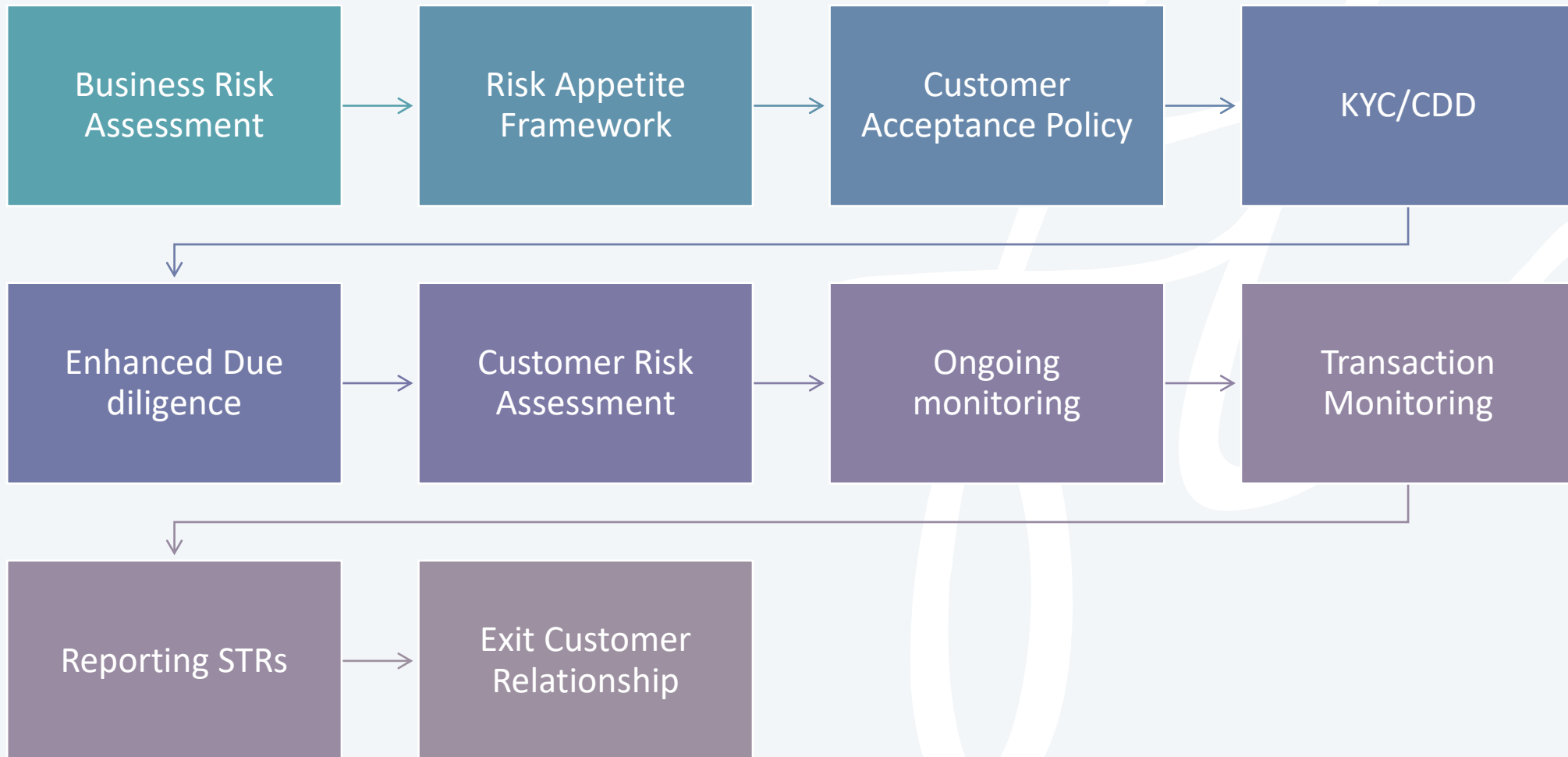


AML Tuesday's Session #17 on:

Customer Relationship Risk Management, Ongoing Monitoring, Exist Strategies

June 4, 2024

Key Steps – Customer Risk Management



Risk Appetite Framework



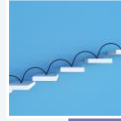
RAF

- The board, management, and employees have a framework that makes it easier to identify and manage opportunities and risks when there is a well-defined risk appetite.



