ▶ Focus on large Global, Regional and Country specific banking institutions
- ▶ Over 50 responses from 20 countries within 10 days
- ▶ Areas of Focus:
 - ▶ Implementation considerations and strategies
 - ▶ Effectiveness and productivity of alerts
 - ▶ Transaction monitoring techniques and alert tuning
 - ▶ Challenges faced
 - ▶ Current and ongoing costs
 - ▶ Future strategies for monitoring
 - ▶ Overall satisfaction

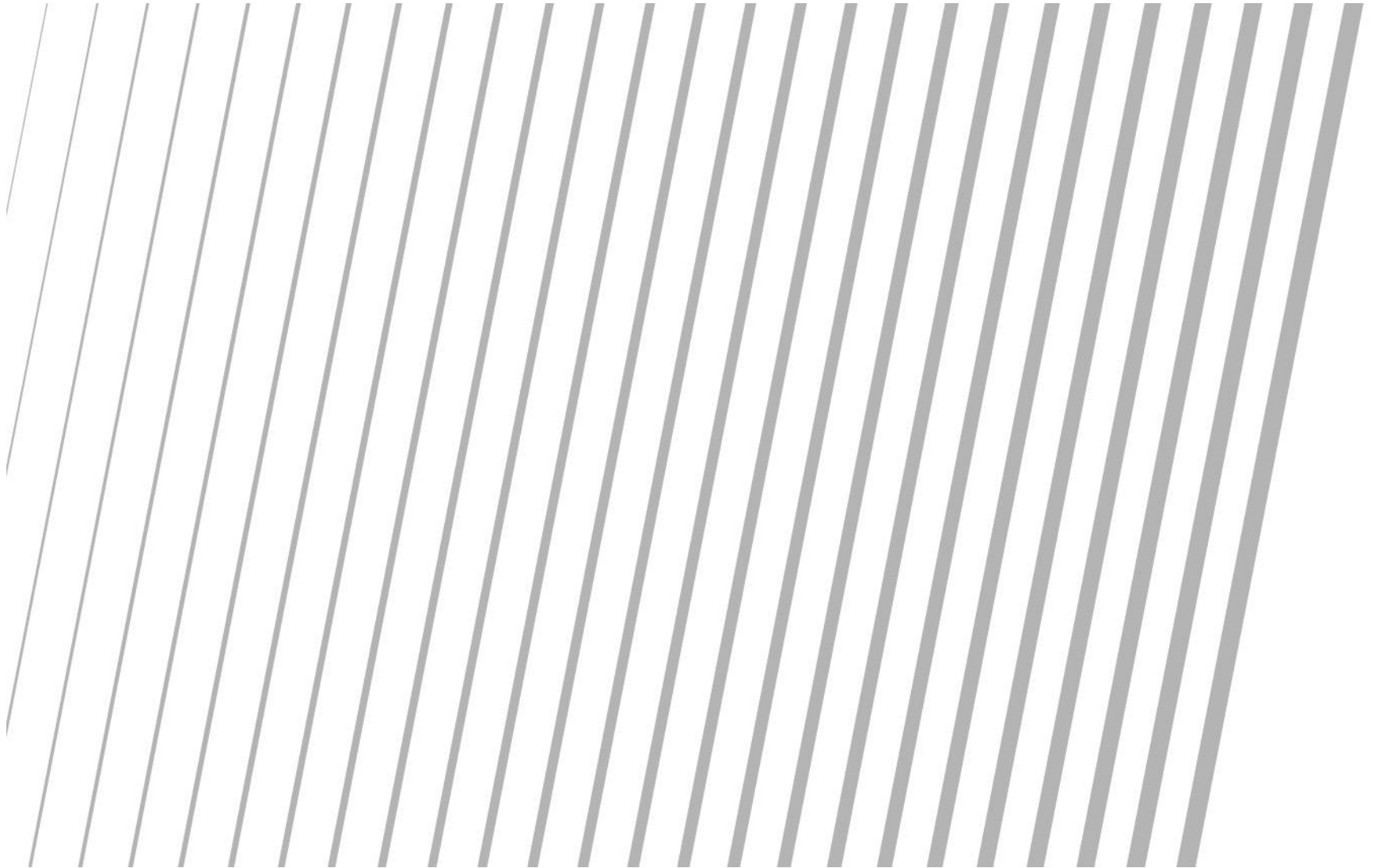
Transaction Monitoring - Select Initial Observations

