



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

JST Meeting

Operational Risk

AML-CFT

Siena, 11th October 2018

Agenda

1. Remedial Action Plan – state of the art
2. Staff Adequacy
3. IT Tools Adequacy



1. Remedial Action Plan

1. 1 State of the art

Following the ECB intervention from 28.09.2015 to 15.01.2016, the Bank received on 22nd December 2016 the draft of the "Follow up Letter On Site Inspection OSI 2015-ITMPS-32-33". The report highlighted delays related to the corrective actions contained in the Plan agreed with Banca d'Italia following the on-site inspection on Anti Money Laundering and Transparency carried out in 2013. In particular, the Authority expressed the following recommendations:

RECOMMENDATIONS

- 1 Complete the enhancement of first level controls by ensuring that the checks carried out by the "Network Operating Departments" are properly monitored and promptly made available to the AML function;
- 2 Define and ensure effective coordination mechanisms with branches and foreign subsidiaries;
- 3 Develop initiatives to spread the awareness of AML issues and related risks in the company's network;
- 4 Adjust the sizing of AML function, from both a qualitative and quantitative point of view;
- 5 Introduction of specific report addressed to management body with information on identified gaps and the status of related corrective actions;
- 6 Archivio Unico Informatico (Single Computer Archive): (i) define and activate procedures for automatic feeding of information from accounting records; (ii) analyze the reasons underlying the inadequacy and discontinuity of the first level controls performed by COG and activating, if necessary, related SLA and reporting the corrective actions undertaken, specifying when and how these actions will overcome the shortcomings detected in the AUI feeding process

AML-CFT Plan 2016-2017:

- 1 AML-CFT Action Plan 2017 Intervention 1.3
- 2 AML-CFT Action Plan 2016 Intervention 1.2
- 3 AML-CFT Action Plan 2016 Intervention 1.3
- 4 AML-CFT Action Plan 2016 Intervention 1.7
- 5 AML-CFT Action Plan 2016 Intervention 1.6
- 6 AML-CFT Action Plan 2016 Interventions 3.1 and 3.5

