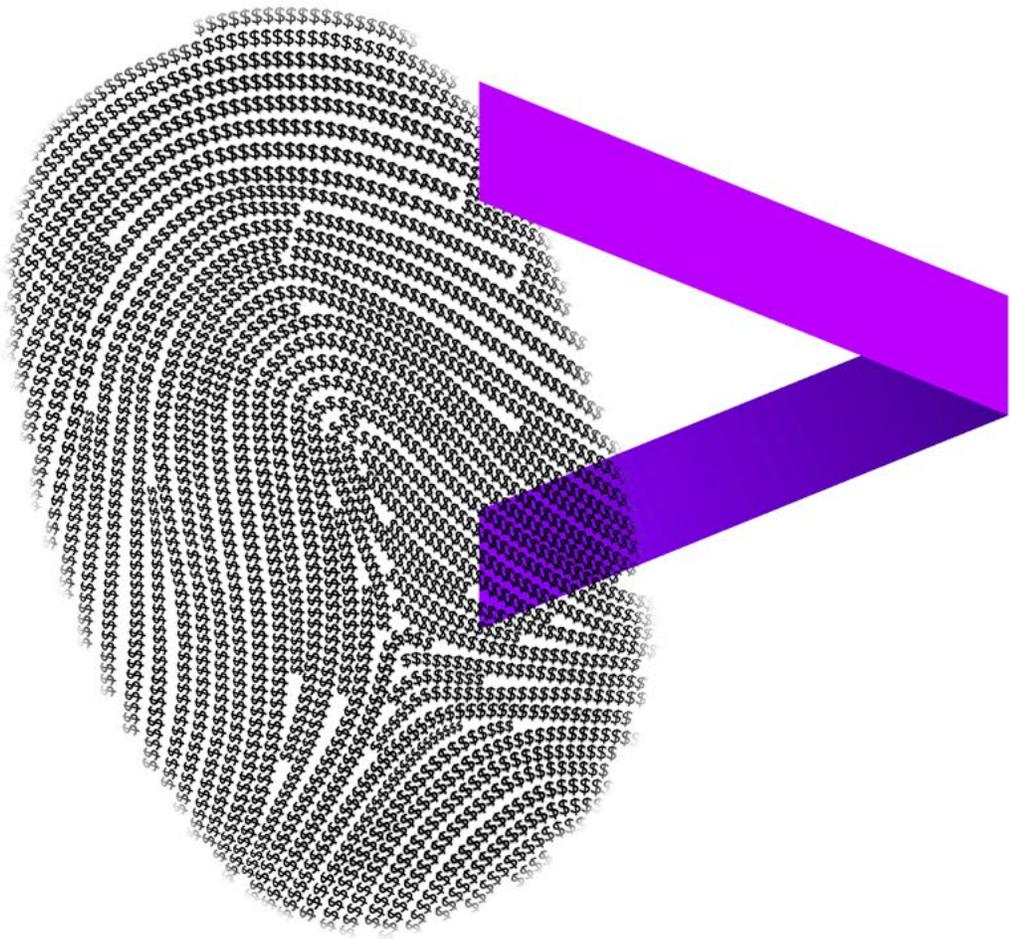


JOIN FORCES

AGAINST FINANCIAL CRIME



**APPLYING MODERN SHARED
SERVICES TO TRANSFORM
BSA/AML COMPLIANCE**

THE NEXT CHAPTER IN
**THE FUTURE READY
BANK SERIES**

APPLYING MODERN TECHNOLOGY TO TRANSFORM BSA/AML COMPLIANCE

A WealthInsight report¹ estimates that global AML spending will exceed

\$8B



Despite significant investments in structure and technology to improve their Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance programs, banks still face rising costs and complexities in complying with financial crimes regulations. A WealthInsight report estimates that global AML spending will exceed \$8 billion in 2017, up 36 percent from 2013¹. Such growth is being driven by high false-positive rates and new regulations.

By some industry estimates, banks have anywhere between 75 percent and 90 percent false positive rates across their fraud and BSA/AML transaction monitoring systems.² According to the Federal Reserve Payments Study 2016, transaction volumes in the US alone grew at an annual rate of 5 percent in 2015 to \$144 billion.³ In addition, nearly two million Suspicious Activity Reports were filed across institutions in the US in 2016, up nine percent from 2015.⁴

Most banks are adding more staff to avoid material penalties and negative publicity for BSA/AML non-compliance, with a heavy focus on new regulations from the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) and the U.S. Office of the Comptroller of the Currency (OCC).

For example, new requirements on customer background research, validation, risk assessments during 'triggering' events, and FinCEN's Beneficial Ownership Rule are expected to command more bank manpower.

