

Effective Risk Management With AML Risk Assessment

January 25, 2017

Agenda

- Regulatory Trends in Risk Assessment
- Crowe Approach to Anti-Money Laundering (AML) and Sanctions Risk Assessments
- How Crowe Is Taking Action



Regulatory Trends and Directional Guidance

Regulatory Actions in the Headlines

In 2016 there were at least 21 significant enforcement actions that resulted in more than \$637 million in fines or penalties and included reference to an organization's need to address deficiencies in their BSA / AML and Sanctions risk assessment processes.

The Bank did not have up-to-date, accurate, and verified information to enable it to conduct its annual risk assessment. (February 2016)

Impact

Civil money penalty greater than \$3,750,000

The Bank shall develop a comprehensive BSA/AML risk assessment that identifies and considers all products and services, customer types, geographic locations, and transaction volumes in determining inherent and residual risks. (July 2016)

Impact

Consent order including fines greater than \$175,000,000

The Bank's BSA/AML and OFAC Risk Assessments lacked thorough review of Branch customers, products, services, and geographic locations served. It likewise was insufficient in its methodology. (August 2016)

Impact

Consent order including fines greater than \$150,000,000

From 2011 through 2012, the Bank failed to conduct a risk assessment that incorporated all of its products and services including wire transfers processed for its domestic and international money service businesses. (December 2016)

Impact

Civil money penalty greater than \$450,000

Market Challenges

Based upon our work with clients well as a Crowe marketing evaluation, we believe the market has some or all of the following thematic challenges related to risk assessment.

- 
- Manual and time-intensive processes for collecting information and gathering data
 - Collecting information in a collaborative manner for enterprise risk aggregation
 - Creating a sustainable risk assessment process
 - Developing data analytics to understand why risk matters and what are the biggest drivers
 - Forecasting risk and understanding trends within an organization
 - Aligning with corrective or remediation efforts as a result of the risk assessment

Polling Question 1

What is your organization's greatest challenge today in AML risk assessment?

- a) Ability to execute a sustainable and repeatable process for each assessment period
- b) Ability to allocate time to conduct the risk assessment
- c) Ability to leverage qualified and skilled personnel to conduct the risk assessment
- d) Ability to obtain and leverage accurate and meaningful data during the assessment process
- e) Unsure, other



Crowe Approach to AML and Sanctions Risk Assessment

AML and Sanctions Risk Assessment – High Level Process

GOAL: A data-driven approach to assessing AML and Sanctions risk, in a manner that facilitates a consistent methodology across other enterprise risk areas, while establishing appropriate governance, reporting, and analytics to drive sustainability to the risk assessment and management function.

PROCESS:

Apply environmental factors...



Approach must be scalable to address our client's growth ambition and business strategy



Assessment must be sustainable to inform risk management decisions



Assessment and its systems, process, and results should be intuitive to enterprise stakeholders



Risk assessment methodology principles should facilitate application across enterprise

against available data...



Qualitative Interviews

Interviews with AML and Sanctions program members and product specialists about what they do to document AML and Sanctions risk, profile and identify key risk indicators (KRIs)



Quantitative Analysis

Consider available data and specific defined metrics and measures to evaluate AML and Sanctions risk and define key performance indicators (KPIs)



Crowe Experience

Qualitative and quantitative data is balanced against Crowe's AML and Sanctions experience

