

15th Annual International Anti-Money Laundering Conference

March 15-17, 2010 | The Westin Diplomat | Hollywood, Florida

CASE STUDY

Best Practices for Designing Effective Risk Assessment Models at Non-Depository Institutions

Brian Ferrell, Assistant Vice President & Assistant General Counsel,
Hartford Financial Services

Kiren Schulte, Vice President, Anti-Money Laundering Compliance and
Regulatory Affairs, MoneyGram International

Noreen Fierro, Vice President, Anti-Money Laundering and FCPA
Compliance Officer, Prudential Financial

Best Practices for Designing Effective Risk Assessment Models at Non-Depository Institutions

Sally Slick is looking purchase a \$1,000,000 term life insurance policy from *We Sell More Insurance, Inc.* as well as a variable annuity. When she meets with an insurance agent at his office in Miami, she indicates that she lives in Miami and her annual income of \$350,000 is derived from residential rental properties she owns throughout Southeast Florida and Mexico.

She further states that many of her tenants for the Florida properties pay their rent in cash and for her Mexico properties many use money orders they purchase in Mexico and mail and others wire the funds to her bank account using local MSB's. As such, she states that she may be paying her premiums and funding her annuity with money orders purchased with the rent proceeds as well as checks from her banking account. Sally represents that she usually purchases her money orders from the MoneyGram branch at her local Publix supermarket.

Best Practices for Designing Effective Risk Assessment Models at Non-Depository Institutions

We Sell More Insurance is comfortable moving ahead and sells both products to Sally Slick. Twelve months after the sale of the annuity, Sally Slick's account triggers an AML surveillance alert. Upon closer review, it appears that she has made five separate drop in deposits of \$9,000 in a 60 day period. The deposits are comprised of checks issued by the local bank from an account in her name, money orders, and one wire transfer processed by a MoneyGram agent in Mexico City.

Best Practices for Designing Effective Risk Assessment Models at Non-Depository Institutions

- What AML risks are presented to *We Sell More Insurance, Inc.* if they sell Sally Slick the insurance policy and annuity?
- How could *We Sell More Insurance* rely on internal controls to assist in identifying these risks before the entering into the relationship?
- What AML obligations are triggered if the accounts are opened?

Best Practices for Designing Effective Risk Assessment Models at Non-Depository Institutions

- What controls would MoneyGram rely on to insure that the Agent located in the Publix supermarket is undertaking appropriate diligence regarding Sally Slick before selling her the money orders and complying with the AML obligations for MSB's?**
- What standards does it hold its Agents to? Do those standards differ depending on risk profile of the Agent?**
- What risk factors are considered by MoneyGram?**

Best Practices for Designing Effective Risk Assessment Models at Non-Depository Institutions

- When researching the account activity in response to the report alert, you realize that her account has had similar activity in the past but the deposits at issue were less than \$5,000 and therefore did not trigger your surveillance parameters?**
- You also review the payment history for the insurance premiums and realize that 10 of the last 11 payments were made with money orders purchased by her in Venezuela – a fact also not identified by your current monitoring program. What do you do?**

Best Practices for Designing Effective Risk Assessment Models at Non-Depository Institutions

- **Do the facts of this case prompt you to re-evaluate the sufficiency of your risk-based monitoring program?**
 - **Should they?**
- **What should you do in response to the account activity?**