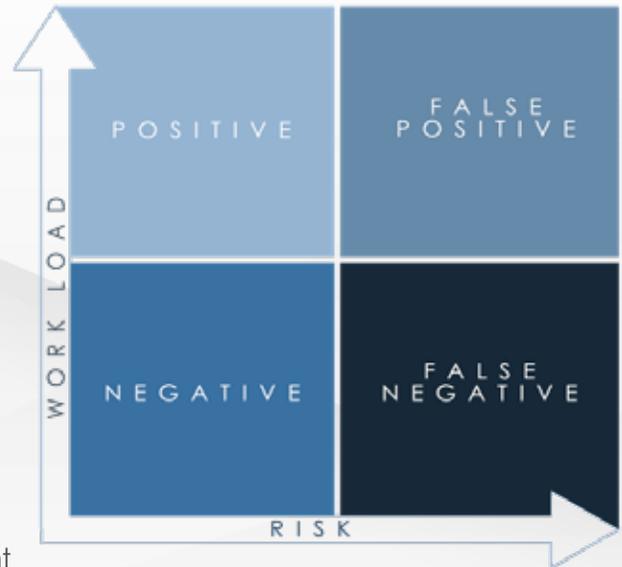


AML SYSTEM TUNING EXERCISE



The AML Specialists

CONDUCTING A TUNING AND FALSE POSITIVE EXERCISE ON AN ANTI-MONEY LAUNDERING SYSTEM



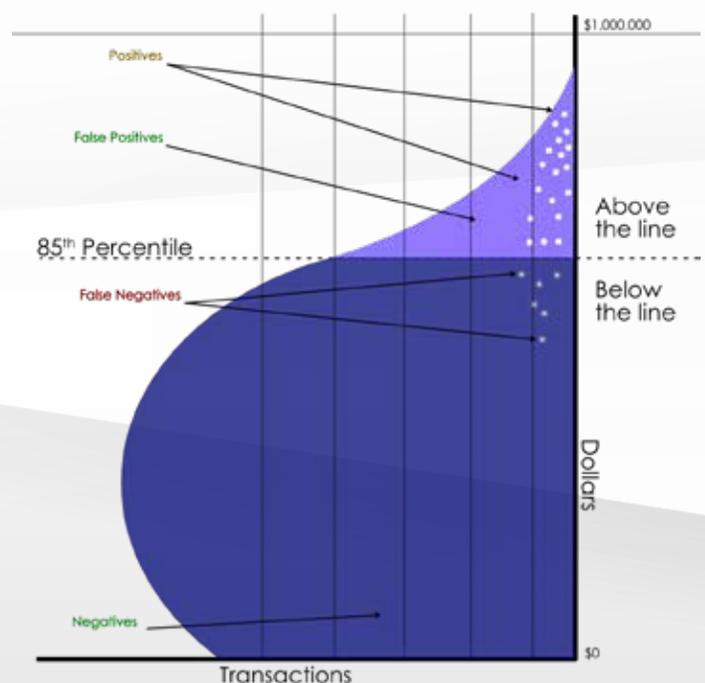
The purposes of conducting a software tuning exercise might be to balance the case analyst workload on a transaction monitoring system or to make adjustments based on your customers, products or services, or the geography in which you serve has changed. While both of those are true, improperly setting up the software can also affect your alert/case volume, and simply may be inaccurate based on your risk assessment and program requirements.

We often find while conducting model validations at financial institutions, credit unions, or other non-bank financial institutions they have implemented a system without fully identifying what are the requirements of that system. In these cases, clients are at risk because they are truly receiving too much making them terribly inefficient on wasted alerts or they aren't getting the most important ones because the system is missing that rule/threshold.

