IdentityMind

GUIDE

HOW COMPLIANCE TEAMS CAN TRANSITION AWAY FROM SPREADSHEETS

Achieve Operational Effectiveness & Regulatory Preparedness with Automated Transaction Monitoring, Case Management, and Queue Management

THE USE OF SPREADSHEETS IN COMPLIANCE

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Who Uses Spreadsheets for Compliance?	What Are Spreadsheets Used For?	What Applications Are They Using?
• Financial Institutions • Money Service Businesses • Banks: Traditional and Digital • FinTechs • Payment Processors and Payment Facilitators (PayFAC) • Digital Marketplaces	• Track clients for risk and compliance • Transaction monitoring to identify risk and fraud patterns • Data repository across multiple sources, including EDD • Escalation of investigation and reporting across team members • Report on status of activities across team members • Record activities to report to regulators and authorities	• MS Excel™ • Google Docs™ • OpenOffice™

HOW SPREADSHEETS ARE USED FOR:

1. TRACKING CLIENTS FOR RISK AND COMPLIANCE

- Storing Personally Identifiable Information (PII): name, email, address, identity document
- High level results of exceptions to the KYC process
- Some indications as to the risk classification

1. TRACKING CLIENTS FOR RISK AND COMPLIANCE

- PII data risk and violations to GDPR, CCPA, etc.
- Data normalization.
- Details for user analysis aren't properly. recorded, and may live in a different system which are difficult to navigate to within context.
- Unstructured data which may be needed to record analysis progress is difficult to sort and organize.
- Making sure every individual gets added to the list is a manual process.

HOW SPREADSHEETS ARE USED FOR:

2. TRANSACTION MONITORING

- Keep track of all transactions: debit, credit, cash, transfers, etc.
- Identify suspicious activities by running macros, reports that highlight risk and regulatory conditions.
- Perform manual analysis through pivot tables.

LIMITATION AND CHALLENGES

2. TRANSACTION MONITORING

- Examiners are expecting a real system that connects monitoring with alerts.
- Volume for transactions to be recorded is limited based on spreadsheets capabilities.
- Spreading transactions across multiple files.
- Investigations may span several files which can cause asking other teams for manual reports.
- Analytics are very basic and will not:
  - Highlight medium complexity scenarios (and much less sophisticated ones)
  - Allow for reduction of false positives.
  - Be adequate for a risk-based approach.

HOW SPREADSHEETS ARE USED FOR:

3. ESCALATION

- Investigation cases are manually escalated by analyst.
- Manager (Officer) manually evaluates and reassigns if necessary.

3. ESCALATION

- Cases fall through the cracks.
- Prone to manual errors.
- Establishing a timeline of activities and actors within the process of investigation is very difficult.
- Reassigning cases to the less utilized resource is cumbersome because of lack of visibility.
- The balance between transparency and privacy is difficult to achieve.

4. REPORT ON STATUS OF ACTIVITIES

- Case Management: Investigation of risk and fraud is tracked to the analyst working on it. Many times each member would have their own spreadsheet of cases to follow.
- Compliance officer consolidates all statuses to a single spreadsheet to generate reports.
- Details of investigation are kept separate in individual spreadsheets.

4. REPORT ON STATUS OF ACTIVITIES

- Time tracking is manual and not granular enough to properly evaluate performance and resource allocation.
- Prioritize across resources investigations that may need immediate attention.
- Assessing details of the cases and find commonalities across cases that may leverage knowledge across the team.

5. REPORTS TO REGULATORS

- Compliance teams spend numerous hours putting together reports based on regulators' evaluation scope.
- Need to find the precise spreadsheets where the relevant information sits and then complement with investigation and analysis details that may be recorded across several files.

5. REPORTS TO REGULATORS

- Putting together the required material is painful and stressful.
- Establishing a timeline for investigations with all the actors involved, and data, is time consuming and largely imprecise.
- In many instances it requires rerunning data because information is lost or too difficult to find.
- It is largely inadequate for emergency situations, or where large amounts of data is required.

