Behind the Four Pillars:
Is Your AML House Really Rock Solid?

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Internal Controls: Protecting Your Foundation
Internal Controls
Life Cycle

- Data-Driven Risk Assessment
- Sound, Board-Approved Policies
- SMART Procedures
  - Specific
  - Measurable
  - Attainable
  - Relevant
  - Tested
- Periodic Risk-Based Controls Testing
- Remediation Plans
Who Owns the Control?

Technology
- Management of Systems
- Electronic Intrusion
- Incident Response
- Escalating Suspicious Activity

Operations & Support
- OFAC
- Escalating Suspicious Activity
- Liens / Levies / Subpoenas
- Insider Abuse Prevention

Lending & Credit
- CIP
- CDD/EDD
- OFAC
- Escalating Suspicious Activity

Retail Network
- CIP
- CDD/EDD
- CTR
- OFAC
- Monetary Instruments Log
- Escalating Suspicious Activity
Lines of Defense

FIRST LINE
Business Units

SECOND LINE
BSA Compliance Team

THIRD LINE
Internal Audit

FOURTH LINE
Independent Audits & Exams
Customer Due Diligence:
Beyond Written Procedures
Monitoring & Review -- CDD -- EDD
Critical Components of CDD/EDD:

- Documented questionnaire
- Software/Automated Systems
- Ad-Hoc Reports
- Comparison with other entities
- Comparison with questionnaire
Software Application’s Role for CDD/EDD

• Automation of Risk Identification and Trending

• Negative News, Integrated Research Tools, SAR Lookback Investigations
  ○ CDD/EDD for higher risk procedures

• Real Time Integration for Multi-Department Usage

• “Red Flag IQ” (ID) Searches and Scanning
  ○ Individual Identity Verification

• Beneficial Ownership Analysis/Risk Ratings Derived from Software Platforms
  ○ Analysis of Owners, Beneficiaries, and Authorized Signers
ID Verification - Audit Trail/History

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**IQ Risk Score – Low, Medium, High**

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How Well Do You Know Your Customers?

- Corporate Risk Management
- Red Flag (ID) Searches
- Negative News
- Watch and Black List
- BSA and Patriot Act Compliance
- Certified Staff

Analysis of Owners, Beneficiaries, and Authorized Signers
Training:
Providing the right tools to your lines of business
Training Initiatives:
• Comprehensive semi-annual training on BSA/AML current initiatives
• New employee documented training
• Annual Board Training focused on current trends and regulatory requirements
• Experts Invited to host seminars
• Address current BSA/AML events/trends
• Constant review of STR submission to determine team members recognition of suspicious events
• Review level of SARs resulting from STR submissions
• Defensive SAR awareness
• Internal Procedure/Policy updates due to regional experiences
Bank Compliance Initiatives

- Customer Fraud Awareness Programs

- Updating New Risk Alerts
  - **Terrorist Financing**
  - **Human Trafficking Corridors**

- Enterprise Risk Management Mitigation Process
  - BSA/AML Scheduled RA is part of ERM and not separated from bank wide risk.

- GLBA and Others updated annually for current customer and regulatory situations
BSA Officer: Documenting this Basic Requirement
Key Criteria for a BSA Officer Role:

- Appropriate level of authority and resources
- Be knowledgeable of the bank as well as the BSA
- Line of communication to the board
- Time to do his/her job
What is a Regulator’s Approach?

- **Evaluate** the BSA program based on transaction testing, reviews of policies and procedures and reporting (SAR/CTRs, MIS) using the bank’s BSA/AML risk profile as a backdrop
- **Review** board minutes and board materials to understand the BSA officer’s access and line of communication to the board
- **Assess** the independence of the BSAO’ position within the bank
- **Consider** the BSAO’ resume, training attended, and title
- **Discuss** with the BSAO to assess their knowledge of the bank and its products and processes including their practical BSA knowledge
- **Consider** audit’s view of the BSA program
- **Study** involvement and interaction with the various business lines within the bank
Final Thoughts to Consider

- Reporting structure
- Enterprise education
- Evaluation and monitoring process
- Leveraging data across business lines
- Dual process decisions
Open Dialogue:  
We want to hear your feedback