- ▶ 76% of respondents use a vendor purchased or a combination of vendor/in-house application
- ▶ 87% of respondents felt the vendor supplied scenarios met or partially met their organizations needs
- ▶ Regulatory credibility was noted as a key rationale for implementing a vendor solution while upfront and maintenance costs drove the strategy for in-house development
- ▶ While only 27% of respondents are not very satisfied, 45% of the firms expect to replace or undertake a major upgrade within the next 2-3 years
- ▶ Data quality - the biggest issuing impacting the effectiveness of transaction monitoring systems

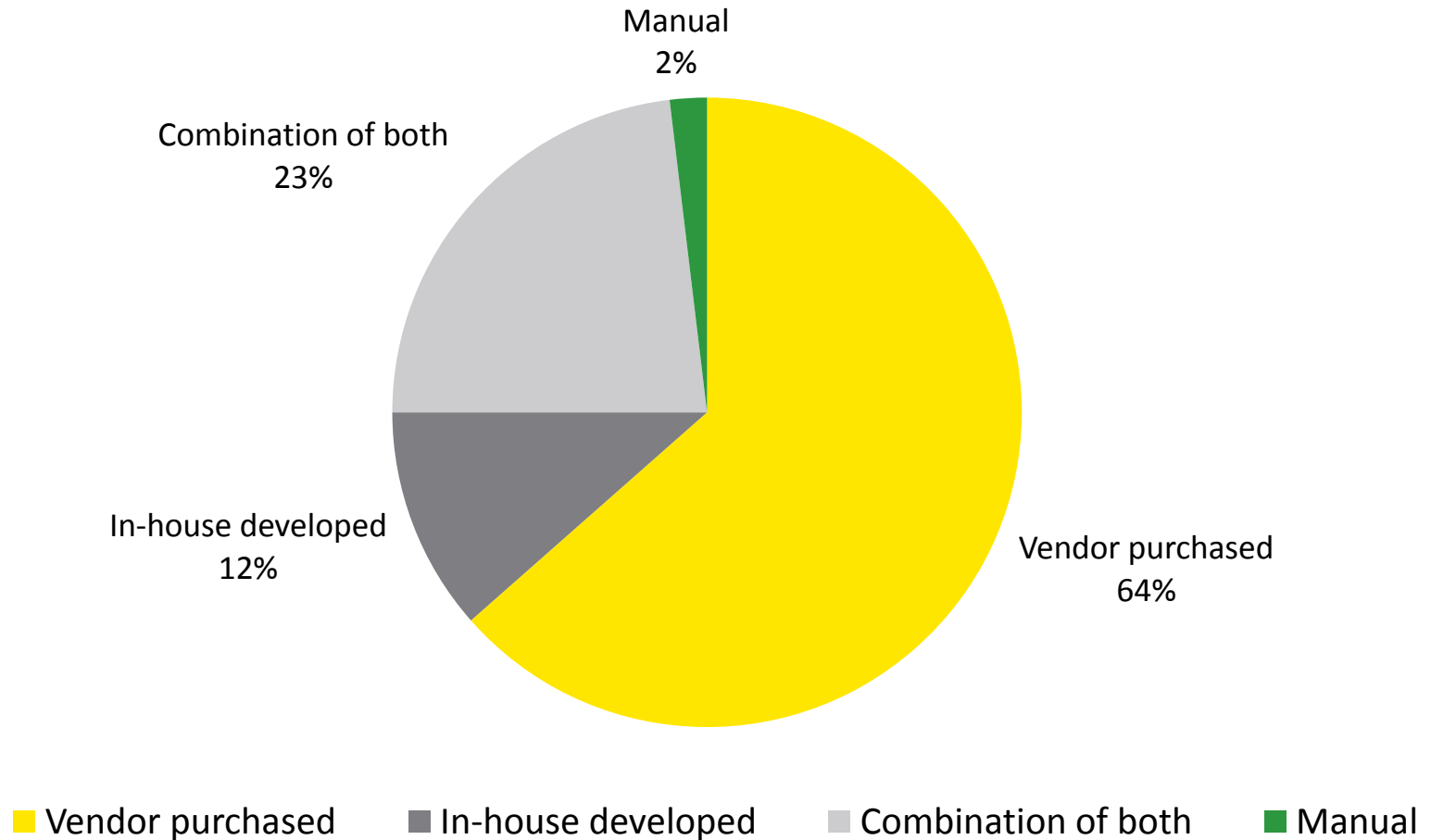
Transaction Monitoring - Select Initial Observations

