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BSA Risk Assessment

Report Issue Date:

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# Introduction:

The Bank Secrecy Act Risk Assessment (BSA RA) is a comprehensive evaluation tool designed to assess the inherent risks associated with the bank's operations and the effectiveness of the controls in place to mitigate these risks. Inherent risks, by nature, are the potential risks that exist without any controls or actions taken by the bank. These risks can arise from various factors, including the bank's size, complexity, locations, customer base, products, and services.

For this assessment, we have identified the following inherent risks:

1. **Customer Risk**: The risk arising from the type of customers the bank serves, especially those who engage in cash-intensive businesses, are non-residents, or have affiliations with high-risk jurisdictions.
2. **Product and Service Risk**: The risk associated with certain bank products or services that can be easily abused for money laundering or terrorist financing.
3. **Geographic Risk**: The risk stems from the bank's operations or transactions with high-risk jurisdictions.
4. **Operational Risk**: The risk arising from inadequate or failed internal processes, people, systems, or external events.

To address these inherent risks, the bank has implemented a series of mitigating controls:

1. **Customer Due Diligence (CDD)**: Enhanced due diligence procedures for high-risk customers.
2. **Transaction Monitoring**: Advanced systems to monitor and flag suspicious transactions.
3. **Employee Training**: Regular training sessions for employees on BSA/AML compliance.
4. **Internal Audits**: Periodic internal reviews to ensure compliance with BSA/AML regulations.

The Bank Secrecy Act (BSA) Risk Assessment (RA) is a crucial component of a financial institution's anti-money laundering (AML) program. It provides a structured methodology to evaluate the potential risks associated with various banking activities, products, services, and customer types. By identifying and categorizing these risks, institutions can better allocate resources, implement appropriate controls, and ensure compliance with regulatory requirements.

The inherent risk assessment is the initial step in the BSA RA process. It focuses on identifying potential risks without considering the mitigating controls in place. The assessment evaluates various risk categories, such as customer base, international accounts, electronic banking, and more, and classifies them into three risk levels: Low, Moderate, and High. Each risk category is further defined by specific criteria determining its risk level.

# Objective:

The primary objective of the BSA RA is to provide a structured and consistent approach to assess the bank's exposure to money laundering and terrorist financing risks. By identifying inherent risks and evaluating the strength of the mitigating controls in place, the assessment aims to:

1. Ensure that the bank clearly understands its risk profile.
2. Confirm that the bank's AML program is tailored to effectively manage and mitigate its specific risks.
3. Provide a foundation for continuous improvement by highlighting areas where additional controls or enhancements may be needed.
4. Assist in prioritizing resources and efforts in the most risk-sensitive areas.
5. Ensure compliance with regulatory requirements and demonstrate the bank's commitment to maintaining a robust AML program.

By conducting this assessment, the bank reaffirms its dedication to preventing money laundering and terrorist financing activities, ensuring the safety and soundness of its operations, and upholding its reputation in the financial industry.

The purpose of having a BSA RA is to provide a comprehensive and systematic evaluation of the inherent risks associated with the institution's operations. This assessment aims to:

1. **Identify Potential Risks**: Understand the various risk categories and the specific criteria contributing to their risk levels.
2. **Categorize Risks**: Classify each risk category into Low, Moderate, or High risk based on the provided criteria.
3. **Prioritize Resources**: By understanding the inherent risks, institutions can prioritize areas that require more attention and resources.
4. **Inform Decision Making**: The assessment results can guide the development and implementation of effective AML policies, procedures, and controls.
5. **Ensure Regulatory Compliance**: A thorough risk assessment ensures the institution meets regulatory requirements and demonstrates a proactive approach to managing and mitigating AML risks.

The tables in this extract offer a detailed breakdown of various risk categories, criteria, and classification into risk levels. This assessment will serve as a foundation for the next step, evaluating the mitigating controls.

# Scoring Methodology:

The scoring methodology for the assessment table is designed to provide a comprehensive and objective evaluation of {CLIENT}'s banking services across various categories. The methodology is based on a systematic approach that considers the inherent risks associated with each category and the effectiveness of the mitigating controls in place. Here's a breakdown of the methodology:

**Understanding the Categories:**

* Each category represents a specific area or process within the bank's operations.
* The unique and control codes serve as identifiers to ensure clarity and consistency in the assessment process.

**Evaluation Criteria:**

* For each category, specific criteria have been defined for ratings of "Strong (3)", "Adequate (2)", and "Weak (1)".
* These criteria are based on industry best practices, regulatory guidelines, and the bank's internal policies.

**Scoring Mechanism:**

* **Strong (3):** This rating is awarded when the bank meets the highest standards set for the category. It indicates that the bank has robust processes that align with best practices and regulatory requirements.
* **Adequate (2):** This rating is given when the bank meets the basic requirements for the category but may have areas for improvement. It suggests that while the bank is compliant, there's potential for enhancing the processes.
* **Weak (1):** This rating is assigned when the bank fails to meet the minimum requirements for the category. It highlights areas of concern that need immediate attention.