IN SUMMARY, COMPLIANCE THROUGH SPREADSHEETS IS...
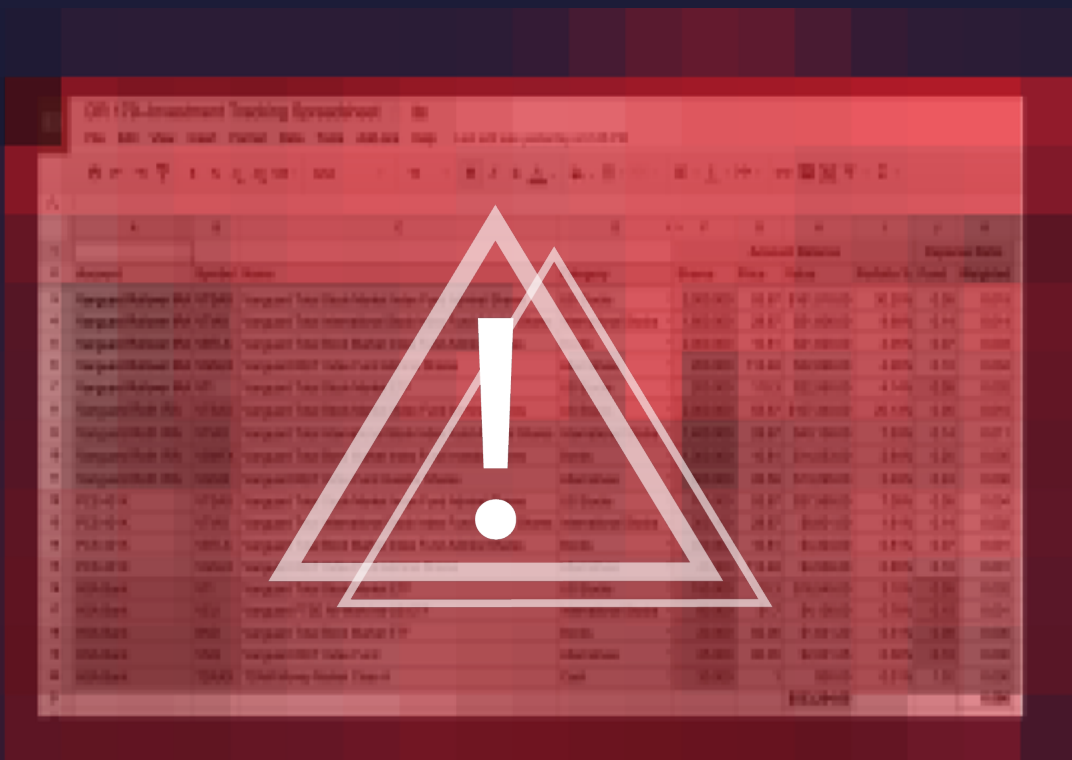
- Prone to data loss
- Difficult to reliably assure data integrity. Files are easily editable by users without proper auditing
- Susceptible to human errors
- Inefficient for collaborative work
- Hard to access in a moment notice
- Not scalable
- Hard to report on
- Harder to justify to regulators that are favoring automated solutions

AND MORE IMPORTANTLY, VERY VERY RISKY!

The US Financial Crimes Enforcement Network ("FinCEN") has also [stated](#) that manual reviews of spreadsheets containing information on high-volume funds transfers **"could not adequately detect suspicious transactions"** and **"effective monitoring of these funds transfers required automation."**

The OCC (examples [here](#) and [here](#)) and **Federal Reserve** (example [here](#)) have mandated that transaction monitoring systems be automatic.

https://www.linkedin.com/pulse/virtual-currency-exchanges-shouldnt-wait-regulators-before-malish/

The IdentityMind platform provides the most convenient and efficient path to adoption... start small – finish big!

- Start by adopting case and queue management by integrating your current alerts
  - Make sure to define your basic escalation and reporting workflows
- Load historical client data to perform analysis and review
- Use the IdentityMind KYC plugin to quickly achieve a fully compliant KYC process
- Integrate the transaction API for real-time analysis