to establish a tailored risk profile

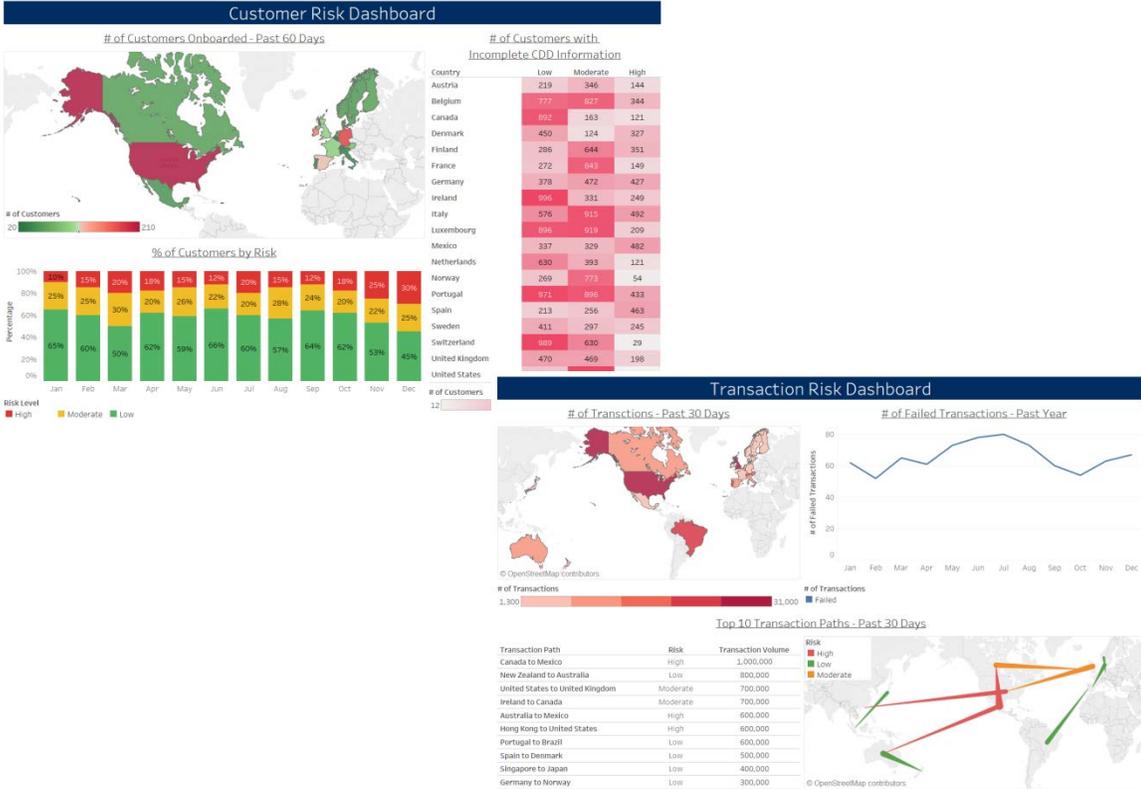


The final work product is a data driven risk assessment methodology, supported by KPIs and KRIs to evaluate and present enterprise risk to leadership in a manner that facilitates managing the business

Differentiated KRIs

Utilizing differentiated KRIs for risk factor data collection allows for better and more meaningful risk assessment data analytics.

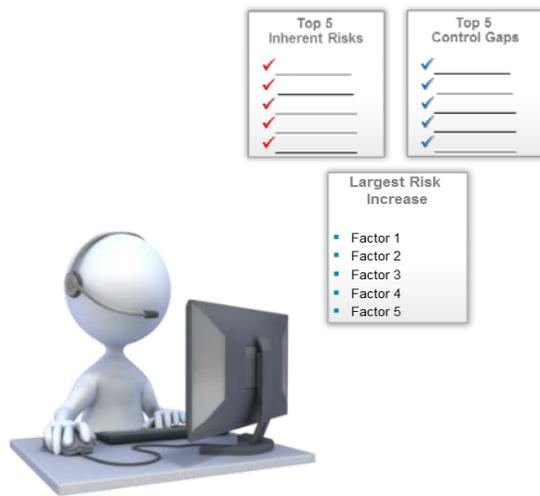
- Identify what matters most for AML and Sanctions compliance
- Identification of supporting data sources



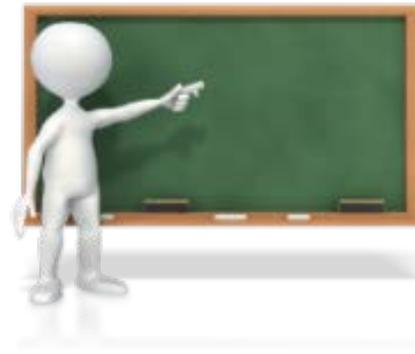
Supporting KPIs and Management Reporting

Enhance risk and operational management by focusing on the most important factors and developing sustainable infrastructure.

