




*Thomson Reuters  
Transaction Monitoring*

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*WITH SCREENING DEPLOYED*



THOMSON REUTERS™



*“Monitoring customers’ transactional activity is an important process which cannot be underestimated. A client can start off operating a pristine business model, but inexorably, over time, their commercial activity can change – through no fault of their own – and as a result become more challenging from a compliance perspective. It is not enough to assume that simply because a client was operating lawfully last year, that he or she will be doing so today.”*

ROWAN BOSWORTH-DAVIES //  
FINANCIAL CRIME EXPERT & LEGAL  
CONSULTANT

## Reveal irregular behavior. Screen for hidden risk. Report.

Thomson Reuters Transaction Monitoring with Screening Deployed uses pre-built risk scenarios to monitor transactions and identify and alert unusual patterns of customer activity that differ from normal or expected behavior. Combined with a customer screening component powered by World-Check risk intelligence, it presents an unbeatable solution for uncovering and reporting risk that may be hiding in customer, account and transaction based activity.

The combination of predictive analysis, leading risk intelligence and automation offers a highly effective method to efficiently comply with KYC<sup>1</sup> regulations, including AML/CFT and PEPs<sup>2</sup>.

Transaction Monitoring with Screening Deployed provides comprehensive reporting of what each individual client is doing inside their financial activity, and helps to determine the threshold for identifying 'normal' activity values. Built by AML and legal specialists, it is a powerful tool that meets today's increased regulatory expectation and substantially increases the likelihood of uncovering hidden risk.

- Detection uses rule-based AML scenarios
- Powered by World-Check risk intelligence
- Applicable to any jurisdiction globally
- Internally installed for data protection
- Sophisticated case management features
- Enables a risk based approach
- Automation that saves time and money
- Screens customers for AML/CFT risk

<sup>1</sup> Know Your Customer

<sup>2</sup> Politically Exposed Persons, Anti-Money Laundering, Countering the Financing of Terrorism



# The systems challenge

With financial crime increasingly pervasive, there is a growing need for organizations to implement compliance programs that go beyond the essential requirements.

Systems often fail to provide the level of analysis that is required to track suspicious activity and at the same time screen suspicious parties for risk.

While many organizations may have cost intensive, sophisticated systems and controls in place that ably tick the right boxes for compliance, they often fail to provide the level of analysis that is required to track suspicious activity and at the same time screen suspicious parties for risk. This lack of depth can expose both the wider community to the risks of crime, corruption and collusion, as well as the organization itself, now exposed to the risk of regulatory censure and severe reputational damage.

However, as regulatory scrutiny continues to increase and the volume of regulatory change intensifies, more and more working hours are being spent on everyday compliance challenges, making daily tasks increasingly complex and arduous.

These challenges are being seen across the board with many financial institutions, large and small, now experiencing so-called 'regulatory fatigue'. A CEO Survey Report published by the Australian Financial Services Council in 2013 has noted that the increased regulatory burden meant that organizations were diverting resources, including their best staff, to compliance-related projects. In a key finding from the report, chief executives indicated that they were leaning more

and more towards IT solutions as part of their overall compliance framework. Most of the chief executives interviewed expected to increase their IT budgets over the next two years to reduce this burden on staff and enable the organization to stay competitive while complying with new regulatory demands.<sup>3</sup> KPMG's Global Anti-Money Laundering Survey 2014<sup>4</sup> states that among those surveyed, the largest investment in technology is for transaction monitoring with more than 60% of resources planned to be spent on transaction monitoring systems.


While historically mainly banks have implemented transaction monitoring systems, nowadays, more and more organizations such as retirement funds, finance brokers and asset managers have begun to move towards a more comprehensive, automated solution.