Risk appetite

- Is about enabling an organization to take on calculated risks in pursuit of long-term strategy. Placing constraints on activities (Milliman).
- The aggregate level and types of risk



Risk Capacity

- The absolute maximum amount of risk that the organization can take at this point in time



Risk limits

- Risk appetite should set out the qualitative or quantitative parameters
- Measurement of the aggregate amount of that risk.
- Risk limits need to be measurable and specific.



Risk Tolerance

- Acceptable variability of the risk limits
- Breaching a risk tolerance threshold should serve as an alert for management resulting in actions being taken to reduce the risk position.

Risk Appetite

1

Risk Appetite Towards
Sanctions UN/EU/OFAC

2

Risk Appetite Towards
High-Risk Jurisdictions

3

Risk Appetite Towards
High-Risk Customers

4

Risk Appetite towards
specific industries,
activity, products

Risk Appetite - Sanctions



Risk Appetite – High Risk Jurisdictions

High Risk
Jurisdictions Monaco
List

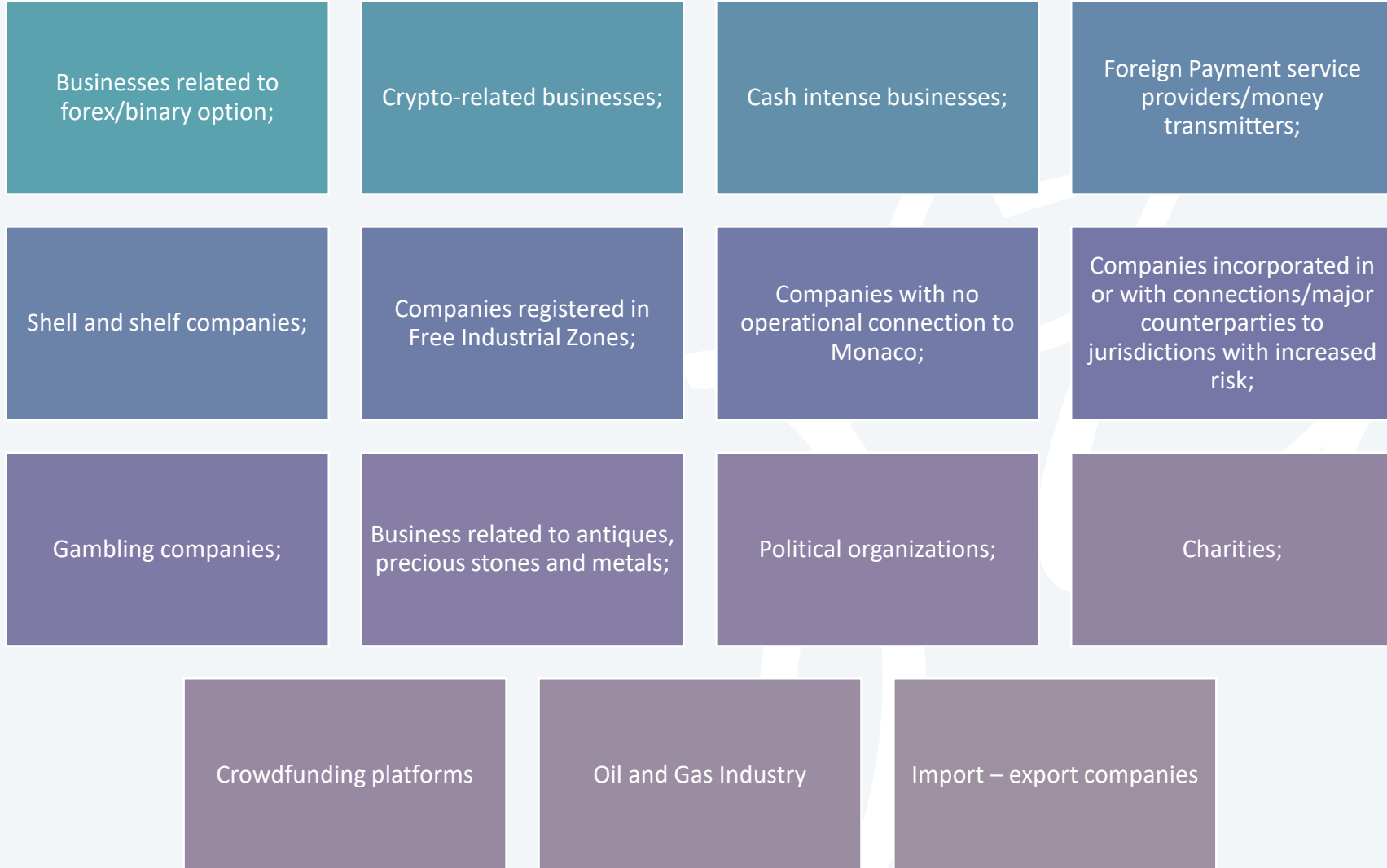
High Risk
Jurisdictions FATF
Black List

Jurisdictions with