- ▶ Almost 50% of firms tune (ie. adjust scenarios, modify thresholds) on their transaction monitoring system on a continuous, monthly or quarterly basis
- ▶ Almost half of survey respondents reported that less than 10% of alerts are productive (i.e. resulting in meaningful investigation, potential money laundering, or reporting of suspicious activity). 20% found a productivity rate of 3% or lower.
- ▶ Transaction monitoring was noted as offering the most meaningful investigations into potential money laundering when compared to manual referrals of suspicious activity and customer on-boarding controls

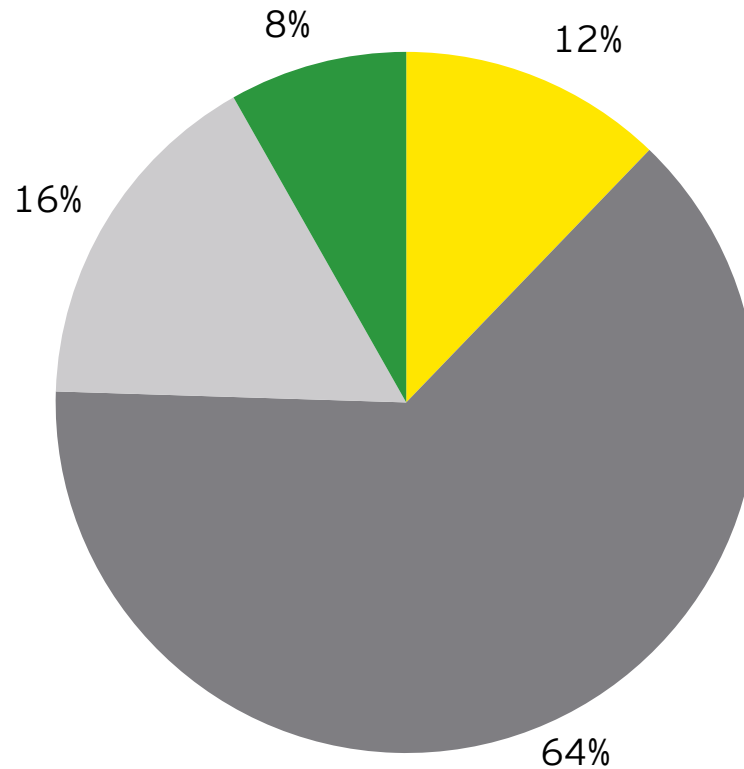
A Sample of Question Results - Detail



Question 1 - Is your transaction monitoring system purchased from a vendor or developed in-house?