**Comments and Documentation:**

* The "Comments" section allows the assessor to provide specific feedback, highlight areas of concern, or commend the bank for its practices.
* The "Document(s)" section is crucial for validation. It requires the bank to provide evidence supporting its practices, ensuring transparency and accountability.

**Calculation of Residual Risk:**

* The inherent risk associated with each category is weighed against the effectiveness of the mitigating controls.
* The logic provided in the table determines the residual risk, ensuring a systematic approach to risk assessment.

**Final Assessment:**

* Once all categories have been evaluated, an overall score is calculated for the bank.
* This score provides a snapshot of the bank's risk profile and the effectiveness of its controls.
* The bank can then use this score to prioritize areas for improvement and develop action plans.

**Conclusion:**

The assessment table and scoring methodology provide a structured and objective framework for evaluating {CLIENT}'s banking services. By adhering to this methodology, the bank can maintain high standards, remain compliant with regulations, and continuously strive for improvement.

# 

# Risk Matrix

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Code | FFIEC Appendix | Category # | **«CLIENTINFO»**  **BSA/AML RISK MATRIX**  **As of «PRINTDATE»** |  |  |  |
| Category | Inherent Risk | Mitigating Controls | Residual Risk |
| «CODE» | «RowInFFIECAppendix» | «CATEGORYNUMBER» | «Category» | «InherentRisk» | «MitigatingControls» | «ResidualRisk» |

