How can we detect and prevent illicit activity from the highest-risk individuals and entities?

DOWJONES
Risk & Compliance

Business Impact

"We currently use several list providers and have a number of stove-piped sanctions filtering processes. SAS' approach of combining risk lists for centralized behavioral monitoring and fuzzy entity matching allows us to eliminate redundant lists, control a consistent decision process and reduce false-positive rates to lower our overall cost of compliance."

EDD manager at a regional bank

Challenges

- **High volume of alerts.** Growing PEP lists and a "one-size-fits-all' approach result in high volumes of irrelevant alerts that take up valuable time and resources to clear.

- **Soaring compliance costs.** Analysts who work "low value" alerts (i.e., false positives) add to FTE expenses, and AML management is perceived as a cost center due to endless resource investments. In response, the board may reduce its commitment to compliance, but the consequences may be potential penalties or increased scrutiny.

- **Inadequate procedures and controls.** In addition to being unable to identify AML suspects where clear bank knowledge (i.e., data) exists, banks that lack adequate procedures and controls are at risk of incurring regulatory penalties.

YOUR GOAL: Ensure the highest levels of compliance while reducing false positives and improving the efficiency of investigations

While the recent financial crisis has caused many institutions to focus on capital liquidity and credit risk exposures, economic pressure has also caused a steep increase in white collar crimes. And while anti-money laundering (AML) programs are among an institution's most scrutinized risk management functions, there is renewed regulatory emphasis on improved client screening, due diligence, monitoring, investigation and regulatory filing practices in an effort to thwart attempts by senior politically exposed persons (PEPs), sanctioned individuals and entities, and high-profile criminals that pose the greatest risk to an organization.

This increased scrutiny has resulted in a recent spike in the number of companies getting fined for sanctions breaches, which clearly indicates the need for banks to re-evaluate their existing compliance programs to ensure that they provide maximum protection from increased regulatory scrutiny and serious risk.

OUR APPROACH

Two areas of significant interest are know your customer (KYC) procedures – which involve customer acceptance, identification, and verification policies and the risk profiling of clients – and sanctions filtering, which involves filtering customers and counterparties against government sanctions lists, suspected terrorists, narcotics traffickers, and designated financial institutions and territories. SAS approaches the problem by providing software and services, along with complete integration with Dow Jones Watchlist, to enable you to:

- **Gain maximum protection from high-level risk** by tailoring client screening programs to your specific risk profile with more precise, granular categorizing of critical data.

- **Accurately identify more suspicious activity** with a hybrid approach that combines detection, alert management and case management capabilities with associative link analysis to identify hidden relationships among entities – all within a framework that can learn and improve while adapting to your institution's individual needs.

- **Rapidly aggregate alerts into a case for further investigation** using a Web-based investigation interface that supports the management, investigation and reporting needs of AML analysts and investigators, and automatically documents and retains actions pertaining to a case for audit or regulatory review purposes.

- **Adapt to changing regulatory expectations** with an easy-to-use interface that lets you create and modify analytic routines without relying on consultants or IT staff.

- **Conduct more accurate, efficient investigations** using business analytics and powerful data mining capabilities to gain valuable insight into critical behavioral data.

- **Achieve easier, more-effective enhanced due diligence (EDD) and improved client screening** with high-quality PEP and sanctions data from Dow Jones Watchlist.

With SAS and Dow Jones Watchlist, you can block transactions with sanctioned entities or use other lists of high-risk individuals (e.g., PEPs) for enhanced due diligence and risk-based monitoring.

THE SAS® AND DOW JONES WATCHLIST DIFFERENCE: A risk-based approach

SAS enables you to create complex matching rules for implementing a custom, risk-based approach to client screening. We've combined this functionality with the Dow Jones Watchlist service, which provides leading compliance risk information in a format designed specifically for automated screening and risk management. By joining forces, SAS and Dow Jones Watchlist enable you to deploy compliance risk data in screening strategies to dramatically reduce false-positive volumes, increase your level of compliance and gain operational efficiencies. With SAS and Dow Jones Watchlist, you get:

- **High-quality compliance and risk data** that contains the most accurate, complete and up-to-date list of senior PEPs, their relatives and close associates; government sanctioned individuals and entities; and persons convicted of or linked to high-profile crimes.

- **A risk-based approach to compliance** that uses granular categorization of risk and compliance profiles for easier selection and filtering against your organization's specific high-risk areas.

- **Content that includes a comprehensive set of secondary identifiers** – e.g., date of birth, middle names or initials, names in original script, spelling and accent variations, and pictures – to help minimize false positives and speed investigations by using in-depth profiles to clear alerts more quickly.

The high quality of Dow Jones Watchlist content and the ease with which it can be integrated into your compliance workflow ensures superior AML solution performance and more efficient compliance with sanctions policies.

CASE STUDY: A large retail bank

■ Situation

The bank's compliance workload is growing exponentially as regulatory KYC-PEP and sanctions compliance requirements become broader. In addition, operational screening overhead is increasing, as is the number of alerts that need to be investigated. At the same time, the bank's regulator is raising the standard against which it expects institutions to set compliance screening programs.

■ Solution

SAS provided a solution integrated with Dow Jones Watchlist that enables a risk-based approach to client screening. The solution includes:

- New client screening scenarios configured to the complementary capabilities of Dow Jones Watchlist content and SAS software.

- New case management features to help manage the investigation of alerts.

■ Results

- Screening overhead is reduced, and fewer alerts are generated.

- Less time is spent investigating alerts.

- Significant efficiency is gained and costs lowered while also raising the bank's compliance program standards.

■ What if you could …

Detect high-risk relationships and achieve more effective EDD

What if you could manage multiple lists of entities and territories, and tailor your client screening programs to your specific risk profile?

Accurately identify more suspicious activity

What if you could get the most up-to-date lists of PEPs from Dow Jones investigative research and automatically block the transactions of customers and counterparties that are the subjects of sanctions policies?

Rapidly aggregate alerts into a case for further investigation

What if your AML analysts and investigators could investigate alerts quickly by using a single system to manage, analyze and report on investigations?

Adapt the system to changing regulatory expectations

What if you could create and modify analytic routines as needed without having to rely on consultants or IT staff to make modifications?

Conduct more accurate, efficient investigations

What if you could use multiple criteria to accurately identify matches and reduce false positives?

■ You can. SAS gives you THE POWER TO KNOW®.

SAS FACTS

- SAS customers make up 97 percent of banks in the Fortune Global 500®.

- More than 3,100 financial institutions worldwide are SAS customers.

- Dow Jones Watchlist is used by eight of the world's 10 largest, global financial institutions.

Learn more about SAS software and services for banking:
www.sas.com/industry/fsi

THE POWER TO KNOW®