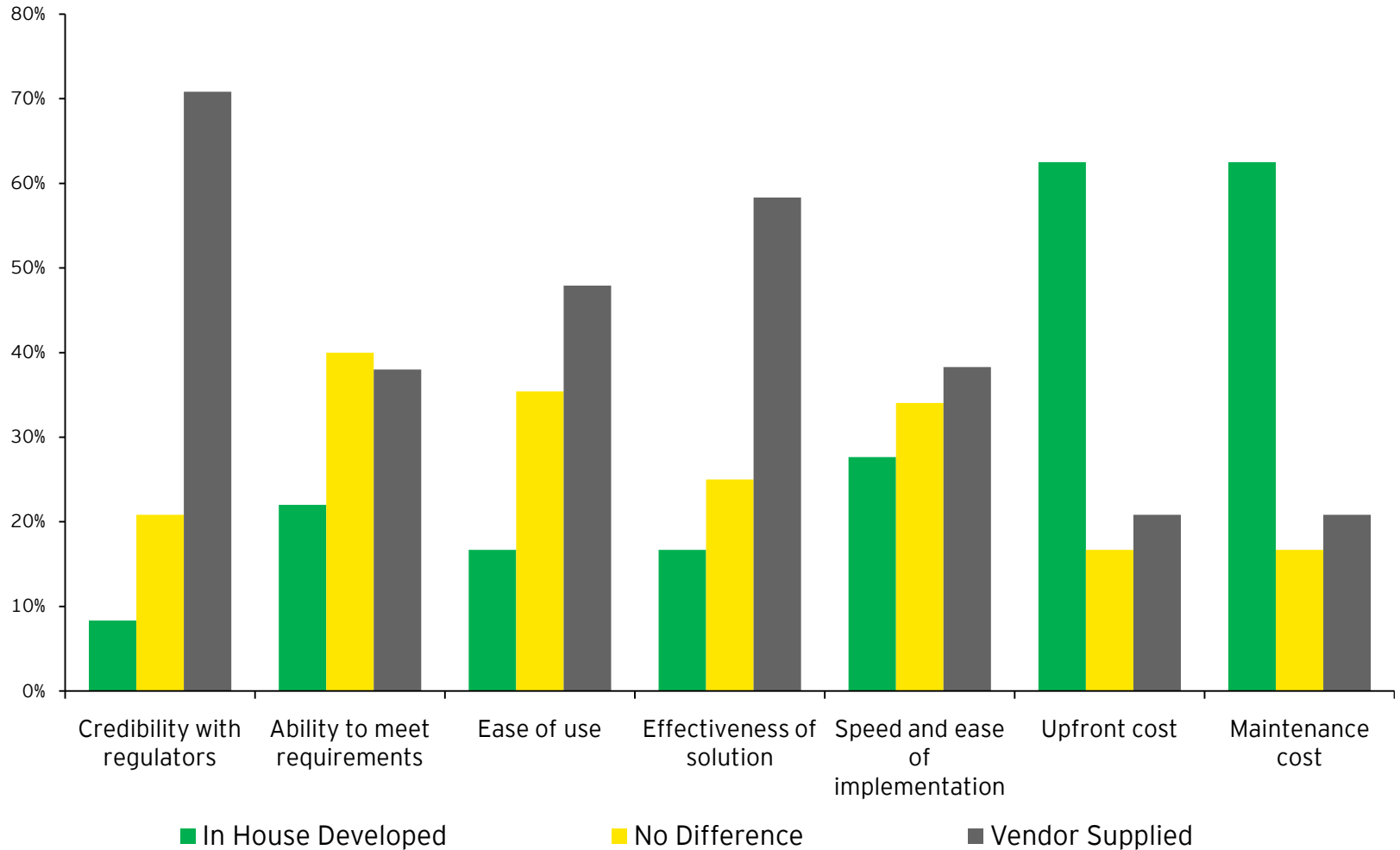


Question 2 - Within your organization, your vendor-purchased solution:



- Offers effective "off-the-shelf" monitoring and implementation
- Requires additional customization to monitor within your environment
- Requires extensive customization and additional "outside the system" analysis to be effective
- Vendor built transaction monitoring solutions are not employed within my organization