high risk of TF

Jurisdictions with
high corruption risks

Jurisdictions from
FATF Grey List

Customer Risk Acceptance



KYC/CDD

KYC/CDD should be performed at different stages of the customer lifecycle

KYC/CDD is performed before opening of the account, to identify and verify the prospective customer.

Periodic KYC/CDD helps institution ensure that ML/TF risks are timely identified and assessed, and appropriate mitigation actions are taken to address the identified risks.

KYC/CDD Process

Customer Identification

Identify the customer's identity. This includes verifying their name, address, date of birth, and other relevant information

Customer Due Diligence

Gathering additional information about the customer. For instance, details about their employment history, financial statements, and references.

Risk Assessment

Risk assessment to determine the level of risk associated with the customer

Enhanced Due Diligence

In high-risk cases, Conducting EDD

Transaction Monitoring

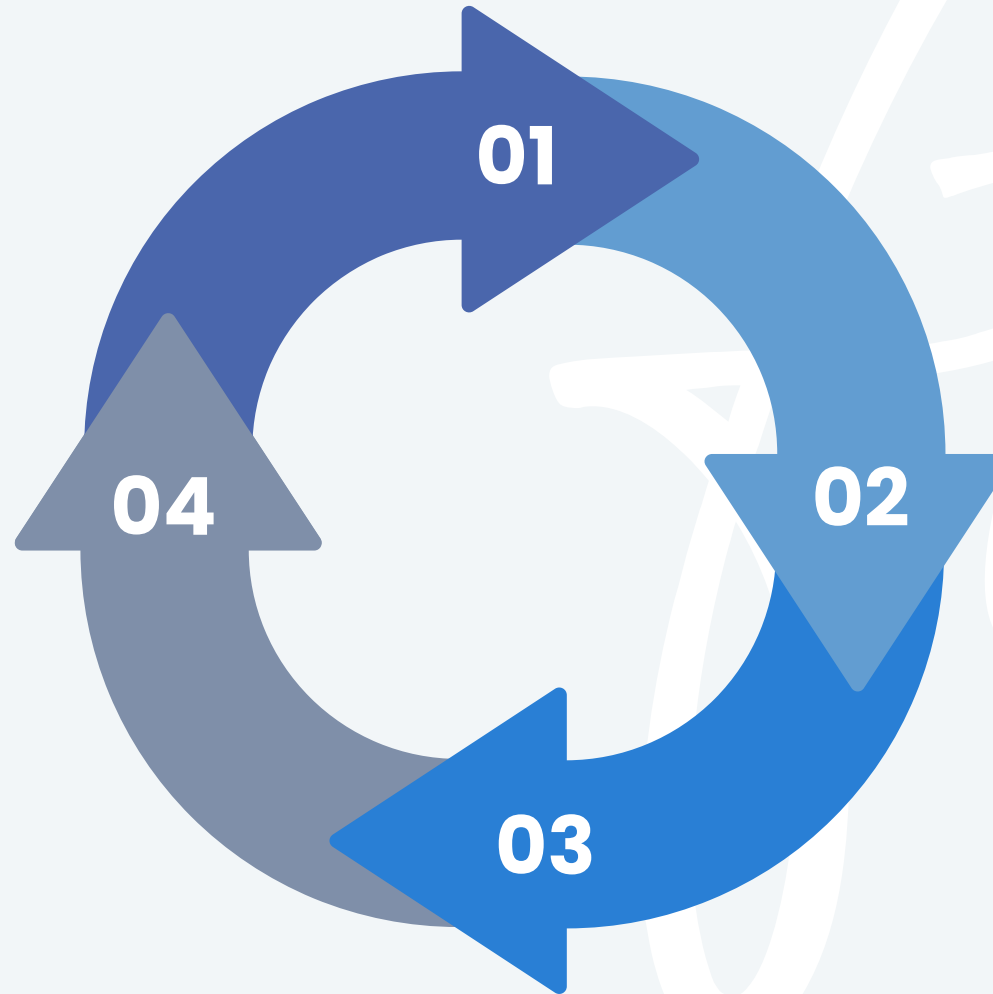
Flag unusual patterns or large transactions that deviate from regular behavior.