This has enabled them to:

- Reduce the manual workload of staff
- Provide a centralized view of client data and activity
- Maintain an electronic audit trail of investigations
- Introduce reporting with improved analytics
- Detect instances of fraud within the business

<sup>3</sup> <http://www.dstglobalsolutions.com/Knowledge/Publications/Reports1/FSC---DST-CEO-Survey-20121/>

<sup>4</sup> <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/global-anti-money-laundering-survey/Pages/global-anti-money-laundering-survey.aspx>



*"We now have a system that works and that satisfies ourselves and will help us meet our new regulatory obligations."*

MANAGING DIRECTOR // FIRST NZ CAPITAL



## Monitor the signs. Uncover the risk.

Transaction monitoring has become a necessity and no longer an option for the compliance officer when dealing with detection of suspicious activity.

Transaction monitoring can reveal a comprehensive and detailed risk picture that helps to increase the accuracy of the compliance process – without slowing it down.

In December 2012, a large US bank's AML unit failed to properly monitor transactions for signs of money laundering and sanctions violations, leading to (among other AML lapses) a US\$ 1.9 billion settlement with US authorities.<sup>5</sup>

In May 2013 it was reported that a successful businessman who was reportedly a pillar of the community and known for his generous support of politicians, found himself in financial trouble after Hurricane Sandy. In an attempt to get himself out of these difficulties he wrote hundreds of checks to himself, depositing them at numerous banks into his own and his companies' accounts. The authorities stated that he "transferred more than \$82 million among various bank accounts, using a complex web of worthless checks, which the banks initially credited, and wire transfers to cover his tracks." The banks had provided immediate credit for the entire amount of the checks even though the checks had not yet cleared.<sup>6</sup>

These are the types of risks organizations are facing and shows why routine transaction management is a critical component of a comprehensive customer identification programme. It enables compliance teams to identify changes in behavioral patterns and establish when and where these changes occur. This is a vital link in the chain of financial crime causation.

When combined with AML/CFT screening, it is a highly effective mechanism for revealing risk that may be hiding in your business relationships.

**It is important to note the extent to which individual personality pathology contributes to white collar crime.**

"Honesty is the best policy, but he who is governed by that maxim is not an honest man." – Richard Whately, 19th-century archbishop of Dublin. We never know when honesty is no longer the best policy and circumstances may demand another policy in its stead. Compliance professionals with this insight will understand the need to monitor transactional behavior. Clients with sound business operations and a pristine operational track record may be subject to changing circumstances beyond their control and as a result may engage in activity that can bring the organization into disrepute and to the attention of the authorities. Not all fraud stems from pathological criminal behavior.

According to Dr. Giada Del Fabbro, a clinical and forensic psychologist, studies tell us that many people operate on a 'moral continuum', in other words our moral choices are not necessarily static and will depend on the context of the situation at the time.<sup>7</sup> For example, many people would deny that they would steal, and while that is probably true, circumstances can change and external pressures become so challenging that people feel forced to make choices that they would not normally have made. Many cases of corporate fraud and financial crime occur because individuals feel constrained by their circumstances and abuse their position within the company to alleviate the pressure they are under. Or they may be subject to addictive behavior that becomes increasingly intrusive in their daily lives, like gambling. It is therefore important to note the extent to which individual personality pathology contributes to white collar crime and to incorporate systems within the organization that accommodate this reality.

<sup>5</sup> Expert Talk: Individual enforcement looms for AML faults looms over Wall Street. Brett Wolf, Thomson Reuters Compliance Complete

<sup>6</sup> <http://www.justice.gov/usao/nye/pr/2013/2013may21b.html>

<sup>7</sup> Frisking the White Collar: How to Profile Fraud and Corruption in Organizations, [www.giadadelfabbro.co.za](http://www.giadadelfabbro.co.za)





## Cutting edge technology

Cutting edge technology can help to effectively manage a customer due diligence program and achieve remarkable results at a significantly reduced cost, increasing staff efficiency in a very short time.