Banks also tend to outsource BSA/AML tasks, like due diligence, internal audits and validation testing, to third-party service providers which can add to compliance cost and challenges. Failing to ensure the right skillsets and provide the right oversight of third-parties put banks at greater risk of non-compliance, regulatory fines, brand harm and business disruption.

Instead of investing more heavily in an isolated software-based crimes compliance system that is increasingly difficult to maintain, progressive banks can take a more convenient route. They can broaden advanced analytics beyond their own walls and apply data-driven insight across all BSA/AML and fraud monitoring activities to better compete in a digital world.

GET FIT

BSA/AML Compliance within the Future-ready Bank

Our view is that between the industry status quo and the bank of the future is a “Future-Ready Bank” with the following high-level characteristics:

- Cost/income ratios of around 40 percent and a return on equity of about 15 percent, generating funding to invest in transformation.
- Simplified and more transparent business, operating, and cost models.
- Cultural shift to solving for clients, business, and shareholders (cost culture, service culture).

Getting there does not involve blowing up the business. Rather, it means making the business simpler, more transparent, more manageable, and technology smarter to gain agility and efficiency. It means having an effective culture of BSA/AML compliance that prioritizes and maximizes the use of data to challenge costs, complexity, and security.

Key questions to consider:

- How long does it take and how much does it cost you to develop new scenarios to monitor specific risk occurrences?
- How much does it cost you in actual dollars or lost opportunity to validate and tune your scenarios?
- How much are you paying outside providers annually to validate your model?
- How many data sources are you using today?
- How many products and services are involved in satisfying your monitoring program mandate?
- How accessible are your data extracts, and how confident are you in their reliability?
- Do you have an BSA/AML data dictionary with a consistent taxonomy across sources?
- How well can you provide your audit and exam teams with lineage from source to target?
- How confident are you that your BSA/AML data will reconcile to your sources?
- How accessible is your data at times when you need it most?
- How do you plan to scale for new rules and regulations that have data-centric demands, such as the OCC’s Money Laundering Risk System?

**GETTING THERE
DOES NOT MEAN
BLOWING UP
THE BUSINESS.
IT MEANS MAKING
THE BUSINESS
SIMPLER
WITH
SMARTER
TECHNOLOGY**

TAPPING SOPHISTICATED ANALYTICS AS SHARED SERVICE FOR SMARTER FINANCIAL CRIME COMPLIANCE AND INTELLIGENCE

Banks have a lot of available data.

Their challenge in driving BSA/AML decisions and outcomes is getting to the right data in the most cost-effective ways. BSA/AML officers at banks and other financial Institutions have an opportunity to come together and lead in defining the industry's data standards around financial crime detection, prevention, and compliance. Through a standardized, analytics-focused shared services model where financial institutions pool their non-competitive data, banks and other financial crime stakeholders cost-effectively source and share the right intelligence to make informed decisions on BSA/AML quickly and flexibly.

A modern shared services model for BSA/AML programs focuses beyond just cost reduction. It also emphasizes structural change, giving bank participants the infrastructure, analytics, and platform needed to transform to streamlined, optimal compliance (Figure 1). To do so, it offers three key features:

- A flexible set of integrated, cross-functional technology capabilities for scalable model validation, performance monitoring, scenario optimization, productivity tracking, and horizontal bank benchmarking.
- Distributed processing of large data sets across clusters, including Hadoop.
- Advanced, cross-participant data analytics that translate Big Data into usable content for regulatory reporting can guide the actions of banks and industry regulators.



FIGURE 1.
Modern Shared Services Model
for BSA/AML Compliance

Source: Accenture

Business Process Support

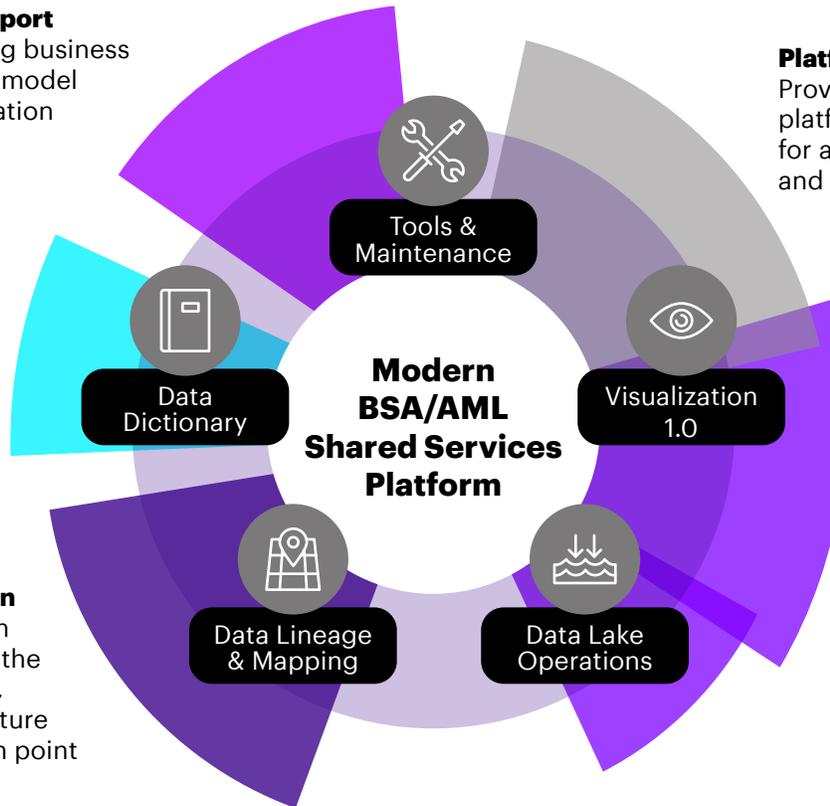
Optimizing and running business processes in a factory model to improve standardization and lower cost