Reporting Suspicious Activity

KYC/CDD

Onboarding
Identification/Verification
EDD based on Risk
SoF/SoW

Account Closure
Exit Relationship
Customer Request



Transaction Monitoring
Analysis of declared activity v.
Real activity
Red Flag Transactions

Update of Information
Activity
Beneficiary and Ownership
Structure
Negative Media - Panama
Papers, Bahamas Leaks, etc.
External Inquiries

Customer Profiling

1

Customer Information

2

Financial Profile

3

Media Check

4

Information on SoF/SoW

5

Delivery Channel

6

Sanctions Screening

Update of CDD Information

Periodic Review

- Sanctions Screening
- Negative Media Screening
- Update of Ownership Structure
- Update of KYC information

Trigger Review

- Transaction Alert
- External Inquiry
- Change in ownership structure
- Significant change of activities

Ongoing Monitoring

Inconsistencies in the customer's transactional pattern or behavior

Significant changes in the customer's profile – change of activity, change of jurisdiction

Changes in transaction values or volumes

Diverge from the customer's usual transactional pattern; and

Spikes in deposits or withdrawals

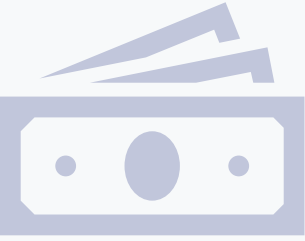
Payments to/from unknown third parties

Spikes in cash activity

Transactions related to high-risk products – dual use goods

Changes in transaction geography or parties involved

Ongoing Monitoring- Supporting Information



Information/Documents on Source of Funds



Bank Statements



Financial Statements



Invoices/Purchase orders/Shipping Documents



Contracts



Transaction Records



Valuations



Incorporation Documents

Ongoing Monitoring- Case Discussion 1

Customer Information

Medium Risk Customer – Natural Person
Resident of Monaco
Nationality – EU
Occupation – Ex Pilot
Declared Source of Wealth – Salary
Declared Savings < 500 000

Incoming Transfers

300 000 from outside EU
250 000 Inside EU
600 000 outside EU

Inquiry

Source of funds outside EU
Payment details of the sender and Beneficiary
Relationship
Explanation of difference between declared savings and transaction