For example, after implementing a new transaction monitoring (TM) system at a large Swedish bank in 2010, the implementing technician spent additional time mapping the sensitivity of the individual analytical rules to the customer's Risk Based Approach management policies. In so doing, he was able to reduce the 'spread' or the 'gap' between the definition of the risk, and the level of response from the rule – so that the risk profile and the response recognition lay as close together as possible. The immediate outcome was an average 72% drop in the output of false positives for each rule employed. In a TM system adopting many linked rules, results in a significant minimization of false positives and a commensurate increase in alerts which could be more accurately analyzed for Suspicious Transaction Report (STR) submission purposes.<sup>8</sup>

Industry research, however, tells us that many executives find TM a challenge to get right. To be of value, TM requires a systematic, intelligent review of each client's day-to-day financial activity, on an on-going basis. The accuracy of this review will depend on the quality of the predictive behavior model on which it is based.

There is no single or magic solution that will differentiate a money laundering transaction from a clean transaction. Computer algorithms by themselves cannot determine suspicious transactions. It requires sophisticated modeling of existing and proven transactional activity, including examples of previous AML cases. Putting such a solution together from scratch, however, can be a considerable undertaking.

Transaction Monitoring with Screening Deployed is built to address these requirements personality pathology contributes to white collar crime and to incorporate systems within the organization that accommodate this reality.

To be of value, transaction monitoring requires a systematic, intelligent review of each client's day-to-day financial activity, on an on-going basis. There is no single or magic solution that will differentiate a money laundering transaction from a clean transaction.

<sup>8</sup> Expert Talk: The Strategic Use Of Technology In Financial Crime Compliance. Rowan Bosworth-Davies.

# How it works

Cutting edge technology can help to effectively manage a customer due diligence program and achieve remarkable results at a significantly reduced cost, increasing staff efficiency in a very short time.

## MONITOR IRREGULAR BEHAVIOR

- Predictive behavior rules based on previous AML cases
- Ongoing review of day-to-day financial activity
- Build up a record of clients typical behavior

Transaction Monitoring provides sophisticated account profiling techniques that reveal activity needing closer scrutiny. This level of intuitive and intelligent risk profiling helps to alert unusual patterns of activity and to minimize false positives. An added advantage is that they are easily tailored by the user, so there is reduced need for IT department support.

The best quality monitoring models are meaningless, however, without an effective information flow. The software forwards critical information to the right person or team and prompts for a response, helping to ensure resolution for suspicious behavior.

It has been developed from the ground up to be run in any jurisdiction globally and easily adapts to local regulatory change.

## RISK SCREEN SUSPICIOUS PARTIES

- 100% coverage on sanctions, watch and regulatory law and enforcement lists
- Covers 240 countries in 60+ languages
- Extensive global adverse media research

Suspicious account holders are screened for sanctions violations, fraud, money laundering, terrorism and organized crime risk using World-Check risk intelligence – a comprehensive and widely adopted source of structured intelligence on PEPs and heightened risk individuals and organizations.

World-Check is known for its rich, meticulously structured data that includes entries from over 500 sanctions and regulatory lists, as well as hundreds of thousands of pre-conviction, threat finance and adverse media-linked entries not found on official sources. World-Check also exposes the network of people and companies linked to sanctioned individuals.

Used by thousands of organizations around the world to reveal risk that is hiding in their business relationships and human networks, World-Check is a pioneer in KYC risk intelligence.



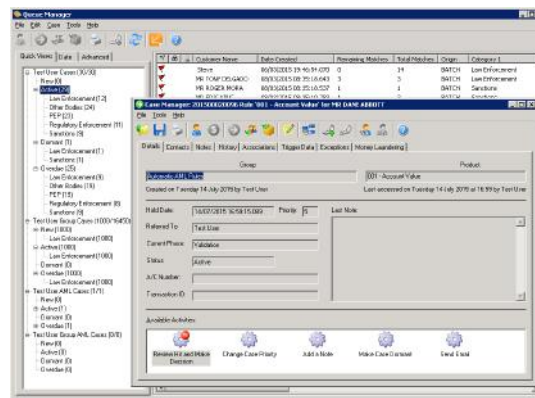
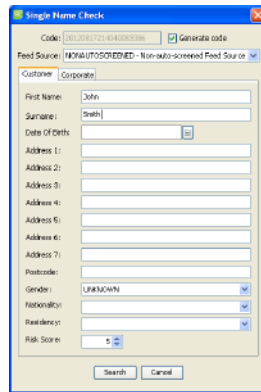


