

Doing more with less: Improving the anti-money laundering surveillance program*

Monitoring customer activity for money laundering and terrorist financing is one of the most daunting compliance challenges that an organization must undertake. Financial institutions have made sizable investments of time, money, and people over the years to meet this challenge but many still have not realized operational excellence. Even today, surveillance teams at many institutions sift through thousands of alerts generated by their anti-money laundering (AML) transaction monitoring systems to find a very small number of occurrences of suspicious activity. And for many, the sheer volume of alerts continues to create unmanageable backlogs putting them in a never ending risk of non-compliance, regulatory criticism and cost overruns.

By building a strong foundation, banks will have the agility to respond to evolving regulations and will be better prepared to adjust their programs to changing trends. Additionally, they can realize new opportunities. Banks that know their customers and their transactions will be better positioned to sell products and tailor services for their clients.

But it is possible to break this cycle and significantly improve risk management, compliance effectiveness and cost management. In order to achieve these benefits, banks must take a multi-faceted approach to AML surveillance improvement.

Consider these factors when enhancing AML surveillance programs:

- Look at AML monitoring with a holistic view. Understand your business, customers, transactions, current system outputs, and risks before making critical decisions about improving program operations.
- Assess technology solutions for effectiveness. Are they monitoring the appropriate transactions? Do redundant systems produce conflicting reports?
- Analyze the quality of data input into your monitoring system. Are transformations affecting output? Do you have quality information on your customers as well as their transactions?
- Take an empirical approach to setting thresholds and rules for transaction monitoring software. By statistically analyzing historical data, you can identify trends and patterns and better determine which behaviors fall outside an acceptable range.
- Embed manual review procedures into the system so the software can recommend an outcome for each alert. Expert-based technologies can streamline that decision-making for items that are timely or complex.
- Pool skilled resources into a shared operational center in order to leverage enterprise efficiencies and gain economies of scale.
- Monitor the program continuously with a comprehensive improvement plan. Ongoing evaluation enables you to validate, refine, and enhance AML monitoring.

Benefits to your business

- By understanding your institution's product and customer use profiles and your historical monitoring results, you can better set scenario-based detection rules that will lead to improved transaction surveillance effectiveness.
- You can significantly reduce the risk of noncompliance with regulations by demonstrating a sound and effective surveillance system.
- An improved system will likely increase productivity and efficiency, thus offsetting any costs incurred to improve the processes, systems, and personnel.
- You can realize benefits beyond compliance when your surveillance system better identifies customer information. This knowledge can be leveraged for potential revenue opportunities.

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How PricewaterhouseCoopers can help your organization

At PricewaterhouseCoopers (PwC) we have professionals that perform money laundering vulnerability assessments, compliance program evaluations, and gap analyses. We can develop a recommended approach for reducing risk, enhancing risk management, and implementing operational solutions. We also work with clients to help them gain greater confidence that their AML compliance controls are specifically designed, efficiently implemented, and sufficiently robust to effectively manage their multitude of risk and regulatory requirements. Our team of professionals can help you:

- Leverage technology and use the right tools for AML compliance.
- Create effective, efficient and sustainable AML compliance control programs.
- Improve the function and performance of your automated suspicious activity monitoring systems and processes.
- Improve the quality of AML internal audits.
- Design and implement effective customer due diligence processes.
- Train directors, senior executives and employees on topics ranging from specific aspects of compliance to regulatory expectations and industry trends.
- Create leading-edge customer risk models.
- Remediate data quality to improve AML control process effectiveness.

About PricewaterhouseCoopers

PricewaterhouseCoopers' Banking & Capital Markets Group is dedicated to delivering effective solutions to the complex business challenges facing financial institutions. We have extensive experience working with companies on industry-specific strategic, regulatory, operational, and financial issues. In helping our clients, we draw on the full knowledge and skills of the firm's global body of professionals. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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