# Inherent Risk and Mitigating Controls

{Insert BSA-RA Here}

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Code** | **Risk Category** | | **Low Risk** | **Moderate Risk** | **High Risk** | **Inherent Risk** | Inherent Risk Score | Mitigating Control | Mitigating Control Score | Residual Risk | Category # | Row in FFIEC Appendix M |
| **CB** | Customer Base | | Stable homogenous community bank, customers are predominately consumers. | Customer base increasing due to branching, merger, or acquisition. Customer base is regional. | Customer base derived from doing business in high risk geographic locations (domestic and foreign) or a diverse metropolitan area. | **High** | 3 | Weak | 1 | 3 | 1 | 1 |
|  | **#** | **Category** | **Strong (3)** | **Adequate (2)** | **Weak (1)** | **Score** | **Comments:** | | | **Document(s)** | | |
| Average Score | **CB-1** | Policy / Procedures | Policy / Procedures are thorough, detailed and updated as necessary to reflect changes to the bank’s customer base. | Policy / Procedures are adequate however, have not been updated to reflect changes to the bank’s customer base. | Policy / Procedures do not exist or are significantly incomplete. | **2** |  | | |  | | |
| Average Score | **CB-2** | CIP Documentary / Non-Documentary Verification | The CIP verification process adequately verifies customers within a reasonable time after account opening. The process is well- tracked and exceptions are followed up in a timely manner. | The CIP verification process is adequate, yet the exception process is poorly tracked and follow-up is not conducted in a timely manner. Exception process is poorly tracked and follow up is not timely. | The CIP verification process does not allow for verification of customers within a reasonable time. | **1** |  | | |  | | |
| Average Score | **CB-3** | Know Your Customer | The KYC procedures are commensurate with the risk posed. | KYC procedures exist but need strengthening given the risk posed by business products, services and customers. | KYC procedures do not exist or exist but are incomplete. | **1** |  | | |  | | |
| Average Score | **CB-4** | Enhanced Due Diligence | The bank has automated processes to identify high-risk customers at account opening. The information is communicated to the front line. | The bank has a limited, cumbersome and manual high-risk customer identification process. | No process to identify high-risk customers at account opening. | **1** |  | | |  | | |
| Average Score | **CB-5** | Training | All appropriate staff receives CIP training annually. | Most staff receives CIP training however tracking is ineffective to identify possible gaps. | Staff does not receive CIP training and there is no tracking mechanism. | **1** |  | | |  | | |
| Average Score | **CB-5** | Fraud Detection | A mostly automated fraud monitoring system to address electronic banking products. | Mostly manual fraud monitoring is conducted to identify fraudulent activity in electronic banking products. | No fraudulent activity monitoring of electronic banking products exist. | **1** |  | | |  | | |
| Average Score | **CB-6** | Record Retention | Records are maintained in accordance with applicable laws and regulations. | Records are generally available but may be incomplete. | There is no formal record retention policy. | **1** |  | | |  | | |
| Average Score | **CB-7** | Risk Rating System | The bank maintains an automated risk rating system. | The bank maintains a manual risk rating system. | The bank does not have a risk rating system. | **1** |  | | |  | | |
| Average Score | **CB-8** | Special Measures | The bank has procedures in place to comply with Section 311 of the USA PATRIOT Act which governs special measures. | The bank has procedures in place to comply with Section 311 of the USA PATRIOT Act, however, the procedures need strengthening. | The bank does not have procedures in place to comply with Section 311 of the USA PATRIOT Act which governs special measures. | **1** |  | | |  | | |
| Average Score | **CB-9** | PEP Screening | There is an automated process for PEP screening at onboarding and continuous screening. | There is a highly manual process for PEP screening at onboarding and continuous screening is not available. | There is no process for PEP screening. | **1** |  | | |  | | |
| Average Score | **CB-10** | Suspicious Activity Detection | Mostly automated suspicious activity monitoring system to monitor customer accounts. | Mostly manual monitoring is conducted to identify suspicious activity to monitor customer accounts. | No suspicious activity monitoring of customers referred by deposit brokers. | **1** |  | | |  | | |
| Average Score | **CB-11** | Fraud Detection | The bank has a comprehensive automated monitoring system to detect fraud in transaction interfaces (teller activity, checks processing, electronic banking, ACH). | The bank has a less comprehensive automated monitoring system to detect fraud in some transaction interfaces (teller activity, checks processing, electronic banking, ACH). | The bank does not have an automated monitoring system to detect fraud. | **1** |  | | |  | | |
| Average Score | **CB-12** | 3rd Party Reliance | The bank does not rely on third parties to perform CIP. | The bank does rely on 3rd parties, however, due diligence was performed and adequate procedures are maintained. | The bank relies on third parties to perform CIP and has not performed due diligence on those parties. | **1** |  | | |  | | |
| Average Score | **CB-13** | Customer Termination | Management agrees to all customer termination requests from the BSA Officer. | Management agrees to BSA Officer requests; however, there are instances when management has requested exceptions and received CEO approval. | Management has disagreed with the BSA Officer request for customer termination and failed to provide a reasonable explanation, which the CEO approved. | **1** |  | | |  | | |
| **NRA** | NRA customers | | The institution does not have any NRA accounts | Moderate level of NRA accounts from lower- risk geographies | Significant number of NRA accounts from higher-risk geographies | **High** | 3 | Weak | 1 | 3 | 1.1 | - |
| Average Score | **NRA-1** | Overseas Verification Controls | Procedures for account witnessing with overseas verification is thorough and detailed. Local approval is required prior to account opening. | Procedures are adeaquate, however, they have not been updated to reflect the risk posed by account witnessed with overseas verficiation. Approval is not required by the BSA Team prior to account opening. | Procedures for account witnessing with overseas verification do not exist. | **1** |  | | |  | | |
| **IA** | International accounts | | Few international accounts or very low volume of currency activity in the accounts. | Moderate level of international accounts with unexplained currency activity. | Large number of international accounts with unexplained currency activity. | **High** | 3 | Weak | 1 | 3 | 1.2 | 7 |
