



Dynamic Risk Scoring

UK Head Office
Remit One Ltd
Studio 15 Monohaus
143 Mare Street
London
E8 3FW
United Kingdom

T: +44 (0)208 099 5795
E: sales@remitone.com

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Introduction

There is an increasing demand to provide dynamic risk profiling of customers (Remitters and Beneficiaries) for the purpose of AML by many governments and financial institutions around the world. In the remittance space, this is becoming an important requirement.

There are already static and some dynamic ways of assessing risk in the application, such as on registration, checks are made on the details provided and ID verification is carried out by staff or via third party ID verification companies. During every transaction the remitter and beneficiary are being checked against the sanctions and PEP lists, which are continually updated. A remitter or beneficiary can be flagged as suspicious and so on.

The addition of Dynamic Risk Scoring allows for a more robust risk assessment of individuals based on relevant risk parameters, weighted average scores, event based risk rating, an extensive audit trail, a report and a flexible rules engine to allow the definition of customised risk rules.

The application calculates an overall risk score, ranging from 1 to 100, which is then used to categorise the individual into low, moderate, medium and high risk. This is calculated continuously based on the activity of the remitter and beneficiary. The score is increased and decreased based on some predetermined parameters and the Risk Rules engine.

The score is shown on the Remitter and Beneficiary profiles. An initial default score of 40 is added upon creation of the Remitter or Beneficiary.

BENEFICIARY RISK SCORE DETAILS

Beneficiary Risk Score

45

Moderate

View Risk Log

You will notice that risk scoring has colour coding, which is based on the Risk Score:

- Low – risk score of up to 30 and shown as green
- Moderate – risk score of up to 50 and shown as yellow
- Medium – risk score of up to 70 and shown as orange
- High – risk score of over 70 and shown as red

Risk Score Rules

There are a number of compliance risk scoring rules that are based on specific behaviour that are outside of the normal transactions. Many of these rules can be enabled or disabled independently. There is also a Risk Score Rules engine provided that allow for custom risk score rules to be created that apply on transactions.

The specific compliance risk score rules:

- Pending payment score – this score is applied when a transaction has not been paid for yet, and therefore the score will be increased. Once the payment has been made, the score will be decreased
- Compliance rule failures – If a compliance rule is triggered, the score will be increased accordingly. Soft and hard compliance failures have different scoring. If they do not trigger any compliance rules, their score will be decreased
- Nationality score – if a particular nationality is listed in the configuration, then a score will be applied
- Name screen score – If the Remitter or Beneficiary name matches on a sanctions list, the risk score will be increased. There is a scale of low, medium and high, that will determine the amount it is increased by. This can be set based on the name screen score, which is given out of 10. By default if the name screen score is greater than 3, it will be considered a medium and increase the score by 5, if the score is greater than 5, it will be considered high and increase by 7.
- Organisation type – If the Remitter or Beneficiary is an individual or corporate, scores can be applied. By default it is 0
- Remitter and Beneficiary – There are rules that cover the remitter and beneficiary specifically. These include assigning an initial risk score on Remitter or Beneficiary creation, hard and soft compliance failures, and scores to be decreased such as when a payment is cleared.
- Extra Tests – there are specific rules that have been added that cannot be catered for by the Risk Score Rules. These are rules that apply to Remitters and Beneficiaries that are not related to transactions. For example, If a remitter sends from different physical branches over a period of 1 month, you may want to increase the risk score, or the remitter sends to multiple countries in one month, or to multiple beneficiaries, or there is an increase on the number of transactions from previous months, etc.

The above risk score rules can be configured by the administrator on the system in the configuration setting COMPLIANCE_RISK_SCORING (see System Configuration Settings).

```

❏ ▼ object {5}
❏ enabled : ☒ true
❏ ▼ remitter {5}
❏ enabled : ☒ true
❏ ▼ score {7}
❏ initial_score : 40
❏ hard_compliance_fail_score : 20
❏ soft_compliance_fail_score : 15
❏ pending_payment_trans_create_score : 3
❏ no_compliance_fail_decrease_score : -5
❏ soft_compliance_cleared_decrease_score : -10
❏ pending_payment_trans_cleared_decrease_score : -3
❏ ► nationality_score {1}
❏ ► name_screen_score {3}
❏ ► organisation_type {2}
❏ ▼ beneficiary {5}
❏ enabled : ☒ true
❏ min_benef_duplicate_no_for_duplicate_creation_scoring : 5
❏ ► score {6}
❏ ► nationality_score {1}
❏ ► name_screen_score {3}
❏ ▼ extra_tests {9}
❏ ► RemitterMultipleBranches {4}
❏ ► ReceiveSendMoney {4}
❏ ► DiffNationalityRemitterBenef {3}
❏ ► RemitterSendMultipleCountries {4}
❏ ► BenefReceiveFromMultiCountries {4}
❏ ► DiffSourceCountryBenefNationality {3}
❏ ► RemitterSendMultiBenefNationalities {4}
❏ ► BenefIsOrgContainingInNameKeywords {4}
❏ ► RemitterMoreTransThanAverage {5}
❏ ► colour_coded_risk_score_labels {4}

```


Risk Scores on Source and Destination Countries

A risk score can be applied based on the source or destination country to indicate the risk level of a particular country.

