



moving money for better



Western Union: KYC Risk Score Overview

August 2015 (DRAFT)

Introduction

- The objective of the global KYC initiative is to create a foundation to perform KYC on our customers, including Customer Due Diligence (CDD) and Enhanced Due Diligence (ECDD) and apply a risk-based assessment of Western Union customers. One method route consumers to CDD/ECDD is to create consumer risk ranking on transactional and non-transactional attributes. Only the transactional based attributes are addressed in this proposal.
- The KYC Risk Score methodology is used to risk assess indicators of perceived money laundering activity at the customer level (Galactic ID).
- It accomplishes this by evaluating various risk factors and attributing risk when consumers transact/behave in the outlier ranges of these risk factors (e.g. a high average transaction amount).
- The methodology is informed and supported by existing risk WU modeling strategies already in place at the Agent and geographic level.
- The risk factors align with the FATF risk consumer indicators as discussed in the *Risk Based Approach: Guidance for Money Service Businesses* (MSBs).

Methodology

- A global sample of consumer transactions was used to establish analytics and appropriate thresholds to support the scoring methodology.
- The analysis revealed the factor distributions were positively skewed and without natural breaks where factor scoring thresholds could be clearly defined.
- In the absence of such natural breaks and/or conclusive data of risky consumers from the KYC process pre-implementation, the recommendations consists of building thresholds based on the higher percentiles in the factor distributions.
- These percentiles define four “bins” where point values are assigned for each factor, 1 being the least severe, 4 being the most severe. The cumulative sum of these point values is the customer risk score by which the customer population is risk ranked.
- The intelligence gathered during the investigation process will serve as a foundation to continuously enhance the risk scoring model.
- The objective will be to review the model on a periodic basis to try to identify where factor scoring thresholds or selection methodologies could be enhanced.

Risk Factors

Risk Factor	Description
TxnCount	Transaction Count by Customer
TxnAmount	Transaction Principal by Customer
AvgAmount	Average transaction principal
SendAgentCount	Count of Send Agents used by Customer
PayAgentCount	Count of Pay Agents Customer received from
CounterConsumerCount	Count of Consumers sent to/received from Customer
CounterCountryCount	Count of Countries sent to/received from Customer
HRJTxnAmount	Transaction Principal sent/received from High Risk Jurisdictions
IDCount	Count of unique ID numbers used by Customer
ProductCount	Count of unique products used by Customer

Additional Risk Factors in Development

Risk Factor	Description
Reported Txns	Count of transactions that appear in regulatory reports filed by Western Union
PEP Status	The Political Exposed Person (PEP) status of the customer, if applicable
Subpoena History	The Subpoena history of the customer, if applicable
Investigative History	The investigate history of the customer from internal FIU investigations, if applicable
Fraud Complaints	Transactions reported as fraud to Western Union by Sender