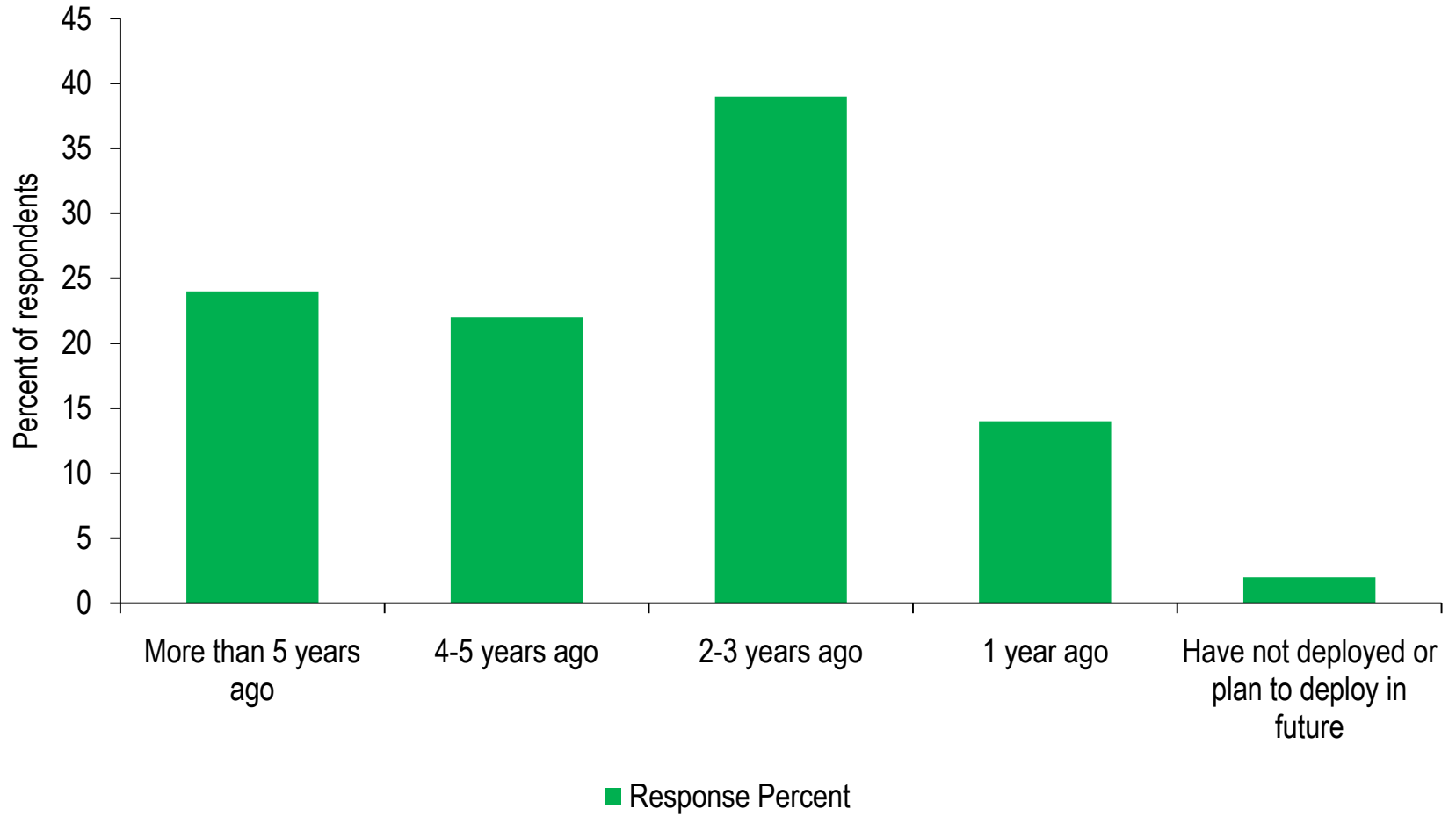
Question 4 - With respect to the following considerations, which solution is most appropriate when choosing a transaction monitoring system?



