

SAS BELUX FORUM 2017

Anti-Money Laundering : maximize flexibility in a fast-changing world context.

BeOptimized



SAS FORUM
BELUX 2017

Kabacinski Christophe, CAMS – BeOptimized



christophe@beoptimized.be

 ckabacinski



- Bio-engineer (UCLouvain),
 - Certified in Data Mining (UCLouvain) and Anti-Money Laundering (CAMS)
- 9 years of SAS expertise and passion :
- 2008-2012 Training consultant at SAS
 - 2012-2015 Sr Analytical consultant at SAS specialized in AML/Fraud Detection
 - 2016-... BeOptimized SPRL: Consulting, Coaching & SAS process optimization
 - 2017 Expert advisor FATCA/CRS & AML at ERGO Assurance

INTRODUCTION

AML EXPERTISE



ERGO



Q: What is the common point to all these customers?

→ they all use/have used SAS AML

Q: What are the differences between all these customers?

→ impossible to compare them, totally different customers

INTRODUCTION

OBLIGATIONS FOR FINANCIAL INSTITUTION

1991:
1st AML
directive

2003:
2d AML
directive

2005:
3d AML
directive

2014:
FATCA

2015:
4th AML
directive

2016:
CRS

The New York Times

BUSINESS DAY

BNP Paribas Fined Over Weaknesses in Anti-Money Laundering Controls

By REUTERS JUNE 2, 2017, 2:24 P.M. E.D.T.

PARIS — French bank watchdog ACPR said it had fined BNP Paribas 10 million euros (8.75 million pounds) for inadequate anti-money laundering controls.

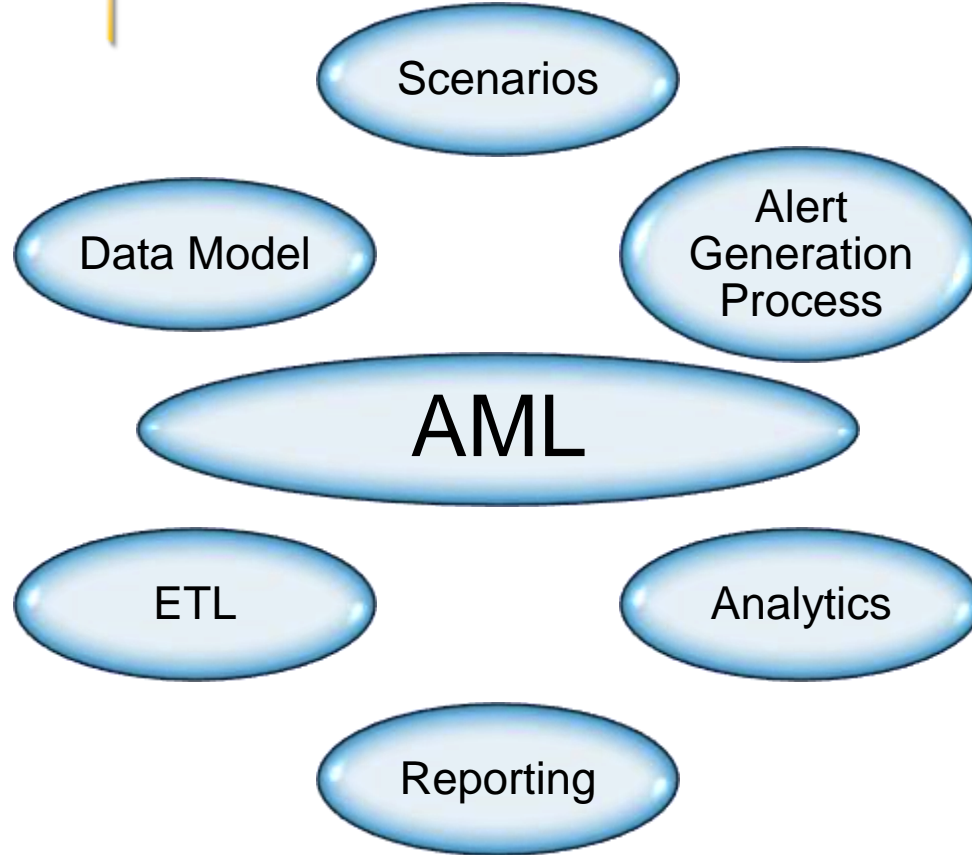
The penalty followed a 2015 inspection of the bank which revealed a number of shortcomings in its provisions for preventing money laundering and financing of terrorism, ACPR said in a statement.