| Average Score | **IA-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by international accounts. | Policies and procedures exist to manage risk posed by international accounts; however, they must be strengthened. | No policies and procedurs exist to manage the risks associated by international accounts. | **1** |  | | |  | | |
| **EM** | Embassy, Consulate & Mission Accounts | | The institution does not have any Embassy Conulate or Mission accounts. | Moderate level of Embassy Conulate or Mission accounts. Accounts. | Significant number of Embassy Consulate & Mission accounts from medium and high risk geographies | **High** | 3 | Weak | 1 | 3 | 1.3 | - |
| Average Score | **EM-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by embassy and consulate accounts. | Policies and procedures for exist to manage risk posed by consulate and embassy accounts; however, they must be strengthened. | No policies and procedurs exist to manage the risks associated by consuate and embassy accounts. | **1** |  | | |  | | |
| **BD** | Brokered deposits | | The institution does not have any brokered deposits | Moderate level of brokered deposits from a few well known low risk brokers. | Large amount of brokered deposits from a wide variety of brokers, some of which are not well known to bank and offers other high risk services such as establishing shell companies in high risk geographies. | **High** | 3 | Weak | 1 | 3 | 1.4 | - |
| Average Score | **BD-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by deposit brokers. | Policies and procedures for exist to manage risk posed by deposit brokers; however, they must be strengthened. | No policies and procedures exist for to manage risks posed deposit brokers. | **1** |  | | |  | | |
| **MSB** | MSBs & Other Nonbank FI | | The institution does not have any relationships with non-bank financial institutions (NBFIs) or MSBs. | The institution maintains relationships with a few NBFIs and ONLY registered MSBs or agents of MSBs. | The institution maintains relationships with a large number of NBFIs, including unregistered and foreign NBFIs. | **High** | 3 | Weak | 1 | 3 | 1.5 | - |
| Average Score | **MSB-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by MSB and NBFI customers. | Policies and procedures for exist to manage risk posed by MSB and NBFI customers; however, they must be strengthened. | No policies and procedures exist for to manage MSB and NBFI customers | **1** |  | | |  | | |
| **TP** | Third party payment processors | | The institution does not maintain accounts for Third Party Payment Processors (customers that use their commercial deposit account at the institution to provide payment-processing services to merchants and other business entities). | The institution maintains accounts for Third Party Payment Processors and is able to identify and understand the nature and source of the transactions processed through the account and has policies that require the institution to authenticate the processor’s business operations and assess their risk level. | The institution maintains accounts for Third Party Payment Processors and/or is NOT able to identify and understand the nature and source of the transactions processed through the account and does NOT have policies that require the institution to authenticate the processor’s business operations and assess their risk level. | **High** | 3 | Weak | 1 | 3 | 1.6 | - |
| Average Score | **TP-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by TPPPs. | Policies and procedures for exist to manage risk posed by TPPPs; however, they must be strengthened. | No policies and procedures exist for to manage TPPPs. | **1** |  | | |  | | |
| **IG** | Internet gambling | | The institution does not do business with customers engaged in Internet Gambling by policy and obtains verification from all commercial customers that no Internet gambling business transactions will be conducted. | Minimal number of Internet gambling business customers with legal documentation and verification by all other commercial customers that no Internet gambling business transactions are conducted. | Institution's account opening procedures do not include certifying that commercial customers are not going to engage in Internet Gambling. | **High** | 3 | Weak | 1 | 3 | 1.7 | - |
| Average Score | **IG-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by TPPPs. | Policies and procedures for exist to manage risk posed by TPPPs; however, they must be strengthened. | No policies and procedures exist for to manage TPPPs. | **1** |  | | |  | | |
| **HR** | High risk customers | | Few high-risk customers and businesses and institution has developed a customer risk rating process. | A moderate number of high-risk customers and businesses (e.g., check cashers, convenience stores, wire remitters, cases de cambio, import/export companies, offshore corporations, politically exposed persons (PEPs), non-resident aliens, and foreign customers, and customers maintaining privately-owned ATMs) | A high number of high-risk customers and businesses (e.g., check cashers, convenience stores, wire remitters, cases de cambio, import/export companies, offshore corporations, PEPs, non-resident aliens, and foreign customers) or the institution has not developed a Customer Risk-Rating Process. | **High** | 3 | Weak | 1 | 3 | 2 | 4 |
| Average Score | **HR-1** | CIP Policy / Procedures | CIP Policy/Procedures are thorough, detailed and updated as necessary to reflect changes to the bank’s high customer base. The CIP process verifies customers within reasonable time after account opening. The process is well tracked and exceptions are followed up on in a timely manner. | CIP Policy/Procedures are adequate however, have not been updated to reflect changes to the bank’s high customer base. Exception process is poorly tracked and follow up is not timely. | CIP Policy/Procedures do not exist or are significantly incomplete. | **1** |  | | |  | | |
| Average Score | **HR-2** | Know Your Customer | The KYC procedures are commensurate with the risk posed by high risk customers. | KYC procedures exist but need strengthening given the risk posed by high risk customers. | KYC procedures do not exist or exist but are incomplete. | **1** |  | | |  | | |
| **HRL** | High risk customers - loans | | Consumer, commercial, and credit card loans are offered to U.S. citizens only; No loans secured by cash collateral. | Consumer, commercial, and credit card loans are offered to both U.S. citizens and a small number of non-resident aliens. Few loans secured by cash collateral. | Consumer, commercial and credit card loans are offered to both U.S. citizens and a high number of non-resident aliens or persons outside the US, particularly those located in high risk jurisdictions. Possibly a high number of loans with collateral located outside the US or significant amount of loans secured by cash collateral. | **High** | 3 | Weak | 1 | 3 | 2.1 | - |