Advisory Services

Offering deep, functional expertise and advice across multiple areas

Regulatory Integration

Fostering collaboration and coordination with the regulatory community, perhaps used in the future as the main integration point with regulators



Platform & Data Engineering

Providing a next-generation platform as a single repository for all data within a secure and scalable environment

Analytics & Data Services

Enabling advanced analytics to extract deeper insights from existing data

By joining forces and collaborating across non-competitive functions, banks can create value on both the institution-specific and cross-participant levels. Most notably, they gain:

- **Holistic view of the customer**, as opposed to a simple account-by-account view, that helps a bank pinpoint the true risk of doing business with a customer and keep pace with dynamic customer behaviors and industry changes.
- **Lower absolute costs** as the need for staff decreases and banks are free to reallocate resources to more valuable efforts. Areas that tend to show the most improvement

in efficiency include manual alert and exam processing. The solution can augment the productivity of the people working in financial crime prevention, and reduce or eliminate banks' reliance on third-party providers for software and system changes.

- **Reduced overall risk profile.** With deeper, actionable intelligence and defensible statistics, banks can fine-tune their policies, standards, processes, and procedures to best monitor and control BSA/AML and lower their firm's risk profile. Similarly, law enforcers gain clearer visibility into the spectrum of illicit financial crimes activity, helping to improve national security.

Consider that a mid-size MBCA member bank, as an early adopter of BSA/AML analytic utility data services, is already using advanced analytics to tune, optimize, and validate its AML models. The analytics allowed the bank to proactively identify risks, reduce false positives, and redeploy scarce resources by drawing on the utility's unique blend of technology. Its outcome so far: 35 percent improvement in operational efficiency and 30 percent reduction in direct labor cost, along with faster adaptation to regulatory changes.