Ongoing Monitoring- Case Discussion 2

Customer Information

Medium Risk Customer Legal Entity

Non-Resident

Activity – General Trading

Jurisdictions of Operation – outside EU

Annual Turnover 10M

Incoming Transfers

Five incoming transfers within 3 months time

2 million per transaction outside EU

8 million outgoing transaction outside EU

Inquiry

Contract

Information on Counterparty

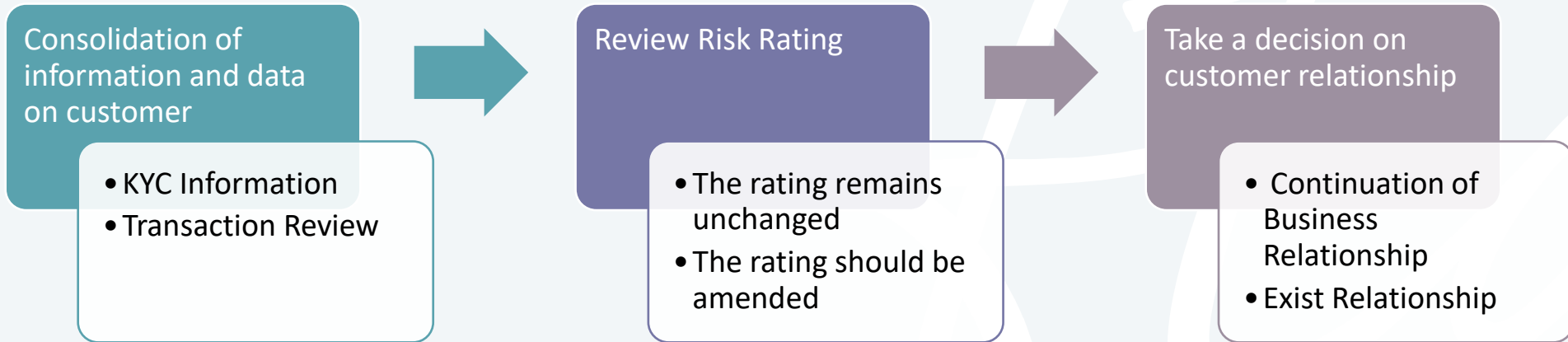
Shipping Documents

Goods screening

Counterparty Screening

Purpose of incoming outgoing transactions

Ongoing Monitoring



Exit Strategy – Case Discussion

Long term Customer relationship

Compliance team has identified negative media (engagement of the individual in the major financial crime investigation that is in public news).

Part of the funds subject to the crime investigations have been deposited with the institution.

Exit Strategies



Inability to collect updated CDD Information

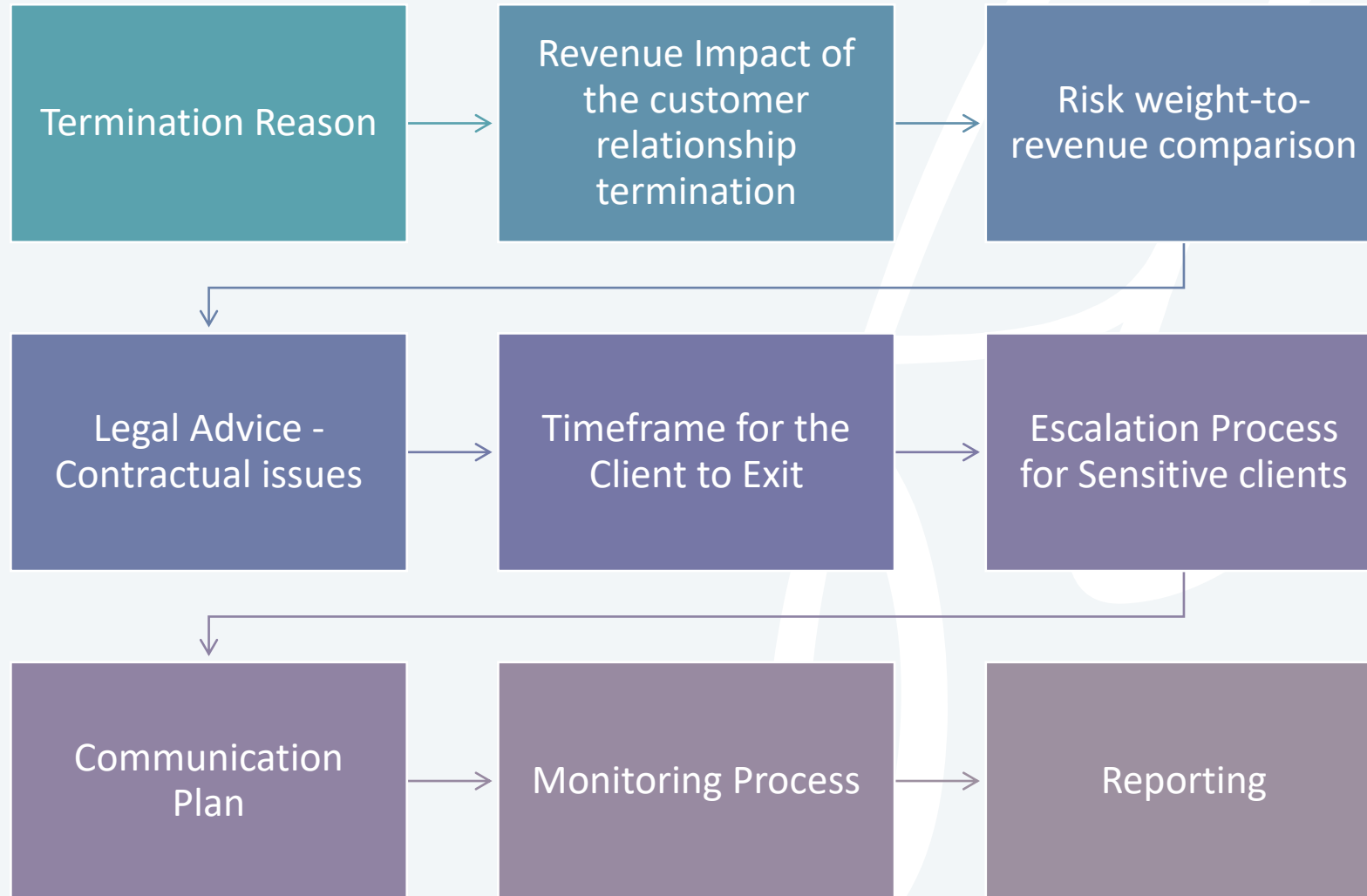
Inability to collect transaction information/documents required