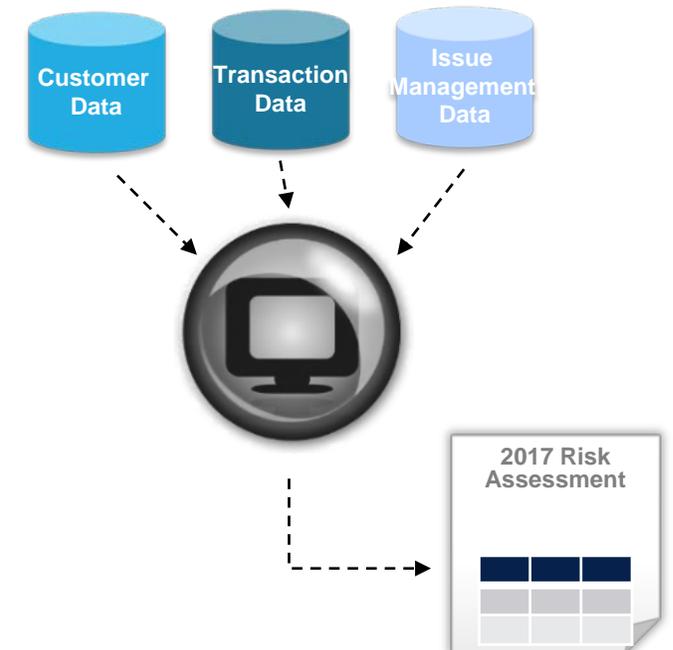
Develop performance indicators for management review



Provide focused instruction in lagging performance areas



Enable ongoing monitoring and risk management



Scalable Process

A scalable process is essential to support ongoing organizational and regulatory change. Establishing a scalable process impacts people, process and technology within the institution.



- ✓ Provide training on the risk assessment methodology and repeatable risk assessment process during execution or after
- ✓ Coach management team on biggest areas of focus and how to best leverage KRIs and KPIs



- ✓ Leverage a methodology that can extend to any type of risk assessment
- ✓ Support growth and changes within the organization and regulatory expectations
- ✓ Develop tools and deliverables that are flexible enough for use across the organization



- ✓ Utilize supporting technology where it makes sense (live database connections, automated reporting)

Polling Question 2

How confident are you that your current AML risk assessment process meets regulatory expectations?

- a) Very confident
- b) Confident
- c) Somewhat confident
- d) Lacking confidence
- e) Unsure

Event-Based Assessment

Sustainable risk assessment is built on establishing a baseline risk environment and repeating or updating the risk assessment process at trigger events throughout the year.



New Geography

New customer types and new geographies can bring new types of risk to the organization



New Product

New or differentiated products can mean new types of transactions and services that must be assessed



New or Updated Control Environment

Completion of any major technology project, process improvement, or organizational shift can impact the control environment at the institution



Execution at Recurring Frequency

Set maximum frequency for risk assessment update and execute if no trigger events take place



How Is Crowe Taking Action?

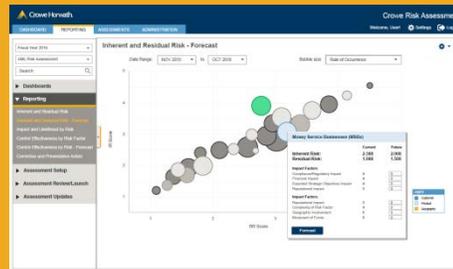
Crowe Collaborative Risk Assessment – Solution Overview

Major Solution Components

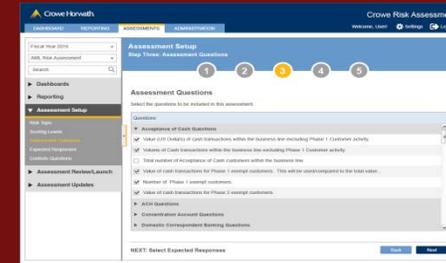
Dashboards



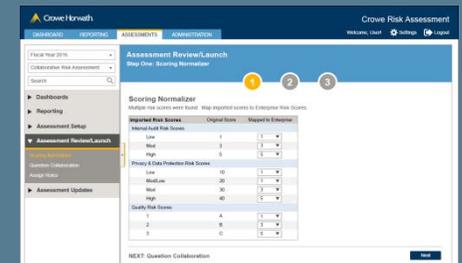
Reports & Analytics



Easy Setup



Normalization



Enabling Platform Components

✓ Customizable scoring and normalization

✓ Dynamic question sets and configurable answer libraries

✓ Highly configurable workflows

✓ Embedded and customizable reporting, dashboards & visualization

✓ Import/export documentation & spreadsheet repository

✓ Administration and security

✓ Purpose-driven database structure supporting integration

Full Solution Support (Testing, Documentation, Implementation)

