



# AML-ology

*The study of AML trends and solutions*

AML-ology is the study of AML (anti-money laundering) trends and solutions by providing newsletters and survey reports to AML dedicated professionals. A monthly newsletter is sent with a scientific or academic approach to an AML hot topic. A survey is conducted each quarter based on the hot topics being discussed in by the AML community.

## Article Topics

- **March 2016:** [Evolving Iranian Sanctions: Joint Comprehensive Plan of Action \(JCPOA\)](#) - Dennis Ansbro

As part of international efforts to prevent further development of Iran's nuclear weapons program, the United States imposed various ranges of diplomatic and legal sanctions to prevent foreign financial institutions from conducting transactions with Iran through the US Department of the Treasury. More recently, the US Security Council negotiated a structure to relieve some of these sanctions with Iran, the Joint Comprehensive Plan of Action or JCPOA. But what does the framework of this negotiation entail, and what does it mean for United States financial institutions?

- **February 2016:** [Human Trafficking Monies Hiding in Your Bank](#) - Nancy E. Lake

Human trafficking is in the news more and more. When it is mentioned, many have a picture in their minds of Asian women working in nail salons. However, this stereotyping of human trafficking is deadly as it blinds people to the trafficking that occurs in their own local community and the ill-gotten monies that may be passing through their bank unnoticed. After learning of a community bank in the Mid-Atlantic region with an obvious sex trafficking case and performing research on the topic of human trafficking myself, I was shocked at what I learned.

- **January 2016:** [Challenges and Solutions to Staffing an AML Compliance Team](#) - Len Adams

In my over 35 years of providing recruitment and staffing services to the financial industry, I have been through the ups and downs of talent shortages, retention issues, and compensation variances. These are commonplace issues that occur in many departments due to economic reasons, budgets, training gaps, etc. However, it seems that these challenges are magnified when examining the current state of anti-money laundering (AML) compliance. Anyone with responsibility for the management of an AML compliance program in any sized institution is currently facing serious issues relating to retention of staff, shortage of qualified AML compliance professionals, budgetary constraints, as well as salary and compensation gaps. These issues are having an effect on both full-time staff as well as temporary and project resources.

- **December 2015:** [Look Backs: A Documentation Preparedness and Technical Perspective](#) - Steven A.N.Q.L Davey

There is so much pressure these days to get it done right the first time... even though no BSA/AML solution or program is 100% perfect. And if look-backs (recommended or mandated) are not completed successfully, you will find yourself in a never ending pitfall of data quality issues, growing BSA/AML requirements, changing face of risk and compliance priorities, senior management concerns, along with litigation headaches and steep penalties and fines. This article will cover some of the key approaches; core components; and best practices in managing look-back exercises from a documentation preparedness and technical perspective.

- **November 2015:** [Independent Verification and Validation: The Definition, The Origin and Why You Should Be Doing One](#) - Frank Masi Jr, PhD

Independent verification and validation, IVV, model validation, validation or; as Shakespeare might say, a validation by any other name is still a validation. Regardless of the name it has evolved and been redefined over time. This article will cover the origin, OCC guidance, regulatory pressure, IVV methodology, reporting, independence, and vendor due diligence in an effort to provide oversight on the model validation process.

- **October 2015:** [When Head Office Tells You "How to be Compliant"](#) - Rochelle Castagna

For foreign branches conducting business in the U.S., head office can sometimes be both Dr. Jekyll and Mr. Hyde. On occasion this has proved to be a problem. At times banks are faced with a bureaucracy of business, which can get in the way, and sometimes they can be pressured to make decisions with the business in mind absent of compliance. Many banks consider head office to be low risk, but they may not be as low risk as perceived. For these institutions, that was the reason for their subsequent consent orders, or at least in part. I'll give three examples of the institutions that faced this challenge, what happened with each, what action the bank faced, and the message of hope.