Timeline

Plan analysis and definition

30th April
2017

Implementation corrective measures

30th September
2017



1. Remedial Action Plan – state of the art

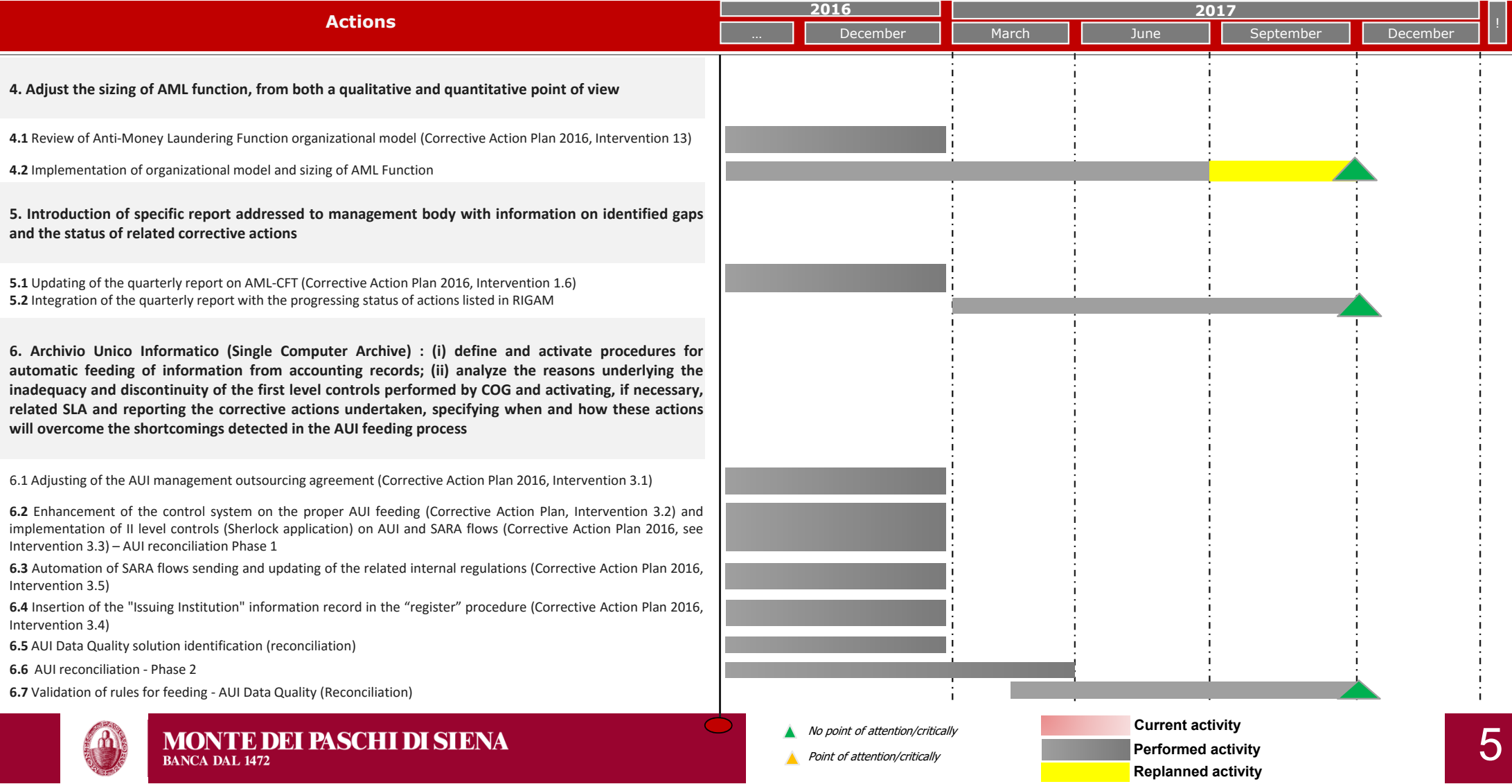
1.2 Action Plan OSI 32-33 (October 2017)

Actions	2016	2017				!
	...	December	March	June	September	December
1. Complete the enhancement of first level controls by ensuring that the checks carried out by the "Network Operating Departments" are properly monitored and promptly made available to the AML function.						
1.1 Supporting the reengineering of first level controls (Corrective Action Plan 2017, Intervention 1.3)						▲
2. Define and ensure effective coordination mechanisms with branches and foreign subsidiaries						
2.1 Strengthen the Group Organizational Model aimed to mitigate the Money Laundering and Financing of Terrorism risks. Enhance the coordination role exercised by the parent company (Corrective Action Plan 2016, Intervention 1.2), by formalizing links among the parent bank and the foreign subsidiaries/branches and periodical flows to be exchanged						▲
3. Develop initiatives to spread the awareness of AML issues and related risks in the company's network						
3.1 Continue the training courses within the network (Corrective Action Plan 2016, Intervention 1.7)						
3.2 Continue training activities towards network and GD (General Direction) roles of the Bank and its subsidiaries/branches						▲
3.3 Gradual extension of training to other network roles including subsidiaries						
3.4 Launch of a pilot class for the employees involved in "Credit Chain"						
3.5 Guarantee the upgrade of trainers located in geographical areas in which the Bank is articulated, in order to ensure the distribution of AML training in a decentralized manner						
3.6 Propose again the assessment on the skills of network roles with responsibilities						
3.7 Increase the on-site visits, in coordination with the CAE's Audit Plan in order to avoid overlapping						▲
3.8 Increase training hours for the network subsidiaries employees and extension of online training to the credit decision makers						
3.9 Network awareness campaigns on AML issues and related risks 3.10 AML Workshop for DG roles and Webinar for responsables of network structures						
3.11 Training to be updated on IV AML Directive						