| Average Score | **HRL-1** | Policies & Procedures | Policies and procedures for loan customers have been developed to manage risks posed by higher risk loan customers. | Policies and procedures for loan customers exist to manage risk posed by higher risk loan customers, however, however, they must be strengthened. | No policies and procedures exist for loan customers. | **1** |  | | |  | | |
| **EB** | Electronic banking | | Traditional Deposit and Non-Deposit Account Services are offered in person only; these consist of Time Deposits, Savings Deposits, and Transaction Accounts. ATM cards issued to consumers only. No electronic banking (e-banking) or the web site is informational/non-transactional. | The institution offers ATM/Debit cards to business customers and limited e-banking products and services (i.e., account transfers, bill payment), accounts opened via internet with prior face to face relationship.) | The institution offers a wide array of e-banking products and services (i.e., account transfers, e-bill payment, Remote Deposit Capture, Accounts opened via Internet without prior relationship) | **High** | 3 | Weak | 1 | 3 | 3 | 2 |
| Average Score | **EB-1** | Customers | Electronic banking products or services are only available to bank customers and subject to applicable customer controls. | Certain low risk electronic banking products or services are available to non-customers who are not subject to applicable customer controls. | Electronic banking products or services are available to non-customers who are not subject to applicable customer controls. | **1** |  | | |  | | |
| Average Score | **EB-2** | Policies & Procedures | Policies and procedures for electronic banking have been developed to manage risks posed by higher risk electronic banking products and services. | Policies and procedures for electronic banking exist to manage risk posed by higher risk electronic banking products and services, however, they must be strengthened. | No policies and procedures exist for electronic banking. | **1** |  | | |  | | |
| **SV** | Prepaid Access | | The Institution does not offer electronic cash (e-cash) or prepaid or stored value cards. | The institution sells a moderate number of e-cash products or prepaid or stored value cards, but with restrictions (i.e. limits on loads/transactions, controls on number cards purchased) | The institution sells a moderate number of e-cash products or prepaid or stored value cards, but with restrictions (i.e. limits on loads/transactions, controls on number cards purchased) | **High** | 3 | Weak | 1 | 3 | 3.1 | - |
| Average Score | **SV-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by e-cash and store value cards. | Policies and procedures have been developed to manage risks posed by e-cash and store value cards, however, they must be strengthened. | Policies and procedures have not been developed to manage risks posed by e-cash and store value cards. | **1** |  | | |  | | |
| **CI** | Cash intensive businesses | | There are few or no large currency or structured transactions. | There is a moderate volume of large currency or structured transactions and only conducted by domestic customers. | There is a significant volume of large currency or structured transactions. | **High** | 3 | Weak | 1 | 3 | 4 | 3 |
| Average Score | **CI-1** | Suspicious Activity Detection | Mostly automated suspicious activity monitoring system to address cash products. | Mostly manual monitoring is conducted to identify suspicious activity in electronic banking products. | No suspicious activity monitoring of electronic banking products exist. | **1** |  | | |  | | |
| **CTR** | CTR filings | | Relative to the overall customer base there are few or no CTR filings. | Relative to the overall customer based there is a moderate volume of CTR filings. | Relative to the overall customer based there is a significant volume of CTR filings. | **High** | 3 | Weak | 1 | 3 | 4.1 | - |
| Average Score | **CTR-1** | CTR Filing | CTR filing process is centralized in the compliance function or de-centralized with uniform and consistent procedures. . | CTR filing process is not centralized rather each branch files own CTR and there are no uniform filing procedures. | CTR filing process is ad-hoc or non-existent. | **1** |  | | |  | | |
| Average Score | **CTR-2** | CTR Quality | Low volume of correspondence from FINCEN indicates that CTRs are accurate. | Volume of correspondence from the FINCEN indicates some errors in CTR reporting. | Volume of correspondence from FINCEN indicates a substantive volume of CTR reporting errors. | **1** |  | | |  | | |
| Average Score | **CTR-3** | CTR Exemptions | Low number of CTR customers relative to the overall customer base. | Moderate number of CTR exempt customers relative to the overall customer based. | High number of CTR exempt customer relatives to the overall customer base. | **1** |  | | |  | | |
| **LC** | Letters of credit | | The institution does not have any trade financing relationships. | The institution has a few trade financing relationships, consisting mostly of domestic Letters of Credit. . | The institution has a large number of trade financing relationships, including foreign Letters of Credit from international high-risk jurisdictions. | **High** | 3 | Weak | 1 | 3 | 5 | - |
| Average Score | **LC-1** | Customer Base / Credit Issuance | Letters of Credit import issuance are only available to bank customers and subject to applicable customer controls. | Letters of Credit import issuance is available to non-customers who are not subject to applicable customer controls, however, a risk assessment was performed and specific controls were implemented. | Letters of Credit import issuance are available to non-customers who are not subject to applicable customer controls. | **1** |  | | |  | | |
| Average Score | **LC-2** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by letters of credit. | Policies and procedures for exist to manage risk posed by letters of credit, however, they must be strengthened. | No policies and procedures exist for to manage risks posed by letters of credit. | **1** |  | | |  | | |
| Average Score | **LC-3** | Suspicious Activity Detection | Mostly automated suspicious activity monitoring system to address letters of credit. | Mostly manual monitoring is conducted to identify suspicious activity in letters of credit. | No suspicious activity monitoring of letters of credit. | **1** |  | | |  | | |