- **September 2015:** [AML Model Validations: What You and Your Peers Are Doing, Not Doing, and Should Be Doing](#) - Matt Millemann

Anti-Money Laundering (AML) compliance is a never-ending challenge to financial institutions (FI), which only draws expenses from the institution without reaping any rewards. Despite this, according to a recent survey, some FI's are still not complying with the AML guidelines around model validations. This month we discuss what FI's are doing, what they aren't, and how they can improve their overall compliance.

- **August 2015:** [Banking and Marijuana, When State and Federal Laws Collide](#) - Warren Markowitz, JD

It's legal, it's not legal. To quote comedian George Carlin, "well, which one is it, have it make up its mind and come on back." As bankers, compliance professionals and advisors, we don't have the luxury of waiting for business opportunities, financial gains and other such pivotal moments to pass us by; and with an estimated US \$8 billion market value, what do we do when State and Federal Law Collide?

- **July 2015:** [How Secure is Your AML System?](#) - Josh Lewis

Inherently, as a financial institution doing business every day, you capture sensitive data about your customers. That sensitive data includes customer, account, and transaction data, and is housed in your Anti-Money Laundering (AML) system, if not other places as well. Your accounting system is likely well protected from insider fraud and internet attacks, but your AML system may be an unlocked door to the same data if it is not similarly protected. If you are vulnerable to these risks, your company could be responsible for breaches of confidentiality, lose customers and money, or be subject to lawsuits.

- **June 2015:** [BSA Success = “Culture of Compliance”](#) - Rochelle Castagna

On March, 3, 2015, the New York Regional Director for the FDIC, John Conneely, conducted a regulatory teleconference along with Special Activities Case Managers Kristi Keating and Rebecca Williams, which focused on BSA hot topics, trends and tips to maintain Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance. This article is intended to educate board members, management and BSA Officers on the six principles of promoting a culture of compliance.

- **May 2015:** [New York’s Banking Chief Challenges the Industry](#) - Roy Anderson

In late February, the Superintendent of the New York State Department of Financial Services (the “DFS”) gave a speech at Columbia Law School on the role of state banking departments in the regulation of financial institutions. The Superintendent’s speech focused on the role of the state regulators within our federal system where both state and federal bodies have jurisdiction over the activities of financial institutions.

- **April 2015:** [Compliance Testing](#) - Frank Masi Jr, PhD

Beyond the regulatory requirements (Federal Financial Institutions Examination Council, 2010), testing is conducting in different departments for different purposes. In the IT department you are focusing on software and system quality, bug identification and integration accuracy. The audit and compliance departments are validating the continued accuracy and compliance to policies and procedures. It is the continued monitoring that audit and compliance do that is addressed in this article.

- **March 2015:** [The Science Behind False Positive Tuning](#) - Lorenzo Masi

There are a number of methodologies to managing your false positive rate, but the greatest lesson is that there is not a one-size-fits-all approach. While there may be an industry standard, it does not account for your institution’s risk profile/assessment organization. In this month’s article, we explore the definitions of positives, negatives, false positives and false negatives; look at our scientific approach to minimizing your risk, and improve quality (more meaningful alerts); and how it affects you.

- **February 2015:** [Who Owns the Money?](#) - Warren Markowitz, JD

Who owns the money? That’s a legitimate question to ask, but as the operator of a financial services company is the question accurate? There’s the equitable owner, the legal owner, the beneficial owner... all of these “owners” of the account, but who really owns and/or controls the money? This month we wanted to explore the definition of beneficial owner, how that would apply in a number of scenarios, and more.

- **January 2015:** [\*Independent Verification and Validation: The definition, the origin and why you should be doing one\*](#) - Frank Masi Jr, PhD

Independent verification and validation, IVV, model validation, validation or; as Shakespeare might say, a validation by any other name is still a validation. Regardless of the name it has evolved and been redefined over time. This article will cover the origin, OCC guidance, regulatory pressure, IVV methodology, reporting, independence, and vendor due diligence in an effort to provide oversight on the model validation process.

