1. Checklist for Identifying Risk in US Bank Transactions

A. Entity-Level Checks

1. Individuals (People)

- ☐ Check against **OFAC Sanctions List (SDN, non-SDN lists)**
- ☐ Verify identity using **SSN, date of birth, and public records**
- ☐ Look for **politically exposed persons (PEPs)**
- ☐ Identify **negative news/media mentions** (criminal records, fraud, financial crimes)
- ☐ Verify against **Interpol, FBI most-wanted lists**
- ☐ Check involvement in **past financial fraud, money laundering, Ponzi schemes**
- ☐ Cross-check with **terrorism financing databases (FinCEN, FATF, World Bank, etc.)**
- ☐ Check for **sudden unexplained wealth, shell entities, or offshore tax havens**
- ☐ Identify **multiple accounts linked to one person (potential identity fraud)**

2. Companies / Business Entities

- ☐ Check against **OFAC Sanctions List & BIS Entity List**
- ☐ Verify corporate identity via **SEC filings, FINCEN Beneficial Ownership Registry**
- ☐ Identify **shell companies, subsidiaries in high-risk jurisdictions**
- ☐ Check for **high cash transactions, no valid business operations (red flag for laundering)**
- ☐ Identify **directors/owners linked to past fraud, tax evasion, or legal cases**
- ☐ Verify presence in **Panama Papers, Pandora Papers, or other leaked datasets**
- ☐ Check against **adverse media for financial crime, corruption, or human trafficking**
- ☐ Identify **frequent wire transfers to high-risk or sanctioned regions**
- ☐ Look for **abnormal financial patterns (frequent round-tripping, layering)**

B. Transaction-Level Checks

- ☐ **High-risk transaction types:** Cryptocurrency, casinos, money remitters, shell firms.
- ☐ **Large, sudden transactions** without clear business justification.
- ☐ **Frequent transactions just below reporting threshold (structuring/smurfing).**
- ☐ **Wire transfers to/from high-risk countries (as per FATF).**
- ☐ **Multiple transactions with sanctioned or embargoed regions.**
- ☐ **Frequent ATM withdrawals from multiple locations (potential fraud/structuring).**
- ☐ **Transaction memo descriptions hinting at suspicious activity (e.g., "consulting," "gift," "loan repayment" without documentation).**

- ☐ Use of anonymous payment methods (crypto, prepaid cards).
- ☐ Suspicious correspondent banking transactions (involving multiple intermediary banks).
- ☐ Round-trip transactions (money moving between same parties in different locations).
- ☐ Transactions linked to known criminal enterprises, darknet markets, or scams.
- ☐ Multiple beneficiaries receiving funds from a single entity (possible layering tactic).
- ☐ Rapid inflows and outflows without clear economic rationale.
- ☐ Usage of secret channels like VPN.

2. Risk Rating Strategy (0-1 Scale)

Higher risk transactions score closer to 1; lower risk transactions score closer to 0.

Risk Factor	Weight (%)	Score (0-1 scale)
Entity Sanctions (OFAC, BIS, FATF, etc.)	25%	0 (clean) to 1 (sanctioned)
Adverse Media Mentions (Fraud, Crime, etc.)	20%	0 (clean) to 1 (criminal history)
PEP (Politically Exposed Person) Risk	15%	0 (not PEP) to 1 (high-ranking PEP)
High-Risk Jurisdiction Transactions	15%	0 (low-risk country) to 1 (high-risk country)
Suspicious Transaction Patterns	15%	0 (normal) to 1 (layering/round-tripping)
Anonymity / Shell Company Link	10%	0 (legitimate company) to 1 (shell entity)

Final Risk Score Calculation:

- Score = (Sanction Score × 0.25) + (Adverse Media × 0.20) + (PEP Score × 0.15) + (Jurisdiction Score × 0.15) + (Transaction Pattern Score × 0.15) + (Shell Company Score × 0.10)

Thresholds:

- 0 - 0.3 → Low Risk
- 0.31 - 0.6 → Medium Risk
- 0.61 - 1.0 → High Risk (Requires Review/Investigation)

3. Confidence Rating Strategy (0-1 Scale)

Measures the reliability of the risk score based on data completeness & verification strength.

Confidence Factor	Weight (%)	Score (0-1 scale)
Data Source Credibility (Official vs. Unverified)	25%	0 (low credibility) to 1 (official records)
Entity Identity Verification (KYC, Beneficial Ownership)	20%	0 (unverified) to 1 (fully verified)
Transaction Pattern Consistency	15%	0 (unknown) to 1 (clear pattern detected)
Cross-Reference with Multiple Sources	15%	0 (single source) to 1 (multiple confirmations)
Timeliness of Data (Recent vs. Old Records)	15%	0 (outdated) to 1 (real-time data)
Historical Accuracy of Risk Predictions	10%	0 (inconsistent) to 1 (highly accurate model)**

Final Confidence Score Calculation:

- Score = (Source Credibility × 0.25) + (Identity Verification × 0.20) + (Pattern Consistency × 0.15) + (Cross-Reference × 0.15) + (Timeliness × 0.15) + (Historical Accuracy × 0.10)

Thresholds:

- 0 - 0.3 → Low Confidence (Risk score may not be reliable)
- 0.31 - 0.6 → Medium Confidence (Needs additional verification)
- 0.61 - 1.0 → High Confidence (Strong data reliability)

How to Use This?

- Entities with risk scores > 0.6 should be flagged for enhanced due diligence.
- Transactions with high-risk elements should trigger Suspicious Activity Reports (SARs).
- Confidence rating helps analysts prioritize verification efforts.
    - High-confidence, high-risk → Immediate action required.
    - Low-confidence, high-risk → More data needed before action.