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How-to Corner: How can reputational, financial and compliance risk be prevented?

ACAMS Connection caught up with David Schiffer, the founder and president of Safe Banking Systems (SBS) for an informative interview.

SBS is a provider of AML and compliance solutions with headquarters in Mineola, NY. For over a decade, Mr. Schiffer has directed his company's efforts to combat money laundering, terrorist financing, fraud and other criminal activity by providing banks, non-bank financial institutions and corporations with the latest technology to fight financial crime and find the "bad guys."

Mr. Schiffer's support of ACAMS dates back to its inception when Safe Banking Systems became ACAMS' first ever Charter Affiliate Member in November 2002. His son Mark, a principal of the company, was awarded the CAMS designation as a member of the first class to be certified. SBS is proud of its history with ACAMS and supports the organization by sponsoring various events and contributing to its publications. Mr. Schiffer has authored two articles, "The PEPs Challenge" and "Home-grown Risk," that were published in ACAMS Today. As a former educator, Mr. Schiffer believes that the role of SBS is not only to provide innovative solutions to clients but to also share practical knowledge and experience.

ACAMS Connection: In your experience what is the most common problem compliance professionals face when mitigating the risk of money laundering and terrorist financing in their institutions?

David Schiffer: Identifying and exposing hidden risk while managing the "alert factory" and reducing false positives is a common theme amongst our clients and other compliance professionals with which we speak. Budget and staff constraints add to the problem. Working smarter is a popular mantra but exactly what does that mean? When asked how to work smarter, I offer the following:

- Understand the large databases of information you are working with
- Remember that it is not who you know but who you do not know that is the key to exposing hidden risk
- Have a proven methodology for ranking risk
- Have a proven methodology for prioritizing the alerts that are most likely to be true in order to utilize your resources effectively and efficiently

AC: How can reputational, financial and compliance risk be prevented?

DS: Reputational, financial and compliance risk can be prevented by taking a proactive approach rather than reactive measures. Some examples for proactive strengthening of AML and compliance programs include periodic review of your systems with vendor input to determine if further fine-tuning is needed and periodic forensic analysis services scheduled before an audit or regulatory exam to determine any issues.

AC: What steps do you recommend on how to properly select a compliance solution?

DS:

1. Identify goals and prepare well-defined business requirements.
2. Analyze current solution for gaps and take holistic view on risk.
3. Obtain buy-in of senior management and other stake-holders.

4. Short-list vendors who will be committed partners for the long-term. Those are the vendors that are interested in your strategic view, are willing to voluntarily share their knowledge and expertise on an ongoing basis, make significant investments in R&D — not just the “bottom line” — and will tell you the truth even if it hurts.
5. Finally, do not be afraid to become an early adopter of new technology.

AC: What is your most memorable case involving money laundering, terrorist financing or other financial crime?

DS: Several memorable cases come to mind especially those highlighting threats to our national security or that could cause severe reputational and/or financial damage to our clients.

Viktor Bout, The Merchant of War, a notorious arms dealer recently extradited to the U.S. from Thailand. A three part exclusive in The Enterprise Report describes how SBS identified Bout and seven key associates with FAA pilot's licenses.

Al – Megrahi, the infamous Lockerbie bomber and convicted terrorist along with co-conspirator Fhimah whose FAA licenses were immediately revoked by the TSA after SBS' public service notification was reported by The New York Times.

Alpha Mady and Ibrahima Soumah, brothers and both former Ministers of Mining from Guinea (PEPs) investigated for a \$5+ million fraud. Their accounts at a U.S. bank were exposed by SBS using advanced link analysis.

Fernando Zevallos Gonzales – Foreign Narcotics Kingpin aka the “Al Capone of Peru” and the subject of an ABC News Report citing SBS findings that while blacklisted under the Drug Kingpins Act, he still maintains a valid FAA pilot's license. This prompted a Senate committee call for investigation of the TSA vetting process.

AC: What is the best advice you have received as a compliance professional?

DS: Do not be afraid to go down a non-traditional path and approach things differently. The proof is in the results delivered to clients.

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