- **December 2014:** [\*Implementation of AML Software: "The Keys to Success", Part 2 of 2\*](#) - Lorenzo Masi

In part one of this article, Implementation of AML Software: "The Keys to Success" Part 1 of 1, we discussed evaluating your needs, vendors, budget and having a good well thought-out plan, including a Business Requirement Document (BRD) and Functional Design Document (FDD). We covered some, not all, iterations that can change your needs or focus, but overall, how important each step is imperative to your efficiency in both expense and workflow. Now we'll discuss the technical and business implementation of anti-money laundering (AML) software, testing, production cutover, and post-implementation.

- **November 2014:** [\*Implementation of AML Software: "The Keys to Success", Part 1 of 2\*](#) - Lorenzo Masi

There are a variety of AML software vendors in the market. Some offer more than you need, some offer too little. But there's one, at least one, that's just right. It's like the story of Goldilocks. Before finding the "just right size" for you, you should know the keys to success around implementing an AML software. It's not enough to measure it against your checklist. Sometimes you need to know what it means to implement it - on a technical level, a business level - and then test it! A lot of testing. Again, just like Goldilocks.

- **October 2014:** [\*Compliance Monitoring\*](#) - Frank Masi Jr, PhD

Compliance monitoring is the continued self-assessment and adherence to policies, procedures, and processes within the compliance program. Due to increased regulatory scrutiny this role is expanding throughout the financial institution industry. Specifically, compliance monitoring is a designated role to review, sample, and identify control issues within a compliance program. The value of the role is to provide oversight of the current program and demonstrates controls. Finally, presented is a potential organizational structure for small institutions.

- **September 2014:** [\*Are You Compliant?\*](#) - Rochelle Costagna

Compliance organizations face challenges on multiple fronts in their efforts to control anti-money laundering (AML) risk. The perpetrators of financial crimes continually seek new ways to circumvent the protections in place, putting the financial institution at reputational and financial risk. The regulators bring their broad exposure to the latest nefarious techniques to each examination in an attempt to expose any system related or procedural weaknesses.

## Surveys

From time to time we will be conducting anonymous surveys of anti-money laundering (AML) compliance professionals to get an idea of where the industry stands - where are they focusing their efforts, what rates are they following, what rules and regulations govern their business, and more. After the survey is closed, we will make the results available to you as soon as possible.

4 <sup>th</sup> Quarter 2014	<p><b>Compliance Monitoring</b></p> <p>The purpose of this survey is to determine what the industry knows about compliance monitoring, if they have an on-going program in place, and if not, what are they doing instead.</p>
1 <sup>st</sup> Quarter 2015	<p><b>Model Validations</b></p> <p>The purpose of this survey is to determine the frequency at which institutions are conducting an Independent Verification and Validation (IVV), or model validation, which software programs are they focusing on, and the number of issues that were found because of a model validation.</p>
2 <sup>nd</sup> Quarter 2015	<p><b>False Positives</b></p> <p>The purpose of this survey is to determine if institutions are conducting false positive management within their AML compliance program (i.e. BSA/transaction monitoring, OFAC/sanctions filtering, and FinCEN 314(a)).</p>
3 <sup>rd</sup> Quarter 2015	<p><b>Medical Marijuana</b></p> <p>The purpose of this survey is to determine the status of financial institutions doing business with medical marijuana related companies. The survey will gather information such as what types of institutions are; if they are, how are they managing the risk; the number of customers they have; which are not; why not; what are their concerns; and more.</p>
4 <sup>th</sup> Quarter 2015	<p><b>State of the Industry</b></p> <p>This survey will gather specific data to give the risk and compliance community a better understanding about the status of the financial industry, specifically as it relates to their regulatory BSA/AML exam. Some questions will be what the topics focused on in the final report of their exam; what was identified as the most critical issue by the regulator; what team participated in correcting the issues found; if any MRA, MRIA, and C&amp;D's were received; and if so, how many of each; and more.</p>
1 <sup>st</sup> Quarter 2016	<p><b>Staffing</b></p> <p>The purpose of this survey is to give Chief Compliance Officers, Senior BSA/AML, OFAC, and KYC officers and managers insight into salary, staffing and utilization rates as it relates specifically to the compliance case analysts they employ.</p>

To get a copy of any of our results, [click here](#).