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*“Thomson Reuters has given my organization more confidence that we are going to be more AML regime, and confidence that we are ahead of some of our peers.”*

CHIEF RISK OFFICER // HEARTLAND BANK

An example of the Single Name Check interface



**QUEUE MANAGER**  
Allows the user to view, review and manage cases for screening matches or AML rules . Used to search and manage the case workload for individual staff members or across work groups, and provides the supervisors with a quick workload status.

## Benefits

Transaction monitoring has become a necessity and no longer an option for the compliance officer when dealing with detection of suspicious activity.

### A SINGLE TECHNOLOGY PLATFORM

Monitoring and screening can be done from within the same system on a single technology platform. This substantially reduces the complexity of systems integration. Compliance tasks see a reduction in volume of functions, making it easier to switch between screens.

### SOPHISTICATED PREDICTIVE MODELLING

Ensures that monitoring is more substantial than the act of a random data grab. The system uses pragmatic and sophisticated detection rules that help reduce the need for human intervention, and includes risk factoring and exception alerting for increased control. It allows the user to define what is 'normal', which depends on the risk appetite of the organization. Predictive modeling incorporates three telling behavior patterns known as the 3Vs:

**ACCOUNT VALUE** – Identifies customer accounts with significantly higher than usual turnover for the value of transactions undertaken.

**ACCOUNT VOLUME** – Measures and reports on volume of payments entered by your customer accounts, recognize normal activity of payment traffic over time for ATM withdrawals, Internet transfers, SWIFT, CHAPS, cheque and regular payments, as well as other payment types.

**ACCOUNT VELOCITY** – Measure velocity of payments moving through you customer accounts and report the amount of time the incoming money stays in the account before being moved on.

### CENTRALIZED VISIBILITY ON TRANSACTIONAL ACTIVITY

Transaction Monitoring enables a centralized view of customer, corporate and accounts information. When an alert is triggered, the system allows users to investigate the details: Why was the alert triggered? What information is available? All within a few clicks from a single screen, rather than back tracking to the originating source system.

### EASY REMEDIATION

Any risk uncovered is investigated at the appropriate level, providing for quick and easy remediation. For management reporting, the system enables effective summaries of the overall screening process and results, and simplifies preparation of reports on suspicious transactions for disclosure in Suspicious Activity Reports (SARs). The use of simple, intuitive layouts and interfaces enhances usability.

### INCREASED CONTROL WITH CASE MANAGER

The easy to use case management software helps to track any alerted behavior. Any information relating to a case is easily captured through storage of document scans, faxes, correspondence and emails.

Case workflow activity ensures cases are taken through to completion. Advanced workflow and case management for hyphenated teams provide individuals with an escalation path and the ability to share the task of reviewing screening matches.

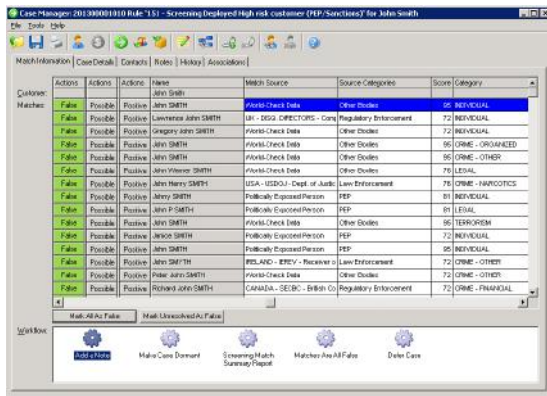
Cases that cannot be closed for a particular reason can be tagged for further scrutiny, which facilitates collaboration amongst teams and supervisors.