Polling Question 3

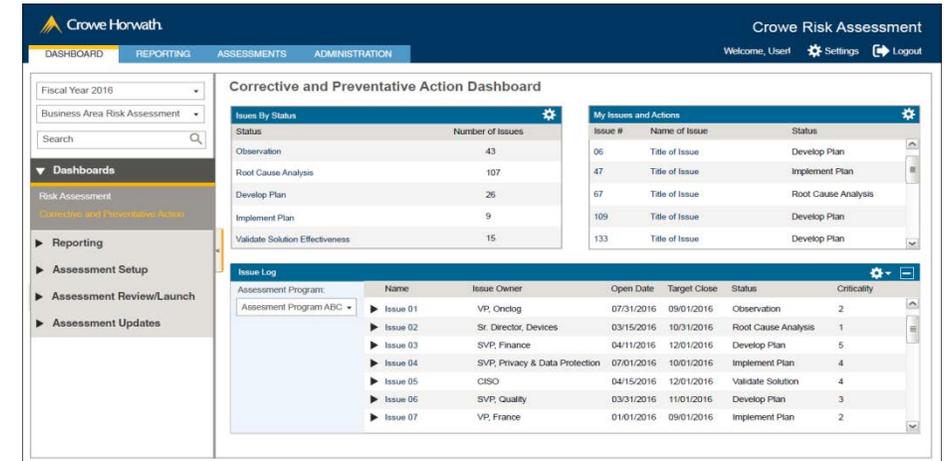
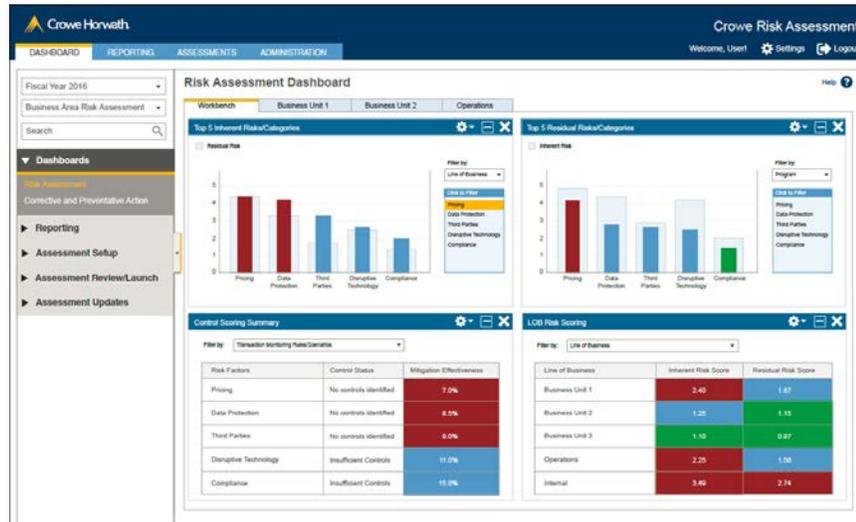
Do you use a technology solution currently to conduct your AML risk assessment?

- a) Yes, an in-house solution we developed
- b) Yes, a vendor solution we purchased
- c) No
- d) Not currently, but we're looking to move in that direction
- e) Unsure

Crowe Collaborative Risk Assessment – Dashboards

Risk Assessment Dashboard Reporting

- ✓ Targeted information at your fingertips
- ✓ Adaptable based on target audience and specific risk
- ✓ Real-time updates to understand the evolution of risk



