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IN THIS ISSUE:

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Title: How Do I Know When it is the Right Time to Consider a Forensic Analysis Service?
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Too often financial institutions wait until they are cited by regulators before seeking a forensic analysis. Look-backs — the traditional and most commonly requested type of forensic analysis — refer to a process by which institutions have been ordered to re-examine historical transactions. This process is a reactive measure in response to a regulatory finding. However, institutions that are thinking ahead of the risk will apply a broader definition to forensic analysis and seek a non-traditional, proactive forensic analysis service that provides an effective, risk-based tool when incorporated into their anti-money laundering (AML) program.

Ongoing regulatory changes, the spate of bank mergers and the onus for Know Your Customer (KYC) weigh heavily on banks and financial institutions, consuming many resources. While the more common forensic "look back" is a tactical process after-the-fact, a different type of forensic analysis can be used as a strategic measure. When filtering against large databases of Politically Exposed Persons (PEPs) and other high-risk entities, this strategic forensic analysis provides an efficient alert and validation process. It can shorten investigation of high-risk entities and PEPs from weeks or months to days, thereby reducing exposure to risk and maximizing resource allocation. Institutions that embrace the broader definition of forensic analysis — which is both strategic and proactive — will be better positioned to avoid the potentially severe consequences of regulatory enforcement actions.

Banks and other financial institutions are required to have a compliance protocol in place and to verify customer account information as dictated by the USA PATRIOT Act. Forensic analysis does not replace a bank's ongoing KYC and Enhanced Due Diligence (EDD) programs. Instead, it provides a 'slice in time' picture and establishes the framework for implementing a comprehensive KYC and EDD process "before-the-fact". The need for this more broadly-defined forensic analysis is typically triggered by a key event such as:

• Mergers & Acquisitions – Bank mergers and acquisitions are often announced suddenly leaving limited time to complete due diligence. Since forensic analysis is fast, comprehensive and effective, it has become an integral component for KYC during a bank merger or acquisition. Forensic analysis can be used to vet client relationships during consolidation as well as to ensure KYC compliance during the on-boarding process.

• Internal audit – To support an internal compliance audit, to validate an AML program or in conjunction with an annual risk review, financial institutions often seek independent monitoring by a non-biased third party offering forensic analysis services. Forensic analysis will expose risk since the last audit. Based on these results and on other business changes, an institution may decide to adjust its risk profile or risk appetite going forward.

• Regulatory review – In preparation for a regulatory review or upcoming regulatory changes, financial institutions will undergo a forensic analysis to determine any gaps or areas of concern that need to be addressed. Incorporating a forensic analysis as part of an AML program also demonstrates to regulators that an institution has a comprehensive and dynamic program to shore up its risk and anti-money laundering process.

• Proactive high-risk and PEPs monitoring – Forensic analysis can be a cost-effective lifesaver for institutions inundated by alerts but without the in-house resources or time to investigate each case properly. Forensic analysis speeds the investigation process by quickly identifying and prioritizing alerts to focus efforts on high-risk clients and PEPs that require enhanced due diligence.

There is no doubt that the scrutiny banks and other financial institutions face regarding risk and compliance will intensify. Proactively incorporating a non-traditional forensic analysis service into your broader AML program will ensure you are always thinking ahead of the risks.

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