### INCREASED SECURITY AND PEACE OF MIND

The system enables internal hosting for the utmost privacy when required by law to keep data in-country or as directed by company policy. Thomson Reuters Transaction Monitoring ensures that screening is conducted securely behind an organization's firewall for convenience and peace of mind.

### QUICK, SIMPLE INSTALLATION

The installation requires no extensive training and is included in the license fee. Transaction Monitoring has minimal impact on internal operations and IT infrastructure, and does not need dedicated technical resources to manage it on a daily basis.



**CASE MANAGER AND SCREENING MATCH VIEW OPTIONS**  
 These allow users to perform a quick resolution of the match through positive, possible or false control buttons. Screening matches can be viewed in greater detail.

### POWERFUL LINGUISTIC TECHNOLOGY

During AML/CFT screening, a sophisticated matching engine analyzes the structure of a name and performs a comparison using advanced linguistic algorithms. This helps to overcome common name matching issues, increasing accuracy of results and reducing false positives. The matching engine is particularly powerful in these difficult scenarios:

- Same name written in multiple languages
- Phonetic spelling differences
- Nicknames
- Inclusion of initials
- Missing name components
- Out-of-order name components
- Non-Latin character support in Arabic, Chinese (Simplified or Traditional), Japanese, Korean, Pashto, Persian (Farsi/Dari), Russian and Urdu

### INTERNAL WATCH LIST FUNCTIONALITY (IWL)

Enables administration and management for IWL data which includes processing of entities. Also includes an ability to match score the IWL using an updated version of the matching engine.

### POWERFUL SCREENING API

Incorporate your customer data with the screening API matching engine adapter. Automate your KYC risk screening to cover AML, CFT and PEP requirements. Using industry standard deployed web services, the API provides a simple-wired protocol connection to your internal screening solution – just map to the XML schema definition and go.

### SECONDARY IDENTIFIERS

Secondary identifiers allow individuals to conduct a search based on secondary identifying fields in the World-Check data, such as date of birth and country of origin. This significantly minimizes or eliminates false positives, and simplifies the remediation process.

### INCREASED GRANULARITY FOR PEPs

PEPs in World-Check are ranked according to predefined categories. These categories include, among others, level or type of government, individual, international organization or State Owned Enterprise (SOE), associate or family member. Transaction Monitoring enables clients to only screen against the type of PEP they are interested in.

Entity Sub Category	Description	Score ...
PEP IO	PEP International Organization	0.000
PEP IO-A	PEP International Organization - Close Associate	0.000
PEP IO-R	PEP International Organization - Immediate Relative	0.000
PEP L	PEP Local Government	0.000
PEP L-A	PEP Local Government - Close Associate	0.000
PEP L-R	PEP Local Government- Immediate Relative	0.000

### CONTINUAL MONITORING

Automated, ongoing screening based on your requirements, enables individuals to enter a name or batch of names to be screened, which can be saved for monitoring purposes. Names can be screened automatically every 24 hours, with full case management. Users are able to configure the risk parameters and schedules of screening most suitable to their needs.

### MARITIME VESSEL DATA

Our maritime vessel data ensures that the vessels you are dealing with are not on global sanctions, watch or regulatory lists and help to uncover risk related to known heightened risk individuals, entities, associations or threat finance networks. Users can conduct a search against the World-Check database of sanctioned and embargoed vessels and ports, to understand any possible high risk ownership structure and associations. It also provides access to the IHS Fairplay database, the world's most authoritative list of vessels, containing information on all sea-going, self-propelled merchant ships of 100 GT and above, irrespective of their classification. The largest maritime database in the world, it evolved from the Lloyd's Register of Ships published since 1764 and contains ship characteristics, movements, ownership, ports and IMO numbers.



## **RISK MANAGEMENT SOLUTIONS FROM THOMSON REUTERS**

Risk Management Solutions bring together trusted regulatory, customer and pricing data, intuitive software and expert insight and services – an unrivaled combination in the industry that empowers professionals and enterprises to confidently anticipate and act on risks – and make smarter decisions that accelerate business performance.

**For more information, contact your representative or visit us online  
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