Correction and Preventative Action Dashboard Reporting

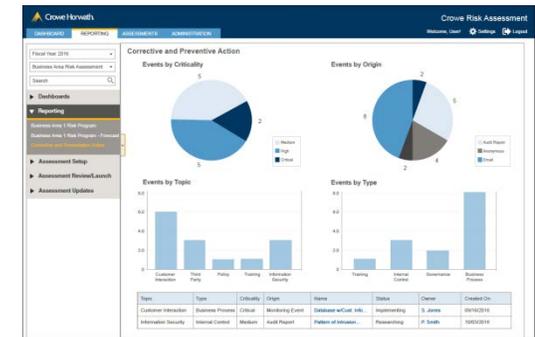
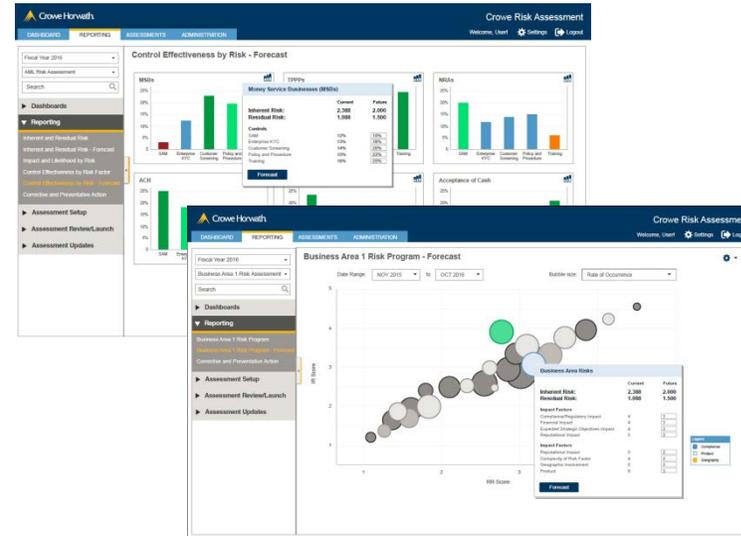
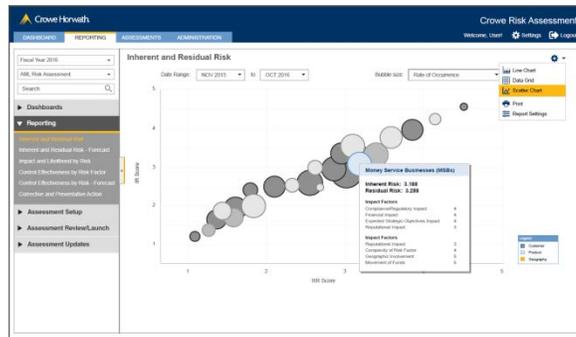
- ✓ Real-time updates to understand current progress, trends, and status of open items
- ✓ Increased accountability and awareness

Crowe Collaborative Risk Assessment – Impactful Reporting & Analytics

Analytics

Forecasting

Corrective Action



Risk and Control Rating Analytics

Risk and Control Forecasting

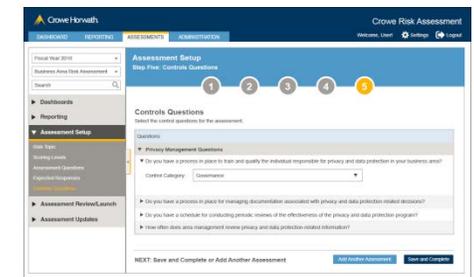
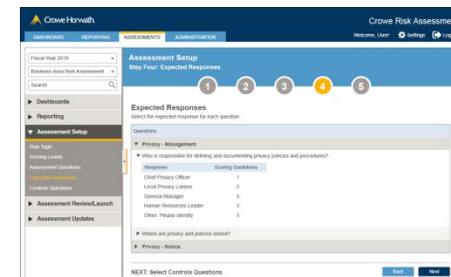
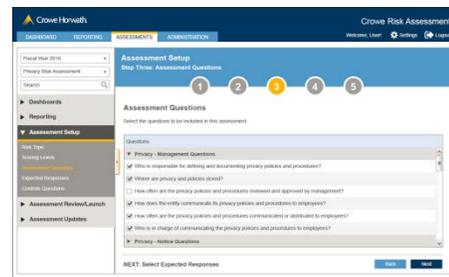
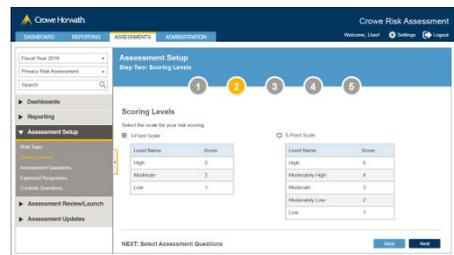
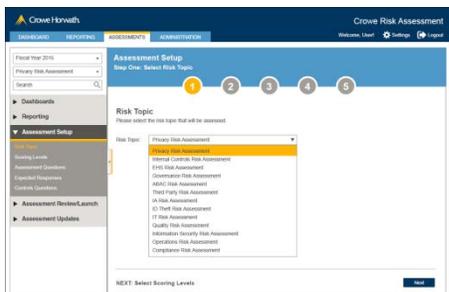
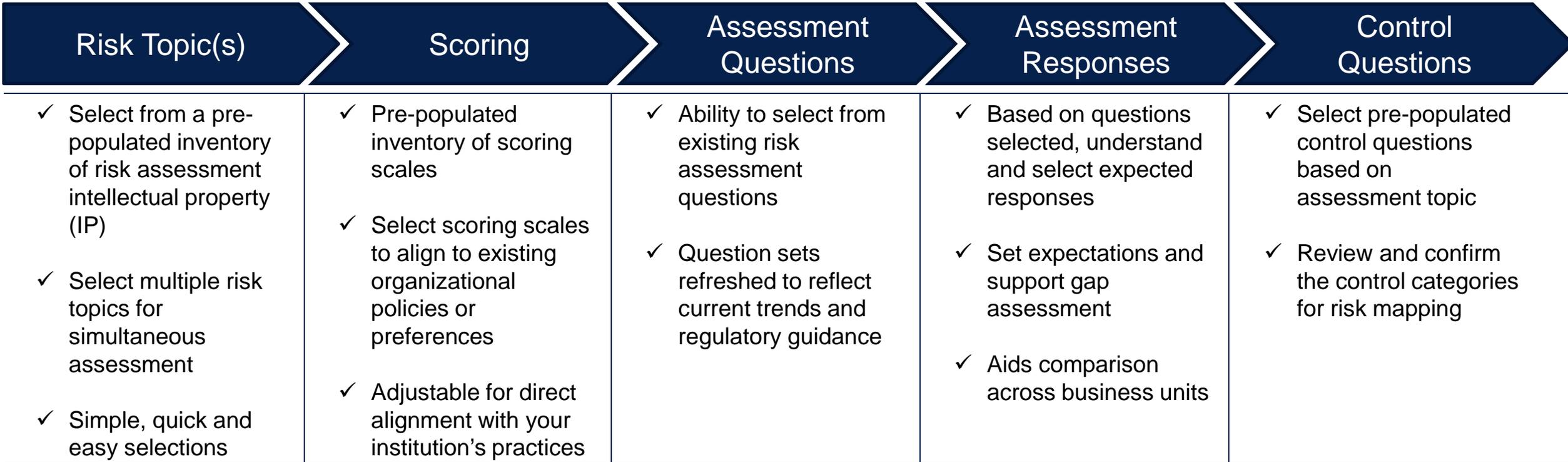
Corrective and Preventative Action Status