FINED !

INTRODUCTION

Q: HOW FLEXIBLE SHOULD MY AML SOLUTION BE?



ETL Q: WHY DATA PREPARATION IS SO IMPORTANT IN AML?

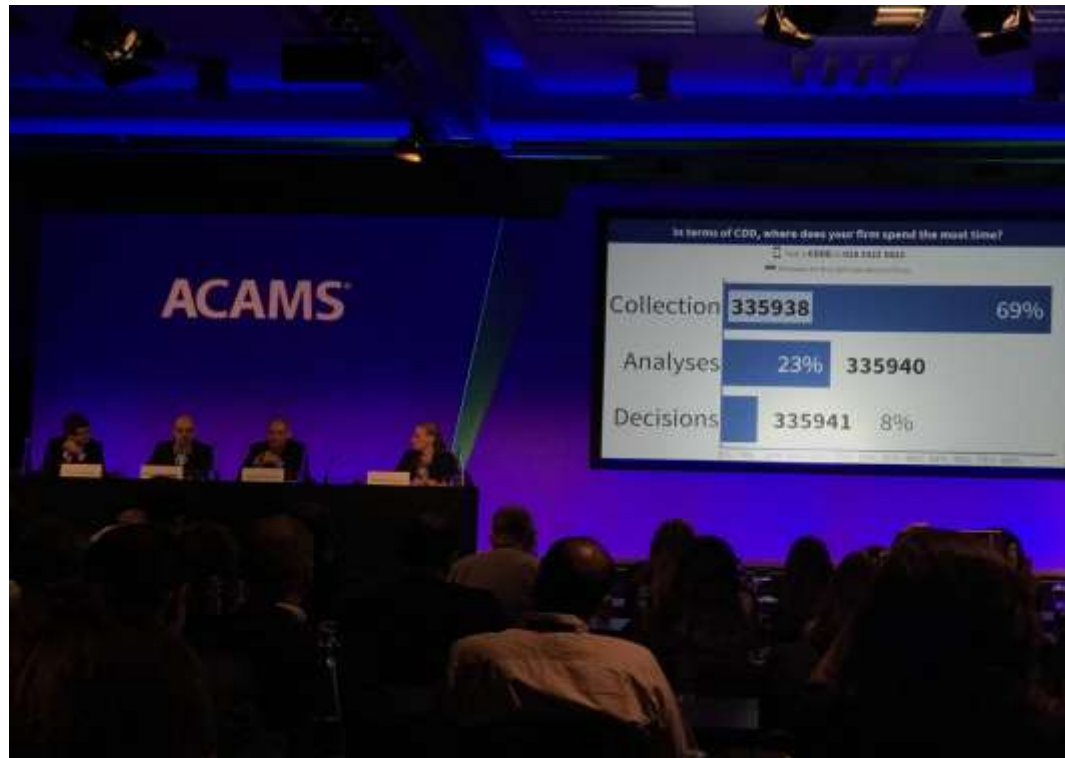


- ETL 'Extract, Transform and Load',
- Link between the customer data and the AML data model,
- Load customer data and Watch Lists,
- DQ & consistency check,
- Customer track change,
- Poor data preparation → tons of false positive alerts!

CRELAN → Customer did it by himself outside SAS AML

ERGO → Extract from SAP + DB + other back offices (CSV) which are combined and then loaded in SAS

Q: IN TERMS OF CDD, WHERE DOES YOUR FIRM SPEND THE MOST OF TIME?



DATA MODEL

Q: WHY DO WE NEED A FLEXIBLE DATA MODEL?



