

Regulatory & Compliance

Case studies and samples of groundbreaking work being done by Axis for top US financial institutions

A BUSINESS MANAGEMENT SERIES CASE STUDY

By TED POWELL | Axis Senior Project Manager

The expansion of products and services and complex financial relationships in the last ten years has given rise to more creative money laundering methods. Advances in technology, and the increased velocity of money flows worldwide continue to intensify the problem.

Introduction From the Bank Secrecy Act of 1970 to the USA Patriot Act in 2001, the U.S. has continued to grow in regulatory complexity in an effort to thwart money laundering and terrorist financing. Process and technology changes required to comply with these regulations will be costly for the Banking industry; failure to comply will be even more so. Axis partnered with one of the top financial institutions in the country to streamline regulatory technologies and reduce financial and compliance risk.

1 Project Details

The project, undertaken for the high net worth division of a Fortune 500 financial services firm, focused on Know Your Customer (KYC) and Anti-Money Laundering (AML) risk rating analysis.

Primary Objectives:

- Identify and document existing KYC and risk rating compliance processes.
- Define and propose KYC and AML risk rating compliance processes.
- Streamline cross-business customer processing within the Bank.
- Ensure adequate application of AML provisions.
- Reduce the number of instances where customer follow up is required.
- Decrease the potential for customer inconvenience when additional products are desired.
- Reduce financial risk.
- Reduce reputational risk.
- Improve governmental reporting.

2 Scope

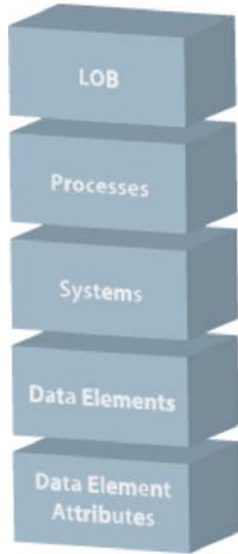
The KYC and AML risk rating procedures for multiple lines of business were documented and examined. In-scope processes included:

- Account Opening
- AML risk rating
- KYC data capture
- Due diligence
- Account surveillance



3 Analytical Approach

A Top-Down Analysis was conducted to identify the lines of business, followed by business processes and systems. After the systems were identified, the data files, data elements, and attributes of those elements were analyzed for compatibility across systems and to determine whether they fully satisfied KYC/Risk compliance.



- Operating Environment
 - 5 Existing Lines of Business
- Business Processes
 - 21 distinct GWIM account opening processes
- Systems
 - 19 Separate Systems of Record
 - 3 Formal KYC systems
 - 3 Central data storage systems
- Data Elements
 - Up to 321 KYC related data elements
- Data Attributes
 - Variable data types, formats and lengths

4 Key Issues

A diagnostic review of the business units identified possible root causes for the lack of process standardization across business units.

- Differing Account Opening Processes
- Multi-step/Multi Database process for account opening.
- Stand Alone Databases/Lack of system linkage.
- Unguarded entry points between lines of business.
- Potential for negative impact on data consistency and redundancy.

5 Solution

Armed with the results of their research, Axis business process experts crafted and presented a number of possible solutions to key business executives identified by the project champion. With management approval, Axis unified and led a team of business and technical experts from each business unit in the execution of the approved plan. Existing data was extracted from current tools, standardized and loaded into a secure central database. Each line of business transitioned to the new system pursuant to a carefully coordinated business migration strategy. The resulting solution was critical to meeting the organization's compliance and risk management goals.

In Closing

Banks must develop, administer, and maintain a program that ensures and monitors compliance with the BSA – including record keeping and reporting. Banks must also create and maintain an effective due diligence program starting at the beginning of a business relationship, several aspects of which are addressed in the Patriot Act. Once a relationship has been established, Banks must be able to report unusual activity or transactions that have no apparent lawful purpose. Axis has repeatedly demonstrated its ability to navigate large financial organizations and position its partners for success in an increasingly complex regulatory environment.

