

Automated Systems

"An integral part of the AML Toolkit"

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International Financial Systems

- Formed in 1983 and privately owned
- Niche supplier of financial software
- Main products
 - BankWare.NET™ (Core Banking System)
 - iBank™ (Internet Banking)
 - Cumulus™ (Client Cash Management)
 - **MLTrac™ (Anti Money Laundering)**
- Reputation for:
 - flexibility
 - working with our customers
 - delivering practical, cost effective solutions



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Automation – the case for:

- MLROs are busy people
- Key AML challenges*
 - Regulatory demands
 - Ambiguity of sanctions regulations
 - Managing multiple sanction lists
- The potential for:
 - FSA fines
 - Personal and Institutional Reputational Risk

■ Source: Logica August 2010



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In case you don't believe me

- FSA fines in 2010 **£84,966,599!**
- Up from **£7,444,000** in 2002
- Almost a **1200%** growth in eight years



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To which the following contributed

Fine	Company or Individual	Reason
£5.6m	Royal Bank of Scotland Group	For failing to have adequate systems and controls in place
£200k	Hythe Securities	For inadequate systems and controls
£140k	Alpari (UK) limited	For failing to have in place adequate anti-money laundering systems and controls
£35k	Meenza Mehta	For failing to ensure that Hythe Securities Limited complied with the necessary regulatory requirements.
£17.5k	Huw Evans	For failures which led to Pace Financial Management being used for financial crime
£17.5k	Paul Armitage	For failures which led to Pace Financial Management being used for financial crime
£14k	Briam Smith	For failures which led to Pace Financial Management being used for financial crime
£14k	David Rpberts	For failing to put in place adequate systems and controls
£14k	Sudipto Chattopadhyay	For failing to ensure Alpari (UK) Ltd had adequate anti-money laundering systems and controls.



AML Systems – Points of Resistance

- Adds nothing to the the bottom line
- Head Office



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AML Systems do:

- Mitigate Compliance Creep
- Enable scaling
- Demonstrate ongoing Due Diligence to the regulators
- Strengthen procedures and controls
- Improve Disaster Recovery Procedures



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And AML systems should:

- Enable you to become efficient
- Allow you to manage by exception
- Be easy to use and understand
- Put compliance at the start of a business relationship
- Integrate easily with existing systems



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Systems already in your toolkit?

- E-Mail monitoring
- Telephone monitoring
- Internet access



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Introducing MLTrac

- A complete AML solution
- Written in collaboration with:
 - The BankWare User Group
 - MLROs.com
 - The MLTrac Advisory Committee
- Used by banks, stockbrokers and credit unions around the world



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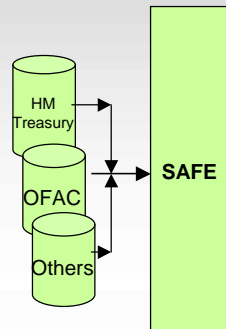
Introducing MLTrac

- Six separate but integrated modules
- Available in any combination to suit all requirements



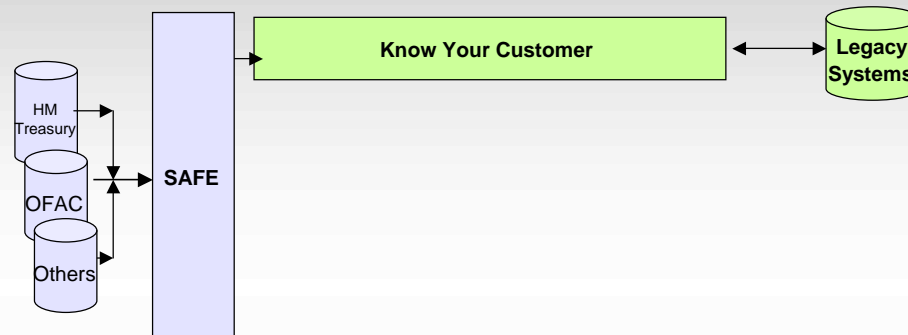
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Screening And Filtering Engine (SAFE)