1. Remedial Action Plan – state of the art


1.2 Action Plan OSI 32-33 (October 2017)



1. Remedial Action Plan – state of the art

1.3 OSI Report – Interventions of mitigation: progress at September 2018

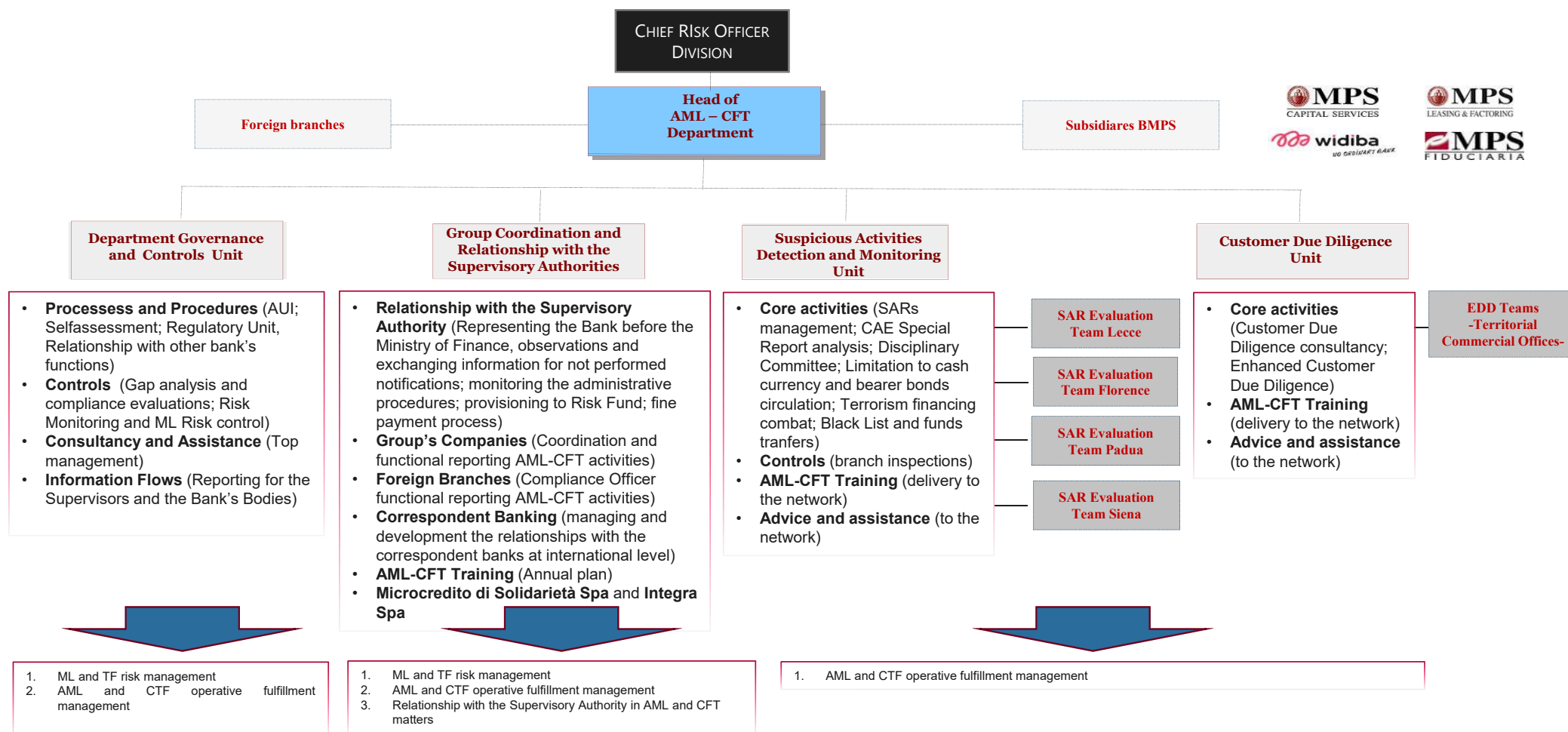
- No point of attention/ criticality
- ▲ Undergoing/ clarifying points of attention/ criticality
- ◆ Points of attention/ criticality noted

