



CASE STUDY

SAFE ADVANCED SOLUTIONS® Bringing Automated and Consistent Customer Due Diligence to Sterling National Bank



Background

Explosive growth is an enviable position for any organization. While beneficial to investors and shareholders, it presents challenges to existing processes, infrastructure and support.

This was indeed the case for Sterling National Bank, a diversified financial services firm with \$6.7 billion in assets based in the New York City metropolitan area. Sterling National Bank and its parent, Sterling Bancorp (NYSE: STL), were formed when Provident New York Bancorp acquired Sterling Bancorp in 2013. The pre-merger entities had been expanding rapidly, but the merger accelerated growth and the bank doubled in size overnight.

The Challenge

Prior to the merger, a combination of manual processes and technology were used to support Bank Secrecy Act (BSA) and anti-money laundering (AML) efforts. This approach worked well when the bank was smaller but was no longer effective or manageable for the larger institution. Legacy systems and labor-intensive processes needed to be replaced with robust technology that would streamline workflow, better identify risk and scale to accommodate growth. Additionally, more sophisticated AML screening would enhance Know Your Customer, Customer Due Diligence and Enhanced Due Diligence.

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Jason Vazquez
Senior Vice President,
BSA/AML Compliance Officer

The bank issued a comprehensive request for proposal (RFP) for a new AML, compliance and enterprise risk management system. Specifically, Sterling National Bank wanted a solution that would:

- Maximize efficiency, using technology to replace manual processes
- Offer low total cost of ownership
- Deliver strong risk management systems and processes
- Facilitate onboarding to support sales and relationship efforts
- Mitigate the risk of catastrophic events with reliable back-up for business continuity
- Meet regulatory requirements

A veteran in the industry, Jason Vazquez, Senior Vice President, BSA/AML Compliance Officer at Sterling National Bank, knew of Safe Banking Systems (SBS) and included the company in the bank's RFP. Prior to making a final decision, Sterling National Bank required a proof of concept. They compared solutions side by side to determine which company removed the noise and delivered the most accurate results.

"SBS won hands down," said Mr. Vazquez. "Using the same exact data set, SBS showed us dimensions of our risk that the other vendors couldn't. They also demonstrated a significant reduction of false positives compared with other solutions."

Satisfied with SBS' functionality and results, Sterling National Bank turned its attention to security. An extremely rigorous security assessment confirmed that SBS' managed hosting met the bank's high standards for safeguarding customer information. With vendor due diligence completed, the bank was ready to proceed.

The Solution

Sterling National Bank implemented SAFE Advanced Solutions®, SBS' integrated suite of software and services for list management, entity resolution, research, investigation and reporting, in its BSA/AML Financial Crimes Investigation Unit. As a hosted offering, SAFE Advanced Solutions provides

a dynamic surveillance model that supports daily monitoring of ongoing changes in customer and web information, making the solution more effective at identifying risk than static point-in-time options. Through its partnership with Rackspace®, an SSAE 16 SOC 1 Type II certified data center, SBS provides secure hosting and unassailable business continuity.

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To identify hidden risk, SAFE Advanced Solutions screens Sterling National Bank's entire customer database for sanctions, Politically Exposed Persons (PEPs), and Reputationally Exposed Persons (REPs) found in adverse media. By combining two proprietary metrics in SAFE Alert Manager — the patented risk ranking methodology of SAFE Exposure Index® and the probability scoring of SAFE Strength Index — SBS prioritizes matches that have the highest risk, the greatest relevance and the greatest likelihood of being true.

Tangible Benefits

SAFE Advanced Solutions' unprecedented alert quality and false positive reduction have greatly improved Sterling National Bank's operational efficiency. Equally beneficial, it provides automated, repeatable due diligence standards using a consistent set of screening tools applied wholesale across the bank's entire portfolio and not just targeted at specific customers. This is a significant change for Sterling National Bank. Previously, the bank relied on a mix of older technology, manually intensive processes using questionnaires to determine which customers would require further due diligence, and on single name look-ups for further investigation. Hidden suspect relationships were difficult to uncover and typically limited to review on

a case-by-case basis when investigating a flagged person of interest.

"SAFE Advanced Solutions provides an understanding of hidden suspicious relationships to a degree which we did not have before," said Mr. Vazquez. "Even more important, we can now apply the same set of standards — consistently — to our entire customer portfolio and uncover hidden risk that we may have otherwise missed." Additionally, SAFE Advanced Solutions:

- Automates manual procedures that would have constrained a growing bank
- Introduces into AML screening a sophisticated, repeatable and defensible process that can withstand regulatory scrutiny
- Improves alert management by prioritizing risk based on the severity and probability of matches
- Accommodates future growth with no incremental investment in infrastructure

Sterling National Bank has also discovered the benefits of proactive support — Safe Banking Systems is not only available to respond to inquiries, but will also help the bank comply with regulatory requests and meet deadlines for compliance.

With a strategy focused on growth, Sterling National Bank is looking forward to using SAFE Forensic Analysis®, SBS' specialized standalone service that provides a nimble way to perform due diligence on a customer portfolio prior to acquisition. SAFE Forensic Analysis offers a highly efficient alert and validation process that delivers results in days, rather than weeks or months, enabling internal audits, regulatory reviews and other time-sensitive actions to be completed quickly.

Next Steps

Mr. Vazquez would like to extend the benefits of SAFE Advanced Solutions to other areas — such as integrating with the bank's customer relationship management (CRM) system where it can help identify potential exposure even earlier in the onboarding process. "SAFE Advanced Solutions has brought a new level of efficiency and consistency to Sterling National Bank," said Mr. Vazquez. "It has changed the way we do business."