You can add the score in the Source and Destination Country screen. There is a Risk Score field at the bottom:

Risk Score	<input type="text"/>
(The value entered here will be added to the remitter score on remitter creation)	
Submit	

Risk Scores on Compliance Rules

Risk scores can also be added to compliance rules (see Velocity Check Rules). At the bottom of each rule, a score can be applied. This can increase or decrease the risk score of the remitter or beneficiary if the compliance rule is triggered during transaction creation checks.

Note: The amount to increase/decrease the risk score by when this rule triggers	
Remitter Risk Increase Value	<input type="text"/>
Beneficiary Risk Increase Value	<input type="text"/>
Submit	

The compliance rule can also hold the transaction for checks based on rules that are triggered by the Remitter Risk Threshold or the Beneficiary Risk Threshold. This can be found in the section RULE AMOUNTS AND NUMBERS OVER PERIOD section of the Velocity Check Rule.

Risk Score Rules Engine

There is a Risk Score Rules engine that allows for the creation of custom rules. These rules will apply to Remittance and FX transactions, where applicable. (See in settings under Compliance Settings → Risk Score Rules).

Add Risk Score Rule

Custom Risk Score Rules can be created here and they will be applied to Transactions when they are created. Depending on the Outcome the Risk Score of Remitter and Beneficiary will be updated.

Edit Risk Score Rule		
Name *	<input type="text"/>	
Status	Enabled	▼
Override rule	<input type="text"/>	(Specify rule ID)
CRITERIA FOR RULE TO APPLY		
<i>Conditions under which the rule will apply. Leave entries blank to not filter by that item.</i>		
Source Country	<input type="text"/>	<input type="checkbox"/> Exclude source country from rule
Destination Country	<input type="text"/>	<input type="checkbox"/> Exclude destination country from rule This field does not apply to FX Transactions
Agent	<input type="text"/>	<input type="checkbox"/> Exclude agent from rule
Transaction Type	FX/Remittance	▼
Transfer Type	<input type="text"/>	<input type="checkbox"/> Exclude transfer type from rule
Creation Channel	All	<input type="checkbox"/> Exclude channel from rule This field does not apply to FX Transactions
Remitter Residency	<input type="text"/>	▼
Remitter Organisation Type	<input type="text"/>	<input type="checkbox"/> Exclude remitter organisation type from rule
Remitter Nationality	Please Select ...	▼
Remitter Groups	<input type="text"/>	<input type="checkbox"/> Exclude group from rule
Remitter Registration Type	<input type="text"/>	<input type="checkbox"/> Exclude remitter registration type from rule
Beneficiary Nationality	Please Select ...	<input type="checkbox"/> This field does not apply to FX Transactions
Service Level	<input type="text"/>	<input type="checkbox"/> Exclude service level from rule This field does not apply to FX Transactions

The rules have similar sections to the Compliance Rules, that can be triggered using many of the similar criteria. In this case, the rules will increase the risk score.

Risk Score Log and Reporting

On the Remitter and Beneficiary profile, the risk rules that have been triggered are listed in the Risk Score Log.

Beneficiary Risk Score Logs

This page shows the risk logs for the Beneficiary. The logs are ordered from most recent update to least recent update. The maximum score that can be reached is 100. The minimum score that can be reached is 0.

	Event	Score Before	Score Added	Score After	Date	Trans. Ref.	Notes
1	ADD_NAME_SCREEN_SCORE	40	5	45	18 Mar 2020 03:54:09 PM		

This gives a breakdown of the scores that were added and deducted to determine the risk level of the Remitter or Beneficiary. This will log every single risk rule that has been triggered.

There is also a Risk Rules Report that can be generated. This shows all the custom risk score rules that were triggered that apply to the remittance and FX transactions based on the criteria selected. (see Reports → Compliance Reports → Risk Score Rules Report)



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London
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United Kingdom

T: +44 (0)208 099 5795
E: sales@remitone.com

Support
W: support.remitone.com
E: support@remitone.com

Sales & Marketing
E: marketing@remitone.com

Accounts
E: billing@remitone.com