

ML MONEY LAUNDERING.COM
15th Annual International Anti-Money Laundering Conference
 March 15-17, 2010 | The Westin Diplomat | Hollywood, Florida

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

- **Brian L. Ferrell**
Assistant Vice President & Assistant General Counsel
Hartford Financial Services
- **Noreen Fierro**
AML Officer
Prudential Financial
- **Kiren Schulte**
Vice President, Anti-Money Laundering Compliance & Regulatory Affairs
MoneyGram International

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Risk Assessment Link to the BSA/AML Compliance Program

Risk Assessment

Identify & Measure Risk:

- Products
- Services
- Customers
- Geographic locations

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Internal Controls

Develop Applicable:

- Policies
- Procedures
- Systems
- Controls

Result:

Risk-Based BSA Compliance Program

- Internal controls
- Audit
- BSA compliance officer
- Training

2006 FFIEC BSA/AML Examination Manual

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Risk Assessment: Questions to Ask

- Products and Services
 - What is the product?
 - What are the limits?
 - Why is it used?
 - What is the method of payment?
- Customer
 - Who is the customer or agent?
 - What volume is expected?
 - Where is the consumer/agent located?
 - Does the agent have an AML Compliance program?
 - Who are the agent's typical customers?
 - Is the agent required to have a license?

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Risk Assessment: Questions to Ask

- Geography
 - Where are transactions originating?
 - Destination of the transaction?
- Operational
 - What is included in the compliance program?
 - Are systems automated?
 - What is the training policy?
 - What is the business structure?

Risk Categories – Geographies

- Geography assessments
 - International (by Country)
 - Domestic (by State)
- Initial baseline country risk-rating uses a variety of external data sources:
 - CPI (Corruption Perception Index) Score from Transparency International
 - Data from INCSR Report (from the Department of State)
 - Money Laundering Concern Level
 - Egmont Financial Intelligence Units
 - Criminalized the Financing of Terrorism
 - Criminalized Beyond Drugs
 - Cooperate with International Law Enforcement
 - Record Large Transactions
 - FATF Membership
 - FATF Non-cooperative Countries and Territories
 - OFAC Country Sanctions Programs including State Sponsors of Terrorism
 - FinCEN Section 311 Special Measures
 - CIA World Factbook – Narcotics Transit Countries
- Initial baseline state risk-rating uses a variety of data sources:
 - HIFCA
 - HIDTA
 - FinCEN SAR-MSB Filings
 - Human Trafficking/Fraud Data
 - Transaction Data

Risk Assessment: Resources

- FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual
- Bank Secrecy Act/Anti-Money Laundering Examination Manual for Money Services Businesses
- COSO.org (Committee of Sponsoring Organizations)
- International Institute of Auditors
- Risk Assessment internet search
- Geographic Risk Assessment Tools from third party vendors

Geographic Risk Assessment Resources

- US Department of Treasury - OFAC Country Sanctions Programs:
<http://www.treas.gov/offices/enforcement/ofac/>
- US Department of State - State Sponsors of Terrorism: Cuba, Iran, Sudan, Syria: <http://www.state.gov/s/ct/c14151.htm>
- 2008 INCSR Report - International Narcotics Control Strategy Vol. II Money Laundering and Financial Crimes:
<http://www.state.gov/p/inl/rls/nrcrpt/2008/vol2/index.htm>
- Transparency International - 2008 Corruption Perceptions Index:
http://www.transparency.org/policy_research/surveys_indices/cpi/2008
- CIA World Fact Book - designated as a narcotics transit country:
<https://www.cia.gov/library/publications/the-world-factbook/>
- Financial Action Task Force - country is a member of FATF:
<http://www.fatf-gafi.org>