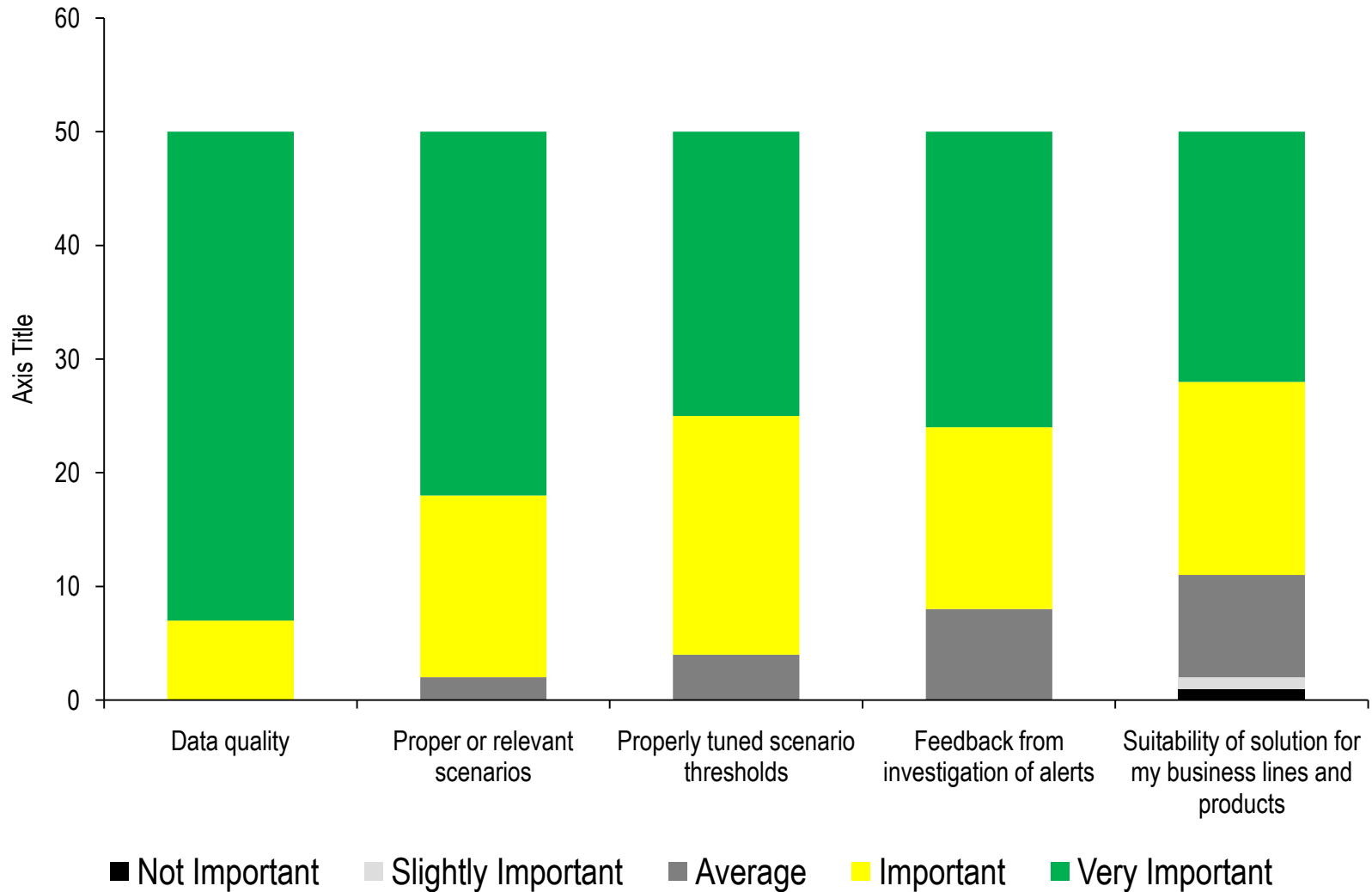
Question 5 - What types of techniques and capabilities does your organization employ to support transaction monitoring? (Please choose all that apply)



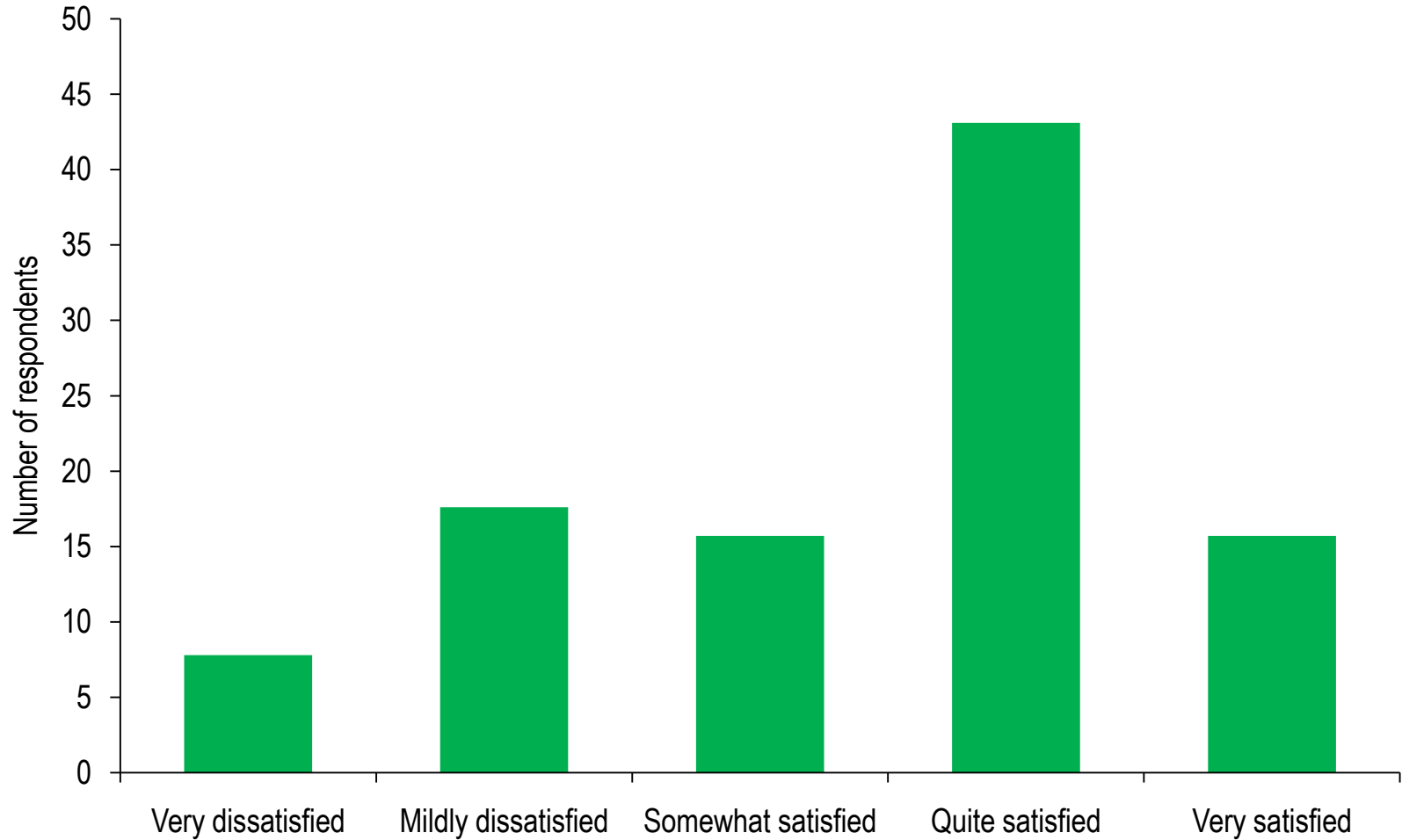
Question 11 - When did you initially deploy your transaction monitoring system