| Average Score | **LC-4** | High Risk Country Report | High risk country report is produced, used by AML transaction monitoring system and distributed to all appropriate staff to identity and mitigate geographical risk exposures within the business. | High risk country report has been produced but is not fully utilized by the AML transaction monitoring system, nor, is the analysis of high risk countries used by staff to identify and mitigate geographical risk exposures within the business. | High risk country report has not been developed. | **1** |  | | |  | | |
| **CO** | Other Trade Services (Collections & Collection Financing) | | The institution does not have any trade financing relationships. | The institution has a few trade financing relationships, consisting mostly of domestic Letters of Credit. . | The institution has a large number of trade financing relationships, including foreign Letters of Credit from international high-risk jurisdictions. | **High** | 3 | Weak | 1 | 3 | 5.1 | - |
| Average Score | **CO-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by inward, outward collection and short term financing. | Policies and procedures for exist to manage risk posed by inward, outward collection and short term financing, however, they must be strengthened. | No policies and procedures exist for to manage risks posed by inward, outward collection and short term financing. | **1** |  | | |  | | |
| Average Score | **CO-2** | Suspicious Activity Detection | Mostly automated suspicious activity monitoring system. | Mostly manual monitoring is conducted to identify suspicious activity. | No suspicious activity monitoring. | **1** |  | | |  | | |
| Average Score | **CO-3** | High Risk Country Report | High risk country report is produced, used by AML transaction monitoring system and distributed to all appropriate staff to identity and mitigate geographical risk exposures within the business. | High risk country report has been produced but is not fully utilized by the AML transaction monitoring system, nor, is the analysis of high risk countries used by staff to identify and mitigate geographical risk exposures within the business. | High risk country report has not been developed. | **1** |  | | |  | | |
| **FC** | Foreign correspondent accounts pouch activities & currency shipments | | No foreign correspondent bank accounts. The institution does not engage in pouch activities, offer special use or payable through accounts (PTAs), or provide U.S. dollar draft services or engage in Bulk Currency Shipment. | The institution has a few foreign correspondent bank accounts, but typically with low-risk countries, and minimal pouch activities, special use or PTAs, U.S. dollar draft services or Bulk Currency Shipment relationships for customers not located in High Risk Geographies. | The institution maintains a large number of foreign correspondent bank accounts, particularly located in high-risk jurisdictions, or offers substantial pouch activities, special use or PTAs, U.S. dollar draft services or Bulk Currency Shipment relationships, including customers located in High Risk Geographies. | **High** | 3 | Weak | 1 | 3 | 6 | 5 |
| Average Score | **FC-1** | Foreign Correspondent Accounts | Policies and procedures have been developed to manage risks posed by foreign correspodent accounts. | Policies and procedures have been developed to manage risks posed by foreign correspondent accounts, however, they must be strengthened. | No policies and procedures have been developed to manage risks posed by foreign correspodent accounts. | **1** |  | | |  | | |
| **FBAR** | FBAR | | The instition does not have a financial interest in, or signature or other authority over, bank, securities, or other financial accounts in a foreign country and the institition is not required to file a Report of Foreign Bank and Financial Accounts (FBAR) for customer accounts, including trust accounts, in which the bank has a financial interest or over which it has signature or other authority. | The instition has a few accounts which financial interest in, or signature or other authority over, bank, securities, or other financial accounts in a foreign country and the institition is not required to file a Report of Foreign Bank and Financial Accounts (FBAR) for a few customer accounts, including trust accounts, in which the bank has a financial interest or over which it has signature or other authority. | The instition has a financial interest in, or signature or other authority over, bank, securities, or other financial accounts in a foreign country and the institution is not required to file a Report of Foreign Bank and Financial Accounts (FBAR) for a large number of customer accounts, including trust accounts, in which the bank has a financial interest or over which it has signature or other authority. | **High** | 3 | Weak | 1 | 3 | 6.1 | - |
| Average Score | **FBAR-1** | Foreign Bank and Financial Accounts | The bank has policies to require at least two persons of comparatively senior level to open accounts at foreign institutions, limits the authorized signers to such accounts to employees of appropriate level and responsibility to have such authority, prohibits their use by other parties and requires regular reconciliation by persons with no other involvement with the accounts. | The bank has policies regarding the opening, maintenance and regular reconciliation of its accounts with foreign institutions but the policies would benefit from enhancement | The bank does not have policies regarding the opening, maintenance and regular reconciliation of its accounts with foreign institutions. | **1** |  | | |  | | |
| **P** | Pouch Activities | | No foreign correspondent bank accounts. The institution does not engage in pouch activities, offer special use or payable through accounts (PTAs), or provide U.S. dollar draft services or engage in Bulk Currency Shipment. | The institution has a few foreign correspondent bank accounts, but typically with low-risk countries, and minimal pouch activities. | The institution maintains a large number of foreign correspondent bank accounts, particularly located in high-risk jurisdictions, or offers substantial pouch activities. | **High** | 3 | Weak | 1 | 3 | 6.2 | - |
| Average Score | **P-1** | Currency Shipments | The Bank does not accept currency shipments from customers. | The Bank accepts currency shipments from customers, however, has limited its use and has implemented appropriate policies and procedures. | The Bank accepts currency shipments from .high risk customers or customers in high risk geographic regions. | **1** |  | | |  | | |
| Average Score | **P-2** | Pouch Activities | The bank does not offer pouch services to customers. | The bank offers pouch services, however, has limited its use and has implemented appropriate policies and procedures. | The bank offers pouch services to high risk customers or customers in high risk geographic regions. | **1** |  | | |  | | |
| **PB** | Private banking | | The institution does not have a trust department or provide private banking services. | The institution offers limited domestic private banking services and has a trust department that offers accounts that are predominantly institution-controlled. | Significant domestic and international private banking and trust activities. Private banking or trust department is growing. Products offered include investment management services, and trust accounts are predominantly customer controlled verses institution controlled accounts. | **High** | 3 | Weak | 1 | 3 | 7 | 6 |
| Average Score | **PB-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by the type of private banking services offered. | Policies and procedures have been developed to manage risks posed by the type of private banking services offered, however, they must be strengthened. | No policies and procedures have been developed to manage risks posed by the type of private banking services offered. | **1** |  | | |  | | |
| **ND** | NDIP & insurance | | The institution does not offer Non-Deposit Investment (NDIP) or Insurance products. (Leasing the bank’s lobby space to a financial services corporation to sell NDIPs as long as the third party clearly differentiates itself from the bank is not considered "offering" a product) | Moderate level of traditional NDIP and insurance services with low risk regional partner prohibiting offshore accounts, agency accounts, and unidentified beneficiaries. | The institution offers no deposit investment products (NDIP) and insurance involving complex legal arrangements, rapidly moving large dollars, and portfolios controlled directly by clients. | **High** | 3 | Weak | 1 | 3 | 8 | - |
| Average Score | **ND-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by NDIP and Insurance customers. | Policies and procedures for exist to manage risk posed by NDIP and Insurance customers. however, they must be strengthened. | No policies and procedures exist for to manage risks posed by NDIP and Insurance customers. | **1** |  | | |  | | |
| **FT** | Funds transfers - domestic | | Limited number of funds transfers for customers and no international funds transfers. | A moderate number of funds transfers including non customers. A few international funds transfers from personal or business accounts with typically low-risk countries. | A high number of non-customer funds transactions and payable upon proper identification (PUPID) activity. Frequent funds from personal or business accounts to/from high-risk jurisdictions, financial secrecy havens or jurisdictions that are uncooperative in the fight against money laundering. Remittance services offered. | **High** | 3 | Adequate | 2 | 2 | 9 | 8 |
| Average Score | **FT-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by fund transfers. | Policies and procedures for exist to manage risk posed by funds transfers; however, they must be strengthened. | No policies and procedures exist for to manage funds transfers. | **1** |  | | |  | | |
| Average Score | **FT-2** | Suspicious Activity Detection | Mostly automated suspicious activity monitoring system to address wire transfers. . | Mostly manual monitoring is conducted to identify suspicious activity in wire transfers. | No suspicious activity monitoring of wire transfers exists. | **2** |  | | |  | | |
| **CBW** | Funds transfers - foreign | | Limited number of funds transfers for customers and no international funds transfers. | A moderate number of funds transfers including non customers. A few international funds transfers from personal or business accounts with typically low-risk countries. | A high number of non-customer funds transactions and payable upon proper identification (PUPID) activity. Frequent funds from personal or business accounts to/from high-risk jurisdictions, financial secrecy havens or jurisdictions that are uncooperative in the fight against money laundering. Remittance services offered. | **High** | 3 | Strong | 3 | 2 | 9.1 | - |
| Average Score | **CBW-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by cross border remittances. | Policies and procedures for exist to manage risk posed by cross border remittances; however, they must be strengthened. | No policies and procedures exist for to manage cross border remittances. | **3** |  | | |  | | |
| Average Score | **CBW-2** | Suspicious Activity Detection | Mostly automated suspicious activity monitoring system to address wire transfers. . | Mostly manual monitoring is conducted to identify suspicious activity in wire transfers. | No suspicious activity monitoring of wire transfers exists. | **3** |  | | |  | | |
| Average Score | **CBW-3** | Third Party Remittances From China / Underground Remitters | A formal suspicious activity escalation process and wires are monitored by the Bank's automated transaction monitroing system. | An informal suspicious activity escalation process exists and wires are monitored by the Bank's automated transaction monitroing system. | No suspicious activity process exists and wires are not monitored by the Bank's automated transaction monitroing system. . | **3** |  | | |  | | |
| **ACH** | ODFI, ODFI & ACH | | Institution is an RDFI who does not originate ACH and has procedures for screening incoming IAT's and by policy no outgoing IAT's (domestic only). | Institution is an RDFI and ODFI. Limited international IAT ACH transactions and low volume online ACH origination. | Wide array of ACH services including international cross-border IAT transactions, high volume online ACH origination by corporate customers, and non-bank Internet based and third party service provider originated ACH transactions. | **Low** | 1 | Adequate | 2 | 1 | 9.2 | - |
| Average Score | **ACH-1** | Policies & Procedures | Policies and procedures have been developed to manage the risks posed by ACH, including limiting by third party service provider initiated ACH. | Policies and procedures for exist to manage risk posed by ACH, however, they must be strengthened. | No policies and procedures exist for to manage ACH. | **2** |  | | |  | | |
| **MI** | Monetary instruments | | The Monetary Instrument Log indicates that the financial institution sells a low amount of monetary instruments and sells to customers only. | The Monetary Instrument Log indicates that the financial institution sells a moderate amount of monetary instruments to customers and a small amount to non-customers. | The Monetary Instrument Log indicates that the financial institution sells a high amount of monetary instruments to customers and a moderate amount to non-customers; logs may be incomplete and sequentially numbered monetary instruments may be sold to the same customer. | **High** | 3 | Weak | 1 | 3 | 9.3 | - |
| Average Score | **MI-1** | Policies & Procedures | Policies and procedures have been developed to manage risks posed by monetary instruments. | Policies and procedures for exist to manage risk posed by monetary instruments, however, they must be strengthened. | No policies and procedures exist for to manage monetary instruments. | **1** |  | | |  | | |
| Average Score | **MI-2** | Suspicious Activity Detection | Mostly automated suspicious activity monitoring system to address electronic banking products. | Mostly manual monitoring is conducted to identify suspicious activity in electronic banking products. | No suspicious activity monitoring of electronic banking products exist. | **1** |  | | |  | | |
| **LOC-B** | Bank & Customer locations | | The institution is not located in a high intensity drug trafficking area (HIDTA) or high intensity financial crime area (HIFCA). No fund transfers or account relationships involve HIDTAs or HIFCAs. No transactions with high-risk geographies. | The institution is located in a HIDTA or HIFCA. institution has some fund transfers or account relationships that involve HIDTAs or HIFCAs. | The institution is located in a HIDTA and a HIFCA. A large number of fund transfers or account relationships involve HIDTAs or HIFCAs. | **High** | 3 | Weak | 1 | 3 | 10 | 9 |
| Average Score | **LOC-B** | Policies & Procedures | Policy and procedures are thorough, detailed and updated as necessary to reflect changes to the bank’s customer base. | Policy and procedures are adequate but have not been updated to reflect changes to the bank’s customer base. | Policy and procedures do not exist or are significantly incomplete. | **1** |  | | |  | | |
| **LOC-C** | Customer locations | | No transactions with high-risk geographies. | Minimal transactions with high-risk geographies. | Significant volume of transactions with high-risk geographies. | **High** | 3 | Weak | 1 | 3 | 10.1 | 10 |
| Average Score | **LOC-C** | Policy / Procedures | Policy and procedures are thorough, detailed and updated as necessary to reflect changes to the bank’s customer base. | Policy and procedures are adequate but have not been updated to reflect changes to the bank’s customer base. | Policy and procedures do not exist or are significantly incomplete. | **1** |  | | |  | | |
| **NP** | New products | | No new products and services have been introduced or no existing products and services changed since the last assessment. | New products and services have been introduced or existing products and services changed since the last assessment. BSA/AML was included in the risk analysis and implementation plan. | New products and services have been introduced or existing products and services changed since the last assessment. BSA/AML was NOT included in the risk analysis and implementation plan. | **High** | 3 | Weak | 1 | 3 | 11 | - |
| Average Score | **NP-1** | New Products / Services | The bank has a formal process and committee to introduce new products and services. The formal BSA risk assessment performed by senior level officer or the BSA Officer. | The bank has a formal process and committee to introduce new products and services. However, the formal process does not include a formal BSA/AML risk assessment. | The bank does not have a formal process and committee to introduce new products and services. | **1** |  | | |  | | |
| **S** | Staffing | | Low turnover of key personnel or frontline personnel (i.e., customer service representatives, tellers, or other branch personnel.) | Low turnover of key personnel, but frontline personnel in branches may have changed. | High amount of turnover, especially in key personnel positions. | **High** | 3 | Weak | 1 | 3 | 12 | 11 |
| Average Score | **S-1** | New Hire | New hires are required to take BSA/AML training within the first 30 days of hire. | New hires are required to take BSA/AML training within the first 60 days of hire. | New hires are not required to take BSA/AML training within the first 60 days of hire. | **1** |  | | |  | | |
| Average Score | **S-2** | Annual Training | Bank staff is required to attend specific BSA/AML training geared to job duties. | Bank staff is required to attend basic BSA/AML training but it is not geared to specific duties. | Bank staff is not required to attend any BSA/AML annual training. | **1** |  | | |  | | |
| Average Score | **S-3** | BSA Officer Training | BSA Officer attends specialized training each year, including, attending at least one significant regulatory compliance conference. | The BSA Officer attended certain specialized training courses, however, did not attend a regulatory compliance conference. | The BSA Officer did not attend any specialized training and did not attend a regulatory compliance conference. | **1** |  | | |  | | |
| Average Score | **S-4** | BSA Staff Training | BSA staff attends specialized training, at least, one external training course. | BSA staff attends training, however, mostly in-house training. | BSA staff does not receive any training. | **1** |  | | |  | | |
| Average Score | **S-5** | Certfications | All AML staff are CAMS certified. | Senior AML staff are CAMS certified, however, junior staff is not. | No staff is CAMS certified. | **1** |  | | |  | | |
| Average Score | **S-6** | Training Attendance | Training attendance is over 95%. | Training attendance is less than 95% but greater than 85%. | Training attendance is less than 85%. | **1** |  | | |  | | |
| Average Score | **S-7** | Staffing | Turnover in BSA staff has not resulted in any backlog of work. | Turnover in BSA staff has resulted in some backlog, however, was timely addressed. | Turnover in BSA staff has resulted in severe backlog of work. | **1** |  | | |  | | |
| **SAR** | SAR filings | | A relatively low volume of SARS have been filed on bank customers. | A moderate volume of SARs filed on bank customers. | A significant number of SARs filed on bank customers or the institution does not have a centralized SAR monitoring process, no automated SAR monitoring systems and no documented internal SAR referral system. | **High** | 3 | Weak | 1 | 3 | 13 | - |
| Average Score | **SAR-1** | Policies & Procedures | SAR policies and procedures are complete, detailed and approved by management and the Board of Directors. | SAR procedures exist but need strengthening to address certain high risk areas. . | SAR policies and procedures do not exist. | **1** |  | | |  | | |
| Average Score | **SAR-2** | SAR Quality | Low volume of correspondence from FINCEN indicates that SARs are accurate. | Volume of correspondence from the FINCEN indicates some errors in SAR reporting. | Volume of correspondence from FINCEN indicates a substantive volume of SAR reporting errors. | **1** |  | | |  | | |
| Average Score | **SAR-3** | Suspicious Activity Monitoring | Mostly automated suspicious activity monitoring system. | Mostly manual monitoring is conducted to identify suspicious activity in MSB and NBFI customers. | No suspicious activity monitoring of MSB and NBFI activity exists. | **1** |  | | |  | | |
| Average Score | **SAR-4** | SAR Filing | Mostly automated SAR filing system. | Mostly manual SAR filing system. | No SAR filing system. | **1** |  | | |  | | |