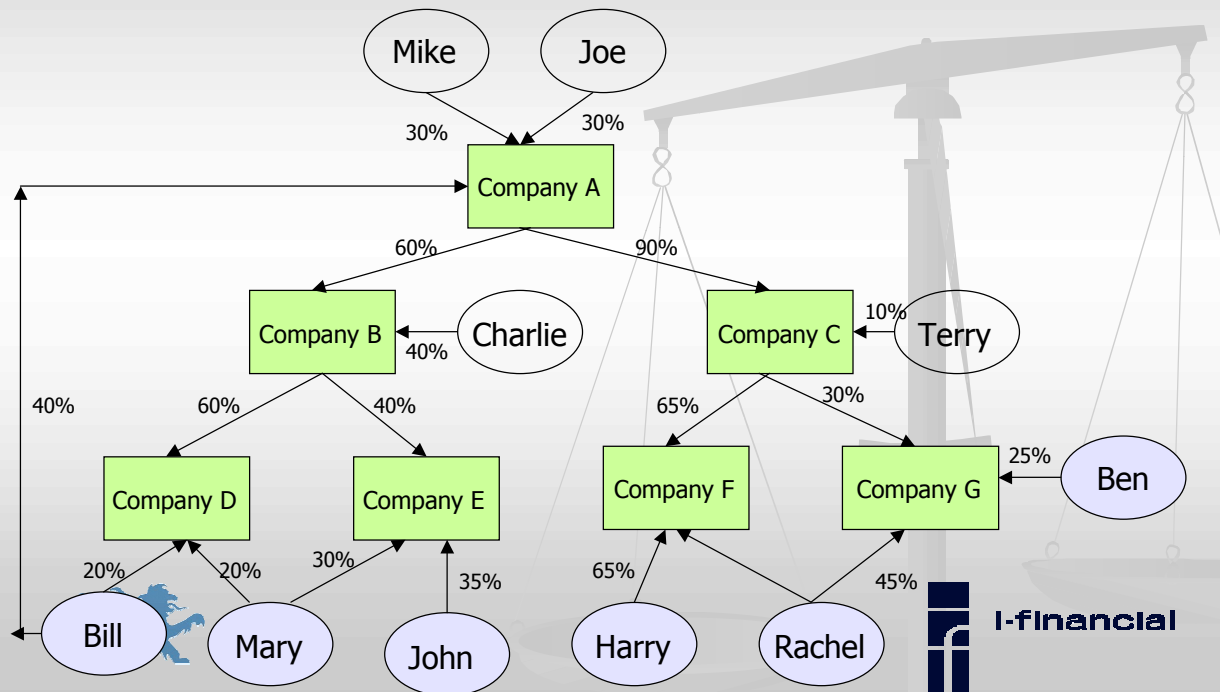
- Checks companies and individuals against
 - sanction lists e.g. OFAC, UN, EU, UK
 - PEP lists such as World Compliance, Dow Jones and others
- Batch File Filtering
- Sanction lists regularly & *automatically* updated
- Sophisticated matching algorithms for rapid and accurate matching
- User defined granularity settings minimises false positives
- ***FREE to use for registered users against sanction lists***

Know Your Customer (KYC)

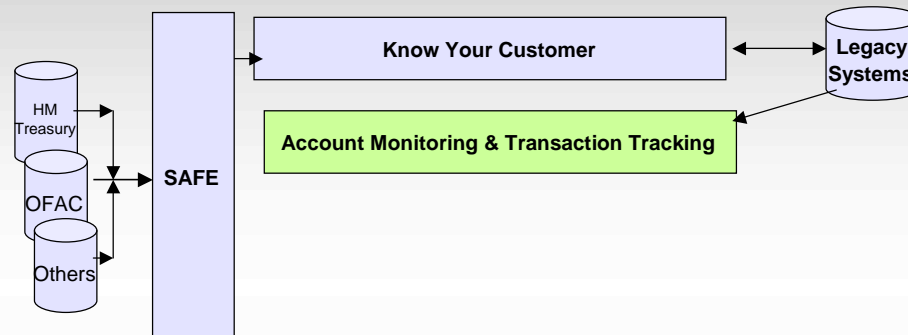


- Builds its own Customer Data Repository (CDR) of document images, verification details, PEP Indicators, Beneficial Owners, Web pages etc
- Uses SAFE at time of data entry.
- On new list publication it screens the entire CDR with changes.
- Suggests Risk Weighting according to user defined risk factors at the end of the data capture cycle.
- Able to call external documentation verification systems
- Notational fields at every stage gives a detailed history and strong audit trails
- Two way dialog with back office systems
- Supports Entity and Individual architecture and complex structures e.g.