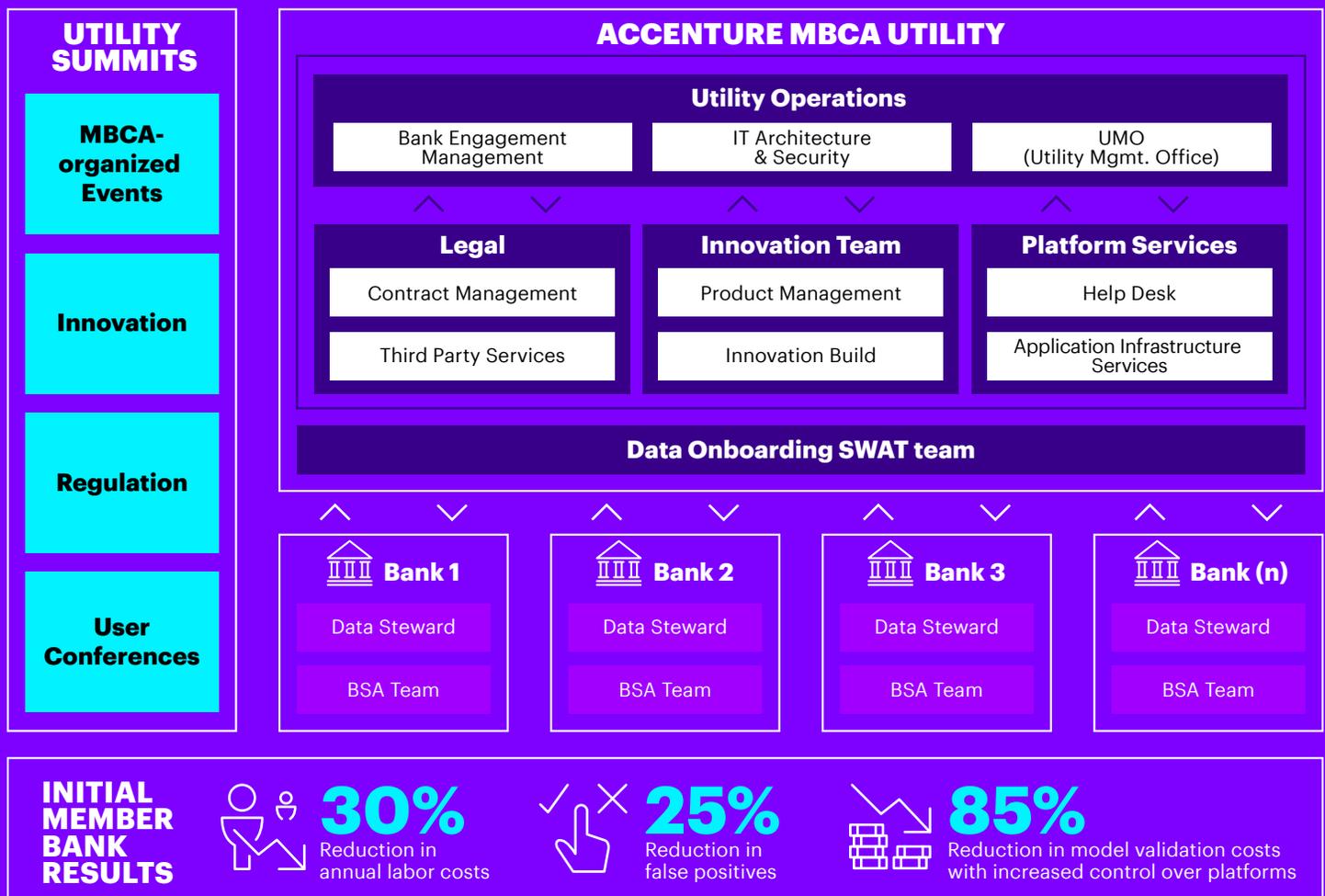
ACCENTURE AND THE MBCA LAUNCH AML UTILITY SERVICE

FIGURE 2.
MBCA's AML Data Management & Analytics Utility Service Configuration

Source: Accenture

Midsized Bank Coalition of America (MBCA) teamed with Accenture to develop an AML Data Management & Analytics Utility Service platform where member banks may assess common data elements that help predict outcomes, share and collaborate on data securely, and tap into enhanced coalition analytics. The service aligns with the technology innovation direction and initiatives of both The Clearing House (representing the largest US banks) and the OCC Comptroller.

It is set to foster productive regulatory collaboration and enable direct FinCEN integration in ways that protect each participating institution as well as the entire financial services community. Accenture is working with the MBCA to build synthetic scale and operational efficiencies (Figure 2), providing participating mid-sized banks with end-to-end support across all domains. Member banks can identify additional functionalities to deploy over time.



READY FOR THE FUTURE'S BSA/AML COMPLIANCE

By working collaboratively to integrate relevant data, banks can transform their BSA/AML compliance program to more flexibly, cost-efficiently and securely monitor transactions, investigate suspect accounts, and combat financial crime. It is a business advantage given the ever-increasing BSA/AML scrutiny and the expanding costs to comply with new regulations.

The first step in the transformation journey is making a strategic decision to adopt the shared services approach as a modern way to manage BSA/AML compliance. The next steps are to identify the best-fit solution and begin the onboarding process. Innovative onboarding will start with complementary data discovery to analyze the bank's individual situation and information security as part of a customized roadmap to value expectations (Figure 3).

Banks can bring their BSA/AML compliance into the "new", tapping into shared innovation to stay ahead of financial crime, meet steep compliance and lay a tile in the foundation for digital-ready operations.

FIGURE 3.
Modern Onboarding Approach
to BSA/AML Shared Service

Source: Accenture



CONTACT US

Scott Nathan

Financial Intelligence and AML Utility Lead, Accenture
scott.nathan@accenture.com

Sabina Munnelly

Finance & Risk Data Analytics Lead, Accenture
sabina.munnelly@accenture.com

David Schumacher

Banking and Operations Lead, Accenture
david.l.schumacher@accenture.com

ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 411,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

NOTES

¹ WealthInsights, “2020 Foresight: The Impact of Anti-Money Laundering Regulations on Wealth Management”, July 2013. <https://www.marketresearch.com/product/sample-7717318.pdf>

² Celent, “Robots Offer Helping Hand to Fraud Investigators,” May 22, 2017. <https://www.celent.com/insights/182164699>

³ U.S. Federal Reserve, December 22, 2016. <https://www.federalreserve.gov/paymentsystems/files/2016-payments-study-20161222.pdf>

⁴ U.S. Department of Treasury, FinCEN Suspicious Activity Report Statistics, <https://www.fincen.gov>

[www.accenture.com/
BankingAMLCompliance](http://www.accenture.com/BankingAMLCompliance)

 Accenture Banking

 @bankinginsights

 Accenture Banking blog

Copyright © 2017 Accenture
All rights reserved.

Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.