

INEVITABLE CONSENT ORDER

Some BSA/AML products are doomed to fail examinations

More and more financial institutions have installed PATRIOT OFFICER to replace their outdated BSA/AML products after they failed regulatory examinations. These financial institutions have successfully passed their subsequent regulatory examinations after switching to PATRIOT OFFICER. For example, a financial institution (the “Failed Entity”) received a consent order (the “Consent Order”) after using a flawed BSA/AML product (the “Flawed Product”). Based on the Consent Order, it is obvious that **some BSA/AML products are doomed to fail examinations, and financial institutions will unavoidably receive consent orders when they use these faulty products.**

The Consent Order mandates the Failed Entity to fix its weaknesses in Risk Assessment, Internal Controls, Independent Testing, and BSA Training. After analyzing these mandates, we conclude that the Failed Entity had no chance to pass the examination based on the Flawed Product. Below are the reasons:

Risk Assessment

Risk Assessment is the fundamental requirement in the BSA/AML Examination Manual. If a financial institution uses a BSA/AML product that cannot assign a risk score to each customer, the financial institution will fail the examination. The Failed Entity did try to conduct risk assessments “manually.” However, such assessments were not accurate. In reality, it would take numerous years for human beings to conduct risk assessments based on all the necessary risk factors on all customers of the Failed Entity. Furthermore, because risk is constantly changing, a one-time manual risk assessment is insufficient to accommodate these constant changes. Therefore, a financial institution must use an automated solution to conduct risk assessments. For your reference, **PATRIOT OFFICER is the only solution that automatically assesses all risk factors associated with products, services, customers, entities, transactions, geographic locations, etc. and dynamically assigns a risk score to each customer on an ongoing basis.** Because PATRIOT OFFICER uses many patented technologies, no other product can copy the advanced design of PATRIOT OFFICER.

Internal Controls

The Flawed Product uses ineffective methods to detect money-laundering activities. To hide its flaws, the Flawed Product conceals all the detection mechanisms like a black box. The truth is that **nobody can conduct internal controls via the black box because no one can control the black box. When the Failed Entity decided to use the black box as its BSA/AML product, the Failed Entity was bound to fail the examination.** By contrast, to help financial institutions pass examinations, the risk model and all detection mechanisms inside PATRIOT OFFICER are user-configurable. Each financial institution can configure PATRIOT OFFICER to meet its specific needs and effectively conduct internal controls through PATRIOT OFFICER. Moreover, PATRIOT OFFICER records the configuration changes and keeps all audit trails for, at least, five years in compliance with the regulatory requirements. PATRIOT OFFICER has helped financial institutions pass their regulatory examinations thousands of times.

Independent Testing

The Failed Entity has missed the filings of innumerable CTRs. Because the Flawed Product is a black box, the BSA Officer cannot tell that the data and the detection mechanisms in the Flawed Product are wrong. In fact, the auditor disclosed in the audit report that **he could not fully test the Flawed Product because it was a black box, and the accuracy of the black box was questionable**. By contrast, PATRIOT OFFICER verifies the data accuracy on a daily basis and all the detection mechanisms of PATRIOT OFFICER are viewable and verifiable. As a result, many auditors have fully tested and certified PATRIOT OFFICER, and large financial institutions have used PATRIOT OFFICER to pass their stringent BSA/AML examinations and audits with excellent results for many years.

BSA Training

The employees of the