Recommandation	Mitigation action	Level of attention	Description
3. Develop initiatives to spread the awareness of AML issues and related risks in the company's network	3.7 Increase the on-site visits, in coordination with the CAE's Audit Plan in order to avoid overlapping		<p>2 branch inspections took place in the Q4.2017 and 1 further branch inspection took place in the Q1.2018.</p> <p>In May 2018 an AML-CFT knowledge survey has been carried out, through a dedicated IT platform, on the Operating Units Heads (Branches and Specialised Business Units).</p> <p>The risk-based methodology recently developed in order to determine AML-CFT training needs on the different Network roles will be a significant support for replicating similar knowledge survey activities on other Network roles.</p> <p>During Q1.2018 the staff of Suspicious Activities Detection and Monitoring Unit has been increased as follows:</p> <ul style="list-style-type: none"> - 6 HCs current staffing; - 8 HCs Task Force; - 1 HCs temporary staff. <p>At 30th 9 2018, a total of 33 HCs have been committed for SAR backlog reduction plan (Teams in Florence, Lecce and Padua).</p> <p>The deadline of the backlog reduction plan is 31th 12 2018 and foresees an average aging of 60 days, i.e. 900 files in stock.</p>



2. Staff adequacy

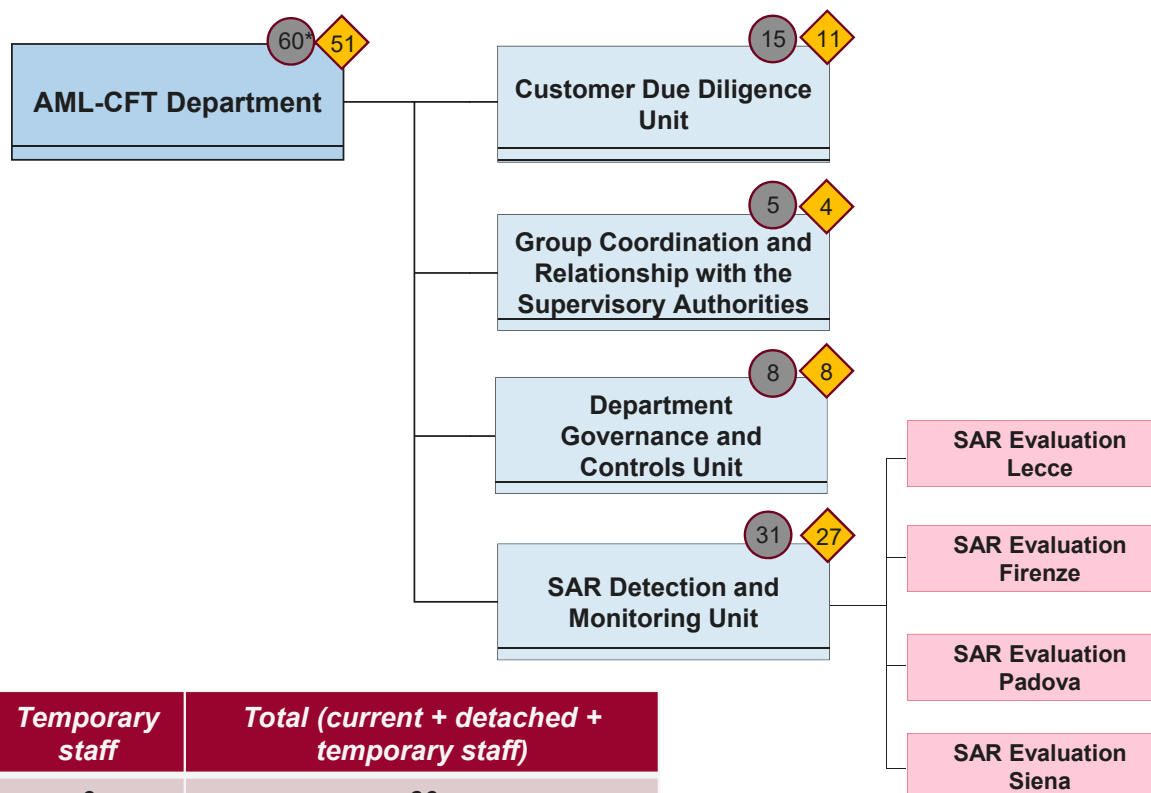
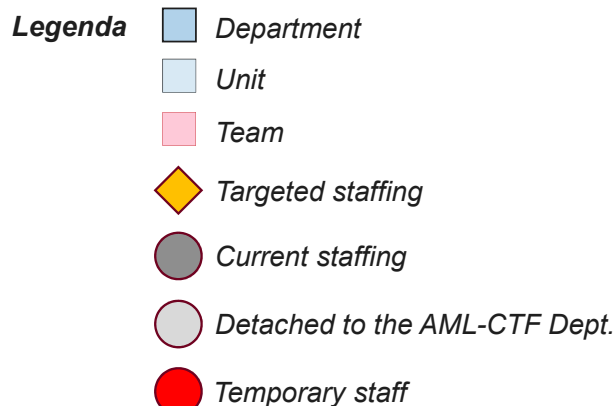
2.1 AML-CFT Function – Group Organization at 30th 09 2018



