

Case Study:

U.S. based retail bank minimizes AML compliance risks while improving investigator efficiency

Overview

Financial institutions present one of governments' best lines of defense in the battle against terrorism and financial crimes. The challenge for banks is to avoid spending valuable resources on counterparty investigations that have no chance of bearing fruit. That means banks need to minimize the number of unnecessary alerts coming out of their screening systems.

Business challenge

When a U.S.-based retail bank rolled out a new screening application, it immediately experienced a spike in alerts. Every day, the screening system compared the bank's clients, counterparties and transactions against dozens of watch lists from governments around the world. The tool was generating too many false positives, because the bank didn't have a single, consolidated view of each customer.

Consider what might happen with an individual who holds a prominent position in a foreign government, and who is known by four different combinations of her first, middle and last names. She may open accounts under all four names. If the bank does not recognize the different names as belonging to a single individual, its screening system may generate four alerts for her in a given day, rather than just one. Misspellings and other data-entry errors could potentially expand that number even further.

This was a significant problem at the U.S.-based retail bank. One Russian oil baron appeared in the bank's systems 67 times with slightly altered names or job titles. The bank's new screening tool was generating far more alerts than necessary to identify the individuals who actually created risk for the bank.

This situation was wasting staff resources. Regulatory compliance requires a financial institution to have investigators research the alerts that come out of its screening system.

Understanding that unnecessary investigations were consuming a great deal of staff resources, the management team at the bank set out to reduce the number of unwarranted investigations their staff was undertaking.

Client profile

- Provider of full range of consumer financial services
- Offerings range from credit cards to personal loans to consumer banking
- Corporate focus on providing great customer service



Solution

The bank was looking for a solution that would develop a comprehensive view of each unique individual or entity across its client portfolio. Precisely's entity resolution solution fit the bill.

Precisely's entity resolution solution includes name-related reference data from Precisely that enables it to resolve nicknames and other name variances to create a single instance of each individual across a bank's various systems. It can also access Precisely address data. Finally, it enriches the data using rules of survivorship to further enhance the consolidated view of each counterparty by connecting each account not only to its primary owner, but also to the ultimate beneficiaries of the account.

The bank engaged our team to configure the solution so that it creates a single view of each individual after the bank's screening tool has compared client data against watch lists of sanctioned individuals. If the Russian oil baron, for example, has a busy day, the screening system may still generate numerous alerts for him under slightly different names. However, before those alerts are sent to human investigators the entity resolution solution will associate all of them with the single individual and will consolidate the cases. The human investigator will be able to look at just one of the screening system's alerts, and if the investigator closes that case, then the solution will automatically close the other cases associated with alerts on the same individual.

Precisely's entity resolution solution also identifies individuals who are not actually on watch lists, such as a former politician. Because the solution screens out these people, the bank's investigators can focus their attention on individuals who are more likely to pose a risk of terrorism or financial crimes.

Results and benefits

The solution has reduced by 58 percent the volume of false positives that the bank's investigators must pursue. This has enabled the bank to substantially improve the productivity of investigators, and ultimately to avoid \$10 million per year of costs in its investigative unit. And the bank was achieving these objectives two weeks after the deployment of Spectrum Entity Resolution began.

Most important, the bank achieves these cost savings without any negative impact to its regulatory compliance. Investigators still analyze every required alert. What they've eliminated are repeated, redundant and unnecessary investigations of the same individual.

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