Complex Entity & Individual Structure

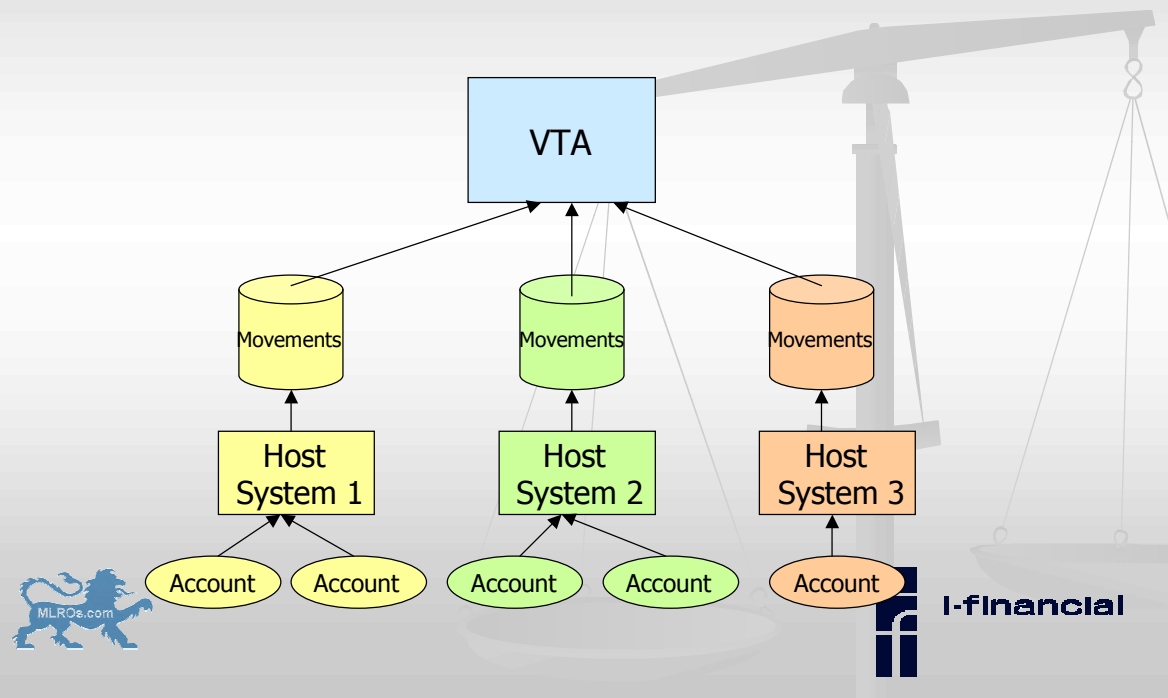


Account Monitoring & Transaction Tracking (AMTT)

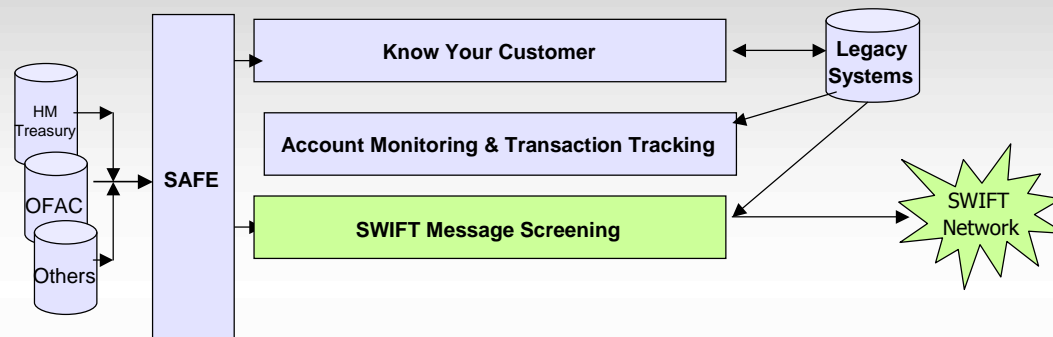


- Legacy system feeds of daily movement and transaction activity
- Three types of rule:
 - Turnover Rules (daily, monthly, rolling monthly and annual)
 - Transaction Rules (daily, monthly, rolling monthly and annual)
 - Behavioural Rules
- Pattern detection
- A single Virtual Tracking Accounts enable multiple accounts and systems to be tracked in one place e.g.