We believe that tuning your software is a critical part of staying compliant and an institution often benefits from a review every one or two years. Often times, clients assume that since they haven't changed anything dramatic in their risk appetite, and while that may be true, it doesn't factor in the environment around them is changing, and thereby their customers are spending differently or transacting differently. We have assisted a number of our clients with assessing their rules/profiles and proving statistically what they should be hitting on each month. Our methodology incorporates a mathematical approach to determining the proper thresholds for your institution with a scientific report demonstrating our findings.

Key benefits of our software tuning exercise include:

- Risk mitigation
- Increased quality of alerts
- Potentially reduced workload
- More effective monitoring and filtering



From the AML-ology article

“THE SCIENCE BEHIND FALSE POSITIVE TUNING”

“How do you know if the thresholds are set correctly in your OFAC (Office of Foreign Assets Control) Sanctions Filtering or BSA (Bank Secrecy Act) Transaction Monitoring system? That is certainly an important question, and a mystery in the world of anti-money laundering (AML). Commonly in the financial industry, and for the purposes of this article, the act of tuning with the goal of false positive reduction will focus on OFAC Sanctions Filtering and/or BSA Transaction Monitoring. Tuning is often driven by the need to improve quality of alerts voluntarily by the organization or it can be mandated by the regulators. Regardless the reason, it is very important that tuning be done periodically and correctly. The benefits of tuning can reduce workload, allowing more time to be spent on alerts that are more meaningful, thereby improving quality. However, if the tuning process is not conducted correctly, a greater risk can be created due to missing alerts.”

-Lorenzo Masi-

In the second quarter of 2015, AML-ology conducted a survey about false positive management on transaction monitoring, or sanctions filtering, and FinCEN 314(a) request systems. The goal was to discover how institutions conducted all facets of false positive management. Overall, the greatest number of respondents conducted false positive management on an OFAC program/system at 86% over a BSA program/system (81%) or 314(a). The largest group to not conduct false positive management on any of these programs is 314(a) at 32%. OFAC was the number one program/system that respondents conducted false positive management on; and BSA dominated the number of alerts/cases generated.



About ARC Risk and Compliance

ARC Risk and Compliance is an award-winning specialized consulting company dedicated to anti-money laundering compliance programs and the processes that support them. That specialization includes transaction monitoring/the Bank Secrecy Act (BSA), sanctions screening/Office of Foreign Assets Control (OFAC), Know Your Customer (KYC)/Customer Due Diligence (CDD) programs, and FinCEN 314(a) requests. We are the AML specialists.

We can bridge the communication gap between what compliance needs and IT can support with the system they have. We believe that in order to bridge the gap between compliance and IT, the expert needs to be able to communicate to both departments, have knowledge and experience in both, and provide experienced solutions. We've been able to combine that knowledge and experience for a more thorough solution addressing both the compliance and IT requirements. Our approach ensures a better rate of success than non-specialized companies.

Many of ARC Risk and Compliance's team members were leaders in the initial design, development, and deployment of many of the leading AML software in use today. Our team has a deep compliance background that can assist banks with their regulatory and compliance challenges.

Every customer is important to us and we will provide the best service possible to all clients. ARC Risk and Compliance is a certified veteran-owned small business and has a large network of professionals and alliance partners to support the ever growing demands within the financial industry.

Some of Our Services

Validation & Review Services

- *AML Model Validation
- *AML Gap Analysis
- *AML Procedures: Review and Updates

Assessing, Analyzing, & Tuning Services

- *AML Risk Assessment
- *Rules/Risk Rating/Profiling: Statistical Data Analysis
- *Tuning and False Positive Exercise

Remediation Services

- *Data Mining: Analysis and Correction
- *Look-Back Services
- *Regulatory Remediation Services

Regulatory Specific Services

- *NYS DFS 504 Pre-Certification Service

Custom Development

- *Custom Software Development

Staffing & Outsource

- *AML Program Outsource
- *Staff Augmentation

Cybersecurity Services

- *Audits and Compliance
- *Vulnerability Assessments
- *User Training
- *Virtual CISO
- *Penetration Testing
- *Systems and Services Installation



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