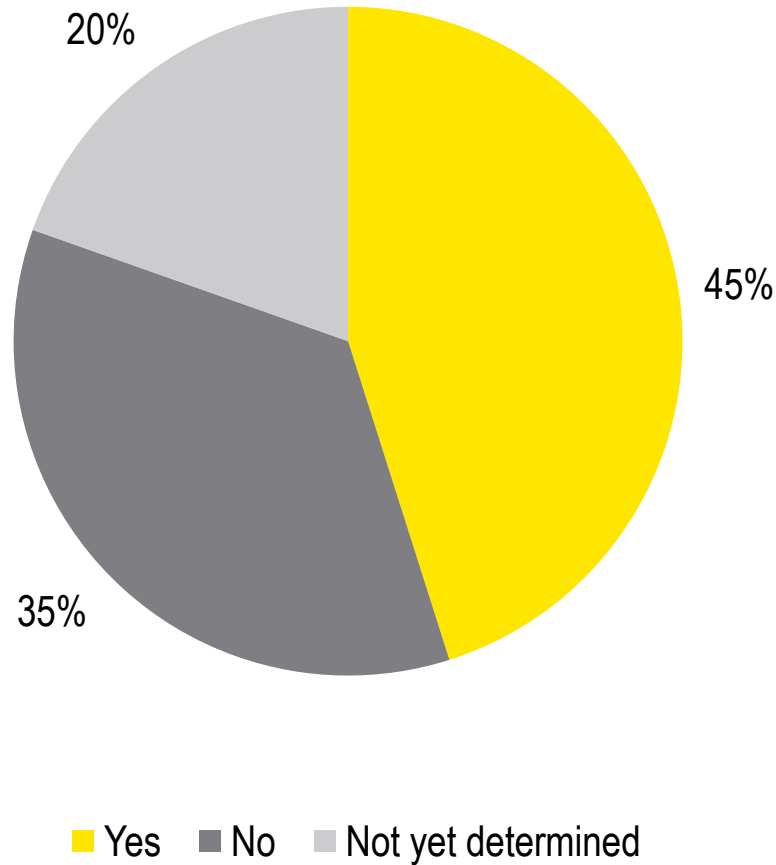
Question 15 - Rate the following factors in generating productive alerts from your transaction monitoring system.