Regulatory fines

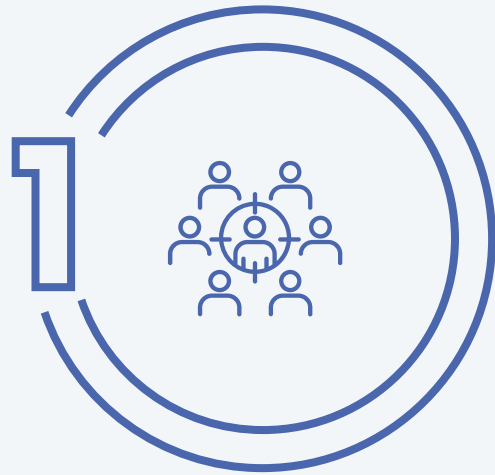
Reputational Damage

Risk Appetite

Ongoing Monitoring- Exit Strategies



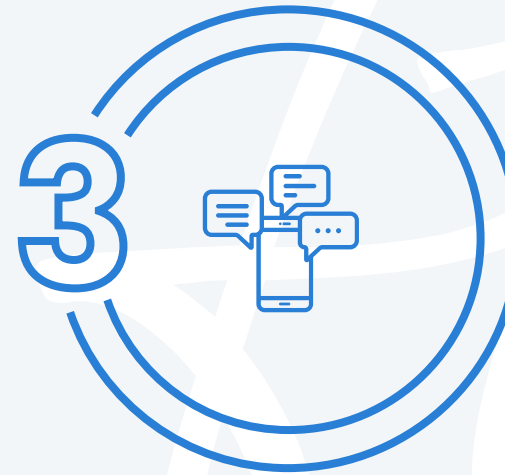
Ongoing Monitoring- Challenges



**Establishing
scalable and
efficient
monitoring
system capable
of handling large
volume of data
real-time**



**High Number of
False Positive
Alerts
Resource
constraints –
high volume of
manual review**



**Lack of real-time
data and quality
of data
Possibility to
miss time-
sensitive
transactions/pat
ters**



**Sufficient
Resource
capacity and
capability**



*Thank you for your
time*

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Next Session:
18 June, 2024

Topic:
Enhanced Monitoring
and Verification of
SoF/SoW

Today's Host and Presenter: Tamar Goderdzishvili