- ✓ Quick visual access to understand where your risk resides and drill-down capability
- ✓ Demonstrate the impact of evolving risk
- ✓ Targeted identification of control weaknesses

- ✓ Ability to quickly demonstrate impact of planned projects
- ✓ Plan for future investments and strategic decisions
- ✓ Leverage trending data to project future risk

- ✓ Link between action plans and identified gaps or weakness to update when completed
- ✓ Maintain real-time status of initiatives
- ✓ Demonstrate progress and movement towards remediation

Crowe Collaborative Risk Assessment – 5-Step Easy Setup



Crowe Collaborative Risk Assessment – Normalization

Help your organization move from Risk Assessment to Risk Management

Normalize Scoring Across Assessments

- ✓ Allow for multiple scoring strategies to be “normalized”
- ✓ Allow for true enterprise risk rating and comparisons
- ✓ Sustainable adjustments as your organization evolves

The screenshot displays the 'Crowe Risk Assessment' software interface. The top navigation bar includes 'DASHBOARD', 'REPORTING', 'ASSESSMENTS', and 'ADMINISTRATION'. The user is logged in as 'Welcome, User!'. The main content area is titled 'Assessment Review/Launch Step One: Scoring Normalizer'. It features a progress indicator with three steps, where the first step is highlighted. The 'Scoring Normalizer' section contains a table for mapping imported risk scores to enterprise risk scores. The table is organized into three categories: Internal Audit Risk Scores, Privacy & Data Protection Risk Scores, and Quality Risk Scores. Each category has a list of risk levels with their original scores and mapped enterprise scores.

| Imported Risk Scores | Original Score | Mapped to Enterprise |
|--|----------------|----------------------|
| Internal Audit Risk Scores | | |
| Low | 1 | 1 |
| Mod | 3 | 3 |
| High | 5 | 5 |
| Privacy & Data Protection Risk Scores | | |
| Low | 10 | 1 |
| Mod/Low | 20 | 1 |
| Mod | 30 | 3 |
| High | 40 | 5 |
| Quality Risk Scores | | |
| 1 | A | 1 |
| 2 | B | 3 |
| 3 | C | 5 |

NEXT: Question Collaboration [Next](#)



Questions?

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