OPERATIONAL BENEFITS OF THE IDENTITYMIND PLATFORM
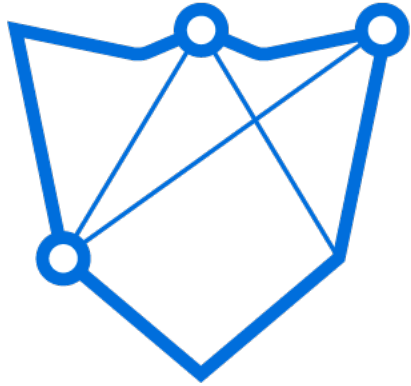
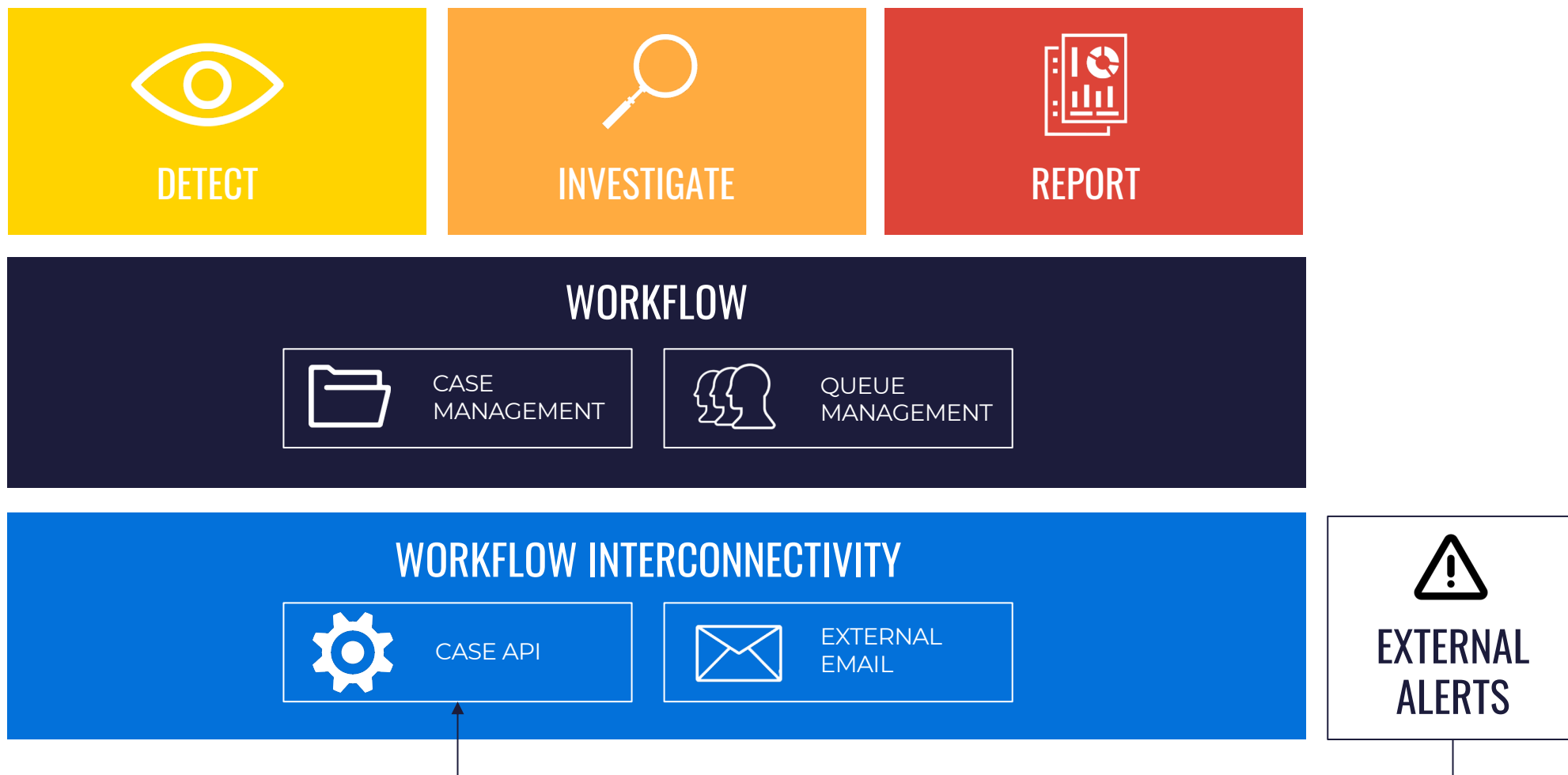Efficient and effective regulatory ready end-to-end enterprise compliance platform

Integrates with and enhances current operational day-to-day activities

Provides confidence in smoothly completing regulatory audits and exams

IDM PLATFORM OPERATIONAL ARCHITECTURE

DETECT

INVESTIGATE

REPORT

WORKFLOW

CASE MANAGEMENT

QUEUE MANAGEMENT

WORKFLOW INTERCONNECTIVITY

CASE API

EXTERNAL EMAIL

EXTERNAL ALERTS

OPERATIONAL EFFECTIVENESS THROUGH THE IDENTITYMIND PLATFORM

1. Risk Based Approach

2. Automated Transaction Monitoring

3. Case and Queue Management

4. Integrated Regulatory Reporting

5. Unified Investigation Takes Feeds From External Detection/Alert Systems

1. RISK-BASED APPROACH

FEATURES
- User-centric risk assessment
- Policies based on risk profiles: products, services, consumers, and locations.
- Transactions and users can be evaluated through multiple profiles.
- Integrated sanctions and PEP screening
- Full transparency as why transactions were chosen for a given risk profile(s)

