A practical view on EU AML4D

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REMEMBER THE PURPOSE!
Two of many challenges ahead;

• How to truly apply a Risk Based Approach for both AML and CTF
• The Risk Assessment really needs to be the backbone to all AML and CTF work within a financial institution
• Moving from transaction monitoring to monitoring of activities
The Basis for the Risk Assessment

1. • International assessments, analysis and standards
   • The national risk assessments, criminal statistics, official reports

2. • The financial institutions risk appetite, risk tolerance – documented and communicated
   • Governance, i.e. policies, instructions and standard operating procedures (SOP)

3. • Methodology and processes for executing the risk assessment and the documentation
   • Organization – who are the responsible, accountable, stakeholders (internally and externally)

4. • Define the assessment criteria
   • Inherent risk, the sufficiency and efficiency of the control environment and the residual risk

5. • Identify the threats (external and internal), analyze the vulnerability and the consequences for the business.
   • No more assumptions, guesstimates - the risk assessments must be built on statistics and facts. Know Your Data!

6. • The Risk Assessment shall result in an “how to guide” to make sure the financial institution's are preventing, detecting, stopping, blocking money laundering and terrorism financing.
   • Plan, Do, Check, Act and Review….
The result from the analysis process:

• No guesstimates or assumptions where applicable
• Identify and verify that the relevant databases are being used for extracting data and for monitoring purposes
• Statistics and analysis of (examples):
  – Customer risk scoring (risk classification)
  – Products
  – Services
  – Geographies
  – Transactions
  – SARs
  – Channels
  – Outsourcing
  – Behaviours
  – Methods and trends
It’s all about the customer...

• Transaction monitoring is not sufficient anymore

• In order to fully comply with the changes you need to, in addition;
  – Monitor the customer’s behavior
  – Think - Who does what, when, how, why, how often and .... Whom with?
Keys to success:

- Remember the purpose!
- Know your business
- Know your customer
- Know your data
- Respect the process and make sure you have enough resources
- The right mind set
- Staff training
- And finally – there is a time and place for democracy
Thank you!

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