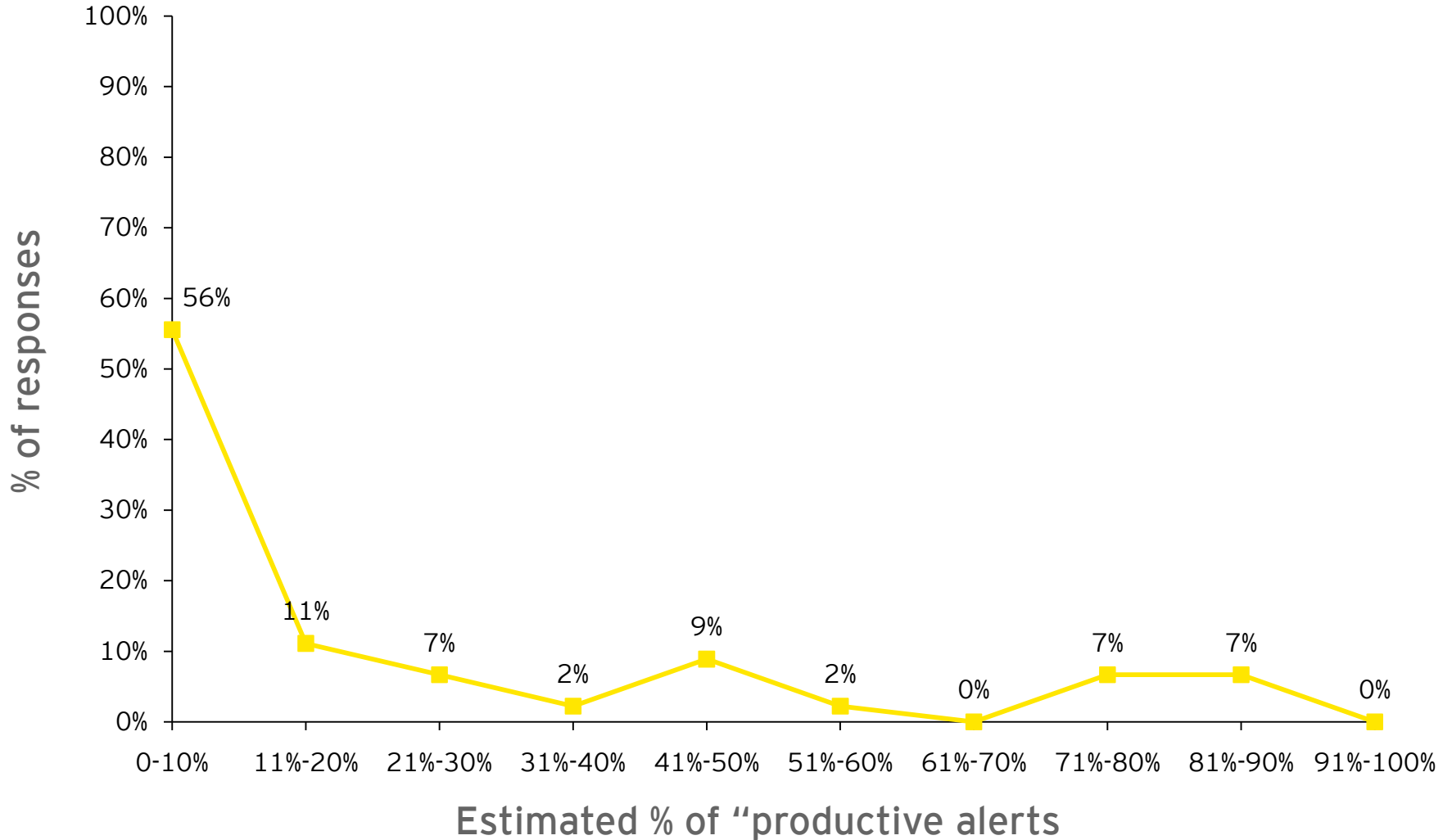
Question 22 - How satisfied are you with the overall effectiveness and value of your transaction monitoring solution(s)?



Question 12 - Do you expect a major upgrade or replace of your transaction monitoring system within the next 2 years?



Of the total alerts raised by your transaction monitoring systems, what percent would you estimate to be "productive" (i.e. resulting in a meaningful investigation, potential money laundering, or reporting of suspicious activity)?



Next Steps

- ▶ ACAMS and E&Y will develop a more thorough report related to the results of the survey.
- ▶ This report will be published and made available to ACAMS members and survey participants by April/May.
- ▶ Survey #2 will be distributed in June, and will focus on a topic that crosses industry sectors.
- ▶ Please feel to come by the ACAMS desk or the E&Y to share topics of interest to you for the next survey.
- ▶ Your involvement is critical to the success of the survey.

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