Virtual Tracking Accounts

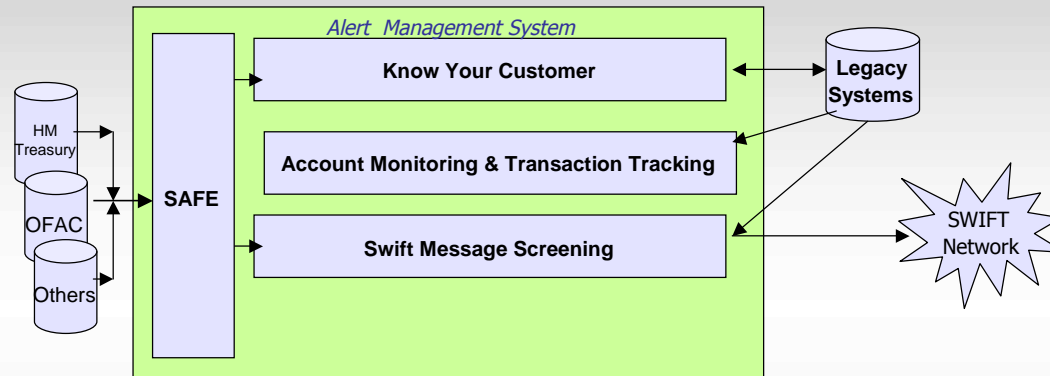


SWIFT Message Screening



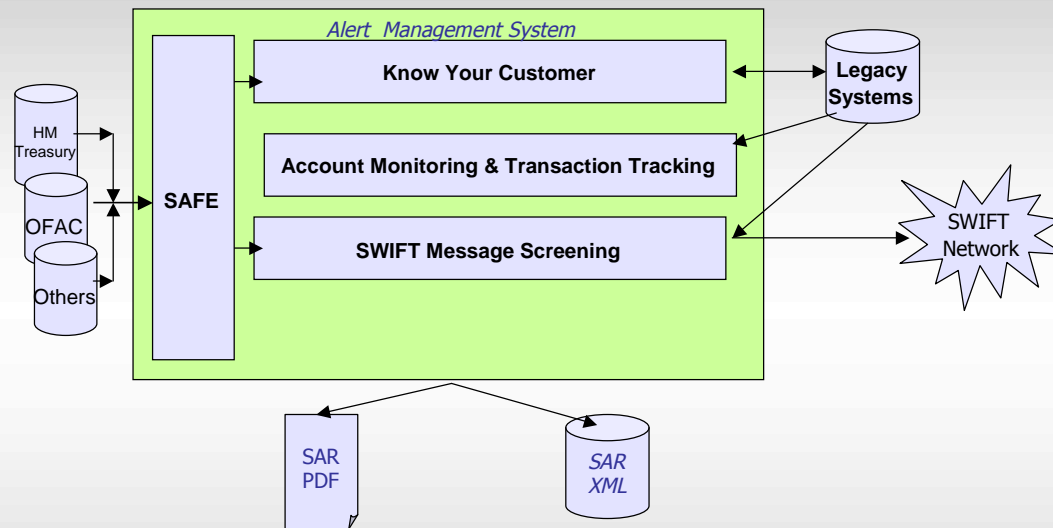
- Uses SAFE to screens specified messages type e,g, MT103 on inbound and outbound messages
- Suspicious messages are quarantined for multi level authorisation.
- Ultimate MLRO sign off in disputed cases
- Notational fields at every stage gives a detailed history and a solid defence
- Bank's Own Approved List (BOAL) minimises false positives.
- Bank's Own Sanction List (BOSL) traps weaknesses in other systems
- Full Audit Trail

Alert Management System (AMS)



- Automatic and manual alerts passed to AMS for investigation and resolution
- Alerts delegated and managed by the MLRO to the investigating officer
- All actions and customer communication recorded in the Activity Journal
- Sets targets and manages overdue actions
- Sign off for closures and SAR production

SAR Production



- Separate (multi jurisdiction) integrated SAR production system
- As a printed report or integration into regulator systems where such integration exists

Anybody can afford it

- Flexible commercial terms
 - On a traditional Initial and Annual licence basis
 - On an in-house subscription basis
 - On an SaaS hosted model basis



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Final Thoughts

- As an MLRO you are *personally* at risk of fines and the associated reputational damage
- If you are prepared to take this risk then:
 - An automated system such as MLTrac mitigates much of this risk
 - Your employer has an obligation to put the tools in your toolkit to do your job properly



Thank You Questions?

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