

AVOID BEING DE-RISKED BY MSB-FRIENDLY BANKS

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DEFINITION

De-risking: The deliberate scrutiny, rejection or termination of financial relationships with groups of customers or lines of business considered to be high risk within BSA/AML standards.

MAINTAINING HIGHER RISK CUSTOMERS

- *Satisfy due diligence expectations for ongoing monitoring*
- *Rising costs and limited pool of resources and expertise*
- *Regulatory scrutiny*

NOT CONFINED TO BANKS

- *Credit card companies, TPPPs identify categories of industry with whom they won't conduct business*
- *Companies such as PayPal, Intuit, Skrill, etc., identify customer types with whom they won't business*

ACCEPT OR AVOID

- *Reputation risk, compliance risk and other influences are driving factors in decision to accept or avoid risk:*
 - *Change in policy and/or risk appetite*
 - *Perceived risk is greater than expected value of the business*
 - *Inadequate budget to support increased activities*
 - *Scrutiny from regulatory examination*

OVERALL IMPACT OF DE-RISKING

- *Transfer of Risk*
- *Reputational Assets
Compromised*
- *Lost revenue and profits*
- *Conflicts between business lines
and compliance*
- *Collateral Damage*

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DON'T BE DE-RISKED: RE-RISK!

- *Risk levels no longer static*
- *Quantify and capture hidden risk*
- *Technology drives dynamic risk management which can efficiently identify hidden risk*
- *Step up your CDD and EDD processes*
- *Improve monitoring frequencies*
- *More periodic risk reviews of customers*

GO-FORWARD PLAN

- *Manage exposure with improved risk management program*
- *Improve CDD and EDD processes*
- *Upgrade tools, techniques and tactics for monitoring*
- *Invest in a strong system of controls*
- *Learn from enforcement actions what NOT to do - avoid “page one risk”*
- *Understand and reflect the risk tolerance in decision-making process of institution*

CONTACT INFORMATION

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