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2. Staff adequacy

2.2 As at 31th 12 2017 (HCs)



Targeted staffing	Current staffing	Detached to the AML-CTF Dept	Temporary staff	Total (current + detached + temporary staff)
51	60*	0	0	60

Source: DHCO and Annual AML-CFT Report as of 31.12.2017

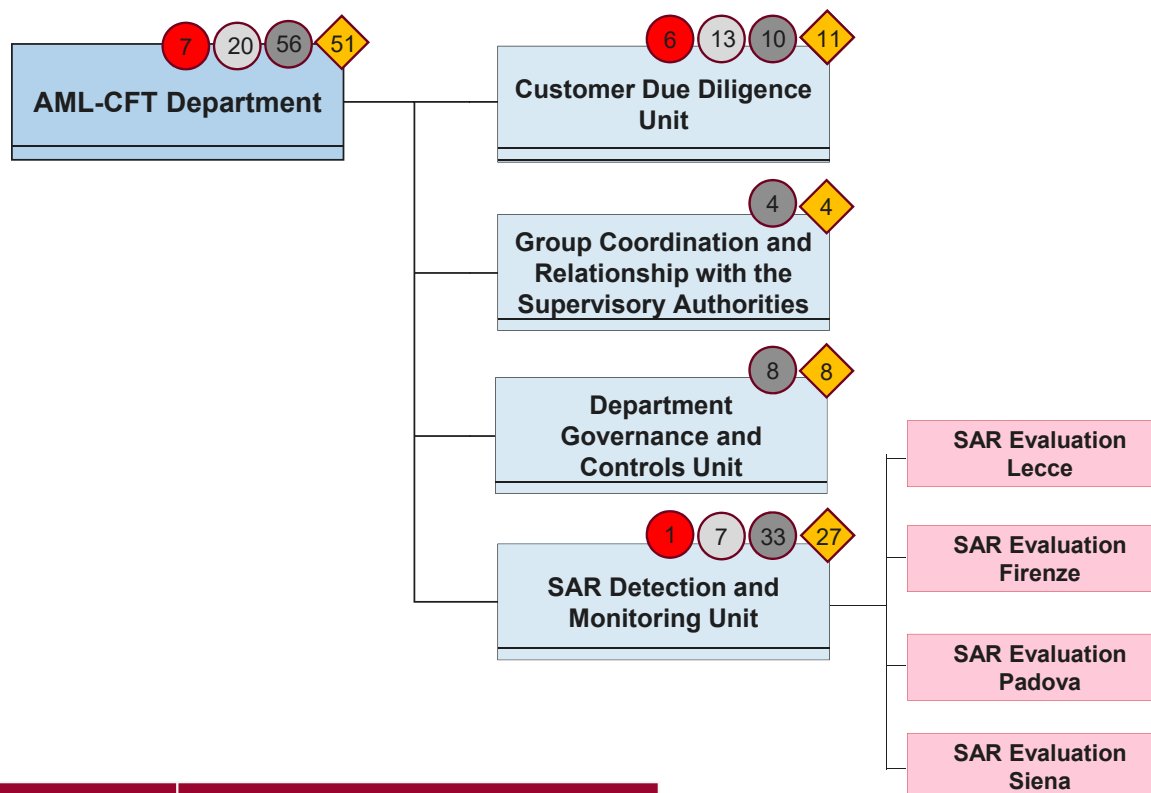
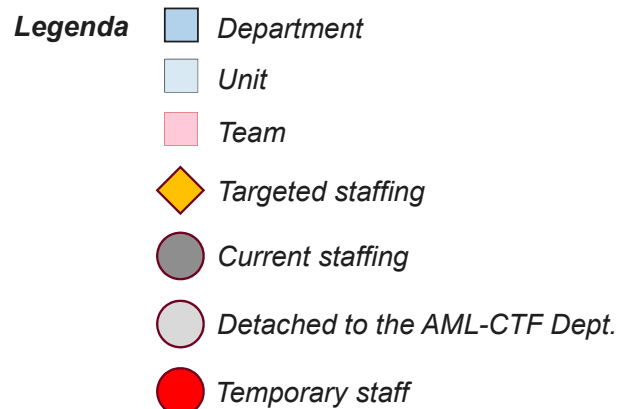
- Starting from 28th November 2017 an organisational change took place which foresees the centralisation in the CDD Unit of the high risk clients due diligence. Such activities were previously performed within the Territorial Commercial Offices and the intervention of the CDD Unit was only in case of further assessment needed. The organisational change also increased the CDD Unit by 10 staff previously assigned to the Territorial Commercial Offices. Furthermore, the CDD Unit evaluates all the high risk clients, including PEPs, correspondent clients and MPS Fiduciaria customers.