BENEFITS
- Risk based approach is advocated by regulators worldwide
- Users' risk profile changes over time, the platform dynamically adapts
- Apply scrutiny, analytics and processes adequate to the level of risk
- Incorporate sanctions/PEP screening at every transaction
- Only alerts on measured risk

DETECTION

AUTOMATED TRANSACTION MONITORING
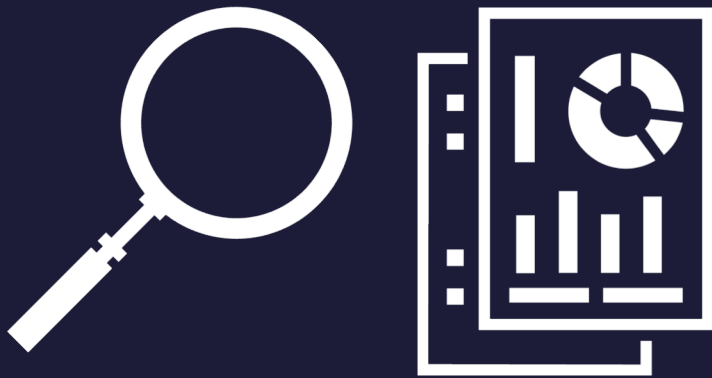
DETECTION/ INVESTIGATION

FEATURES

- Default ruleset to identify anomalous behaviors and unusual patterns.
- Tracks all types of transactions: debit, credits, transfers, deposits, withdrawals, etc.
- Real-time alerts when suspicious activities are detected.
- Dynamic assessment of activities patterns that adapt to current behaviors
- Automatically monitor high-risk users
- Profiles to properly group customers and perform peer-group analysis

BENEFITS

- Certainty of monitoring every transaction according to establish risk model
- Support for model evaluation
- Leverage heuristics and anomaly detection models that are updated based on new trends and activities
- Utilize your resources more efficiently by leveraging the automated processes

CASE AND QUEUE MANAGEMENT

INVESTIGATION/ REPORTING)

FEATURES

- Document the analysis and decision process on whether to file a SAR
- Cases contain KYC, transaction history, documents, data from third parties, analyst's notes, emails, etc.
- Manage workflows by automatically distributing the cases across personnel with proper set of skills
- Integrated email functionality to communicate with consumers to perform source of fund, EDD, and other verification activities.
- Track timelines required to perform investigation and reporting based on regulatory requirements

BENEFITS

- One-system to track all activities associated with an investigation
- Transparency on case status to quickly prioritize and balance workload across compliance team
- Automatic enforcement of internal investigation processes through proper escalation and access controls to investigation and information
- Data security and integrity protection through thorough access and authorization controls

INTEGRATED REGULATORY REPORTING

FEATURES

- Prepopulate 74 SAR fields based on case information
- Automatically file SARs to FinCEN from within the platform
- Record decision process on cases to support audits and exams
- Extensible tag framework to easily report on transaction types, anomalies, high risk users, etc.
- Audit workflows based on transactions, users and detected suspicious activities.

BENEFITS

- Efficient complete mechanism to collect and report SARs
- Prepare and complete regulatory audits and exams efficiently and effectively
- Repository of filed SAR forms

REPORTING

INTEGRATE EXTERNAL SYSTEMS

DETECTION/ INVESTIGATION - WORKFLOW

FEATURES

- Case management REST API to open, update and create cases
- Email integration into corporate email to facilitate end-user communication
- Leverage existing suspicious activity detection systems

BENEFITS

- Faster path to adoption of case and queue management
- Streamline communications with end-users
- Manage templates of communication to guarantee meeting regulatory compliance

SUMMARY

- Compliance through spreadsheets is risky, inefficient and doesn't scale
- Regulators are moving towards transaction monitoring automation
- The IdentityMind Platform delivers and end-to-end ready BSA compliant solution for banks and MSBs
- Operational architecture guarantees it can be incorporated within day-to-day activities
- You can transition into IdentityMind's platform progressively and quickly at minimal switching cost

IdentityMind

CONTACT US TODAY TO SCHEDULE A DEMO

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