- AML data model contains customer data and AML alerts;
- Centralized data model including parties, accounts, households, cashflow, profiles ...
- Scalable depending on the company size, designed for big data,
- Evolutive: can be changed during implementation or later.

ERGO → new tables have been added for FATCA/CRS project, add new variables to existing tables

ALERT GENERATION PROCESS



Q: HOW ARE MANAGED THE AML RED FLAGS AND HOW ARE ALERTS GENERATED?

- Alert generation process is white box, a step by step code detailed in SAS documentation and designed to be customized.
- To make sure you have a quick start, scenarios are delivered. They can all be customized and easily created & tested by the business.

AG2R → Rules to manage automatically specific alerts

ERGO → Fine tuning of scenarios to reduce false positives

ALERT GENERATION PROCESS

Q: HOW ARE MANAGED THE AML RED FLAGS AND HOW ARE ALERTS GENERATED?

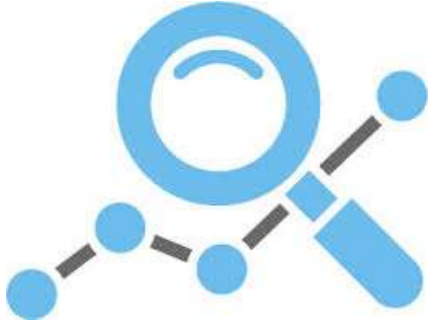
→ ERGO use case:

- Adding weight to watch list scenarios help reducing false positives
- Number of alerts during first run pass from 7220 to 813 !

MATCHING RULES		INITIAL CHECKS			SECONDARY CHECKS										Number of alerts
		EXACT LAST_NAME	EXACT FULL NAME	FUZZY MATCH	City	State/province	Country	YOB (*)	DOB (*)	Citizenship (*)	POB (*)	Tax ID (*)	Country of business	No Info available in DL on key data	
Weight in case of match	Run 28/06/2013	1	1	1	1	1	1	1	1	1	1	1	1	NA	7220
	Run 07/08/2013	0,5	2	0,5	1	1	1	1	1	1	1	1	1	NA	1763
	Run 13/08/2013	0,5	1	0,5	1	1	1	1	2	1	1	1	1	1	813
Future matching rules		1	2	0,5	1	1	1	1	1	1	1	1	1	1	

ANALYTICS

Q: WHAT IS THE ADDED VALUE OF ANALYTICS IN AML ?



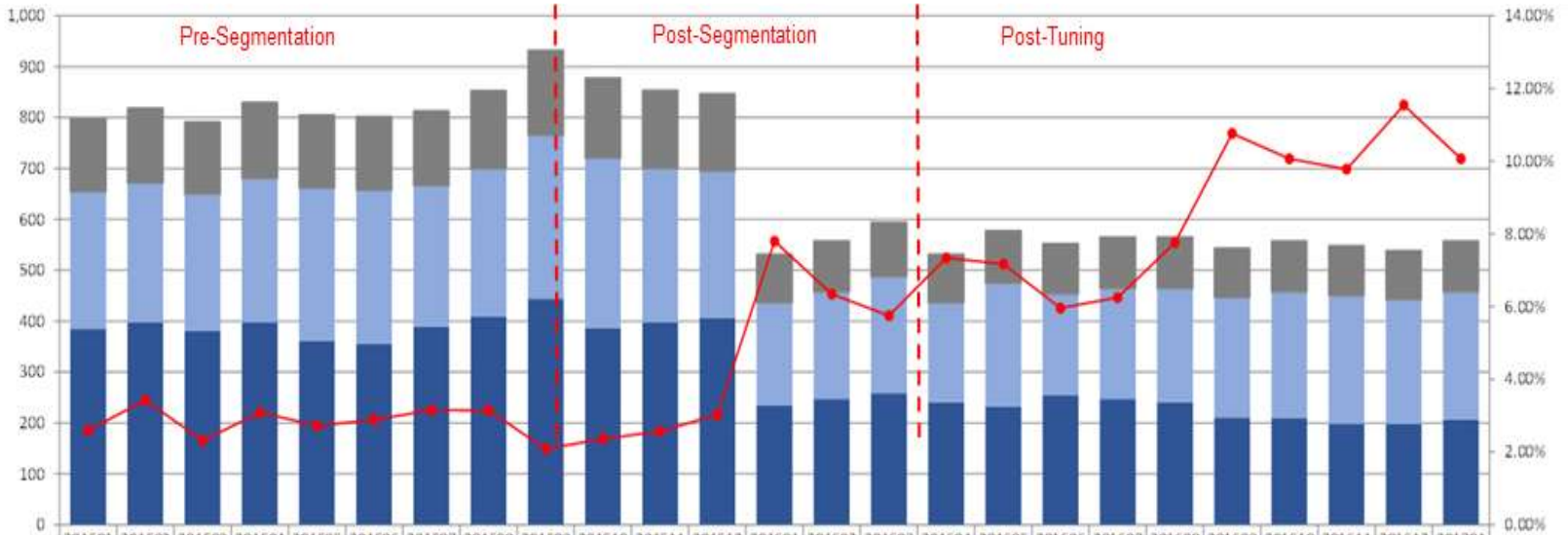
- Risk Classification and Assessment Process to classify customers in H-M-L category,
- Customers segmentation,
- False positives alerts reduction,
- Scenario threshold optimization

AG2R → Complex risk classification has been created outside AML and then reinjected in the solution

ARGENTA → Risk classification process done outside the solution (existing before the AML implementation)

ANALYTICS

Q: WHAT IS THE ADDED VALUE OF ANALYTICS IN AML ?



Suppressed Alerts	144	148	143	150	145	145	147	154	168	158	154	153	96	101	107	96	104	100	102	102	98	101	99	97	101
Reviewed (Business)	269	273	267	283	299	301	277	291	321	333	302	287	201	209	228	195	241	199	216	223	235	248	251	244	250
Reviewed (Personal)	385	398	382	397	362	356	389	408	444	387	398	407	235	248	259	241	233	254	248	241	211	209	199	198	207
Total Reviewed Alerts	654	671	649	680	661	657	666	699	765	720	700	694	436	457	487	436	474	453	464	464	446	457	450	442	457
Productivity Rate	2.60%	3.43%	2.31%	3.09%	2.72%	2.89%	3.15%	3.15%	2.09%	2.36%	2.57%	3.03%	7.80%	6.35%	5.75%	7.34%	7.17%	5.96%	6.25%	7.76%	10.76%	10.07%	9.78%	11.54%	10.07%

REPORTING

Q: WHAT TYPE OF REPORTING ARE IMPORTANT FOR MY COMPLIANCE DEPARTMENT?

- Last generation of web GUI for alert investigation (supporting case creation, audit trail, documentation, holistic customer review),
- Regulatory reports (SAR...),
- OOTB reports can be adapted or new report created by the business,
- Store all the customer data and alerts in a central database → all the data are accessible for reporting. Moreover different departments can access the database.



AG2R → the AML database is shared between different departments

ERGO → all FATCA cases and CRS cases are in the database, reports or listing can be easily created

IMPLEMENTATION

Q: I HAVE HEARD THAT AML PROJECT ARE HIGH RESOURCES INTENSIVE (>400-1000 MD), IS IT TRUE?

- Case by case analysis per project

Quick start recommendations:

Start with an OOTB AML implementation

+ group the scenarios by category,

+ create sample data,

+ change (if necessary) the data model and the ETL

+ create and test the scenarios

+ customization & reporting

+ testing and promotion to ACC and PRD

+ project management and training



ERGO 100 MD

CONCLUSIONS

- SAS AML is a complete end-to-end solution,
- State-of-the-art analytics,
- Holistic customer review,
- Super flexible to meet every kind of demand
 - Demands can be done at initial stage
 - But can also evolve with new regulations or organization changes
- Easy to implement

Questions ?

BeOptimized



SAS FORUM
BELUX 2017

Email: Christophe@BeOptimized.be
Web: www.BeOptimized.be