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2. Staff adequacy

2.3 As at 30th 9 2018 (HCs)






Targeted staffing	Current staffing	Detached to the AML-CTF Dept	Temporary staff	Total (current + detached + temporary staff)
51	56	20	7	83




Source: DHCO



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3. IT Tools Adequacy



-  No point of attention/ criticality
 Undergoing/ clarifying points of attention/ criticality
 Points of attention/ criticality noted

Area	IT Tool	Progress	Description	Deadline
KYC	IN HOUSE TOOL		Started the CDD IT procedures and operating process implementation project. Said procedures and processes will be integrated in Gianos 4D application.	Wave 2 31.12.2019
S.A.R. AML	GIANOS 3D		Started the IT procedures and operating process in compliance with the provisions of the IV EU Directive (AML-CFT). Said procedures and processes will be integrated in Gianos 4D application.	Wave 1: 30.09.2019
S.A.R. CFT	FARADAY		The solution adopted consists of: - customer activity and relationships representation through group of elements («Grafo») - adoption of designed math-based predictive and probabilistic models and «machine learning» techniques set on the relevant Bank activity. The models are based on self-learning principles, i.e. they will be updated by the progressively identified risky situations.	Wave 1: 30.09.2018 Wave 2: 30.12.2018



3. IT Tools Adequacy

-  No point of attention/ criticality
 Undergoing/ clarifying points of attention/ criticality
 Points of attention/ criticality noted

Area	IT Tool	Progress	Description	Deadline
AUI (Single Computer Archive)	IRION		<u>Data Quality AUI (reconciliation)</u> <ul style="list-style-type: none"> The activities related to BR 45174 (DQ AUI reconciliation Implementation) was completed. AUI Data Quality Procedure with 44 reconciliation controls on the main feeding services was implemented. Initiation of trend controls (100% of the perimeter). 	Closed (6.5 OSI 32.33)
AUI (Single Computer Archive)	IN HOUSE TOOL		<u>Validation of feeding rules</u> Completed the analysis of the functional requirements contained in the feeding documents of the following services: <ul style="list-style-type: none"> Customers database/list Credits Credit transfers Leasing Insurance products Compliance function Checks and cash Deposits Foreign activities <p>These analyses were shared with the competent IT functions.</p>	Closed (6.6 OSI 32-33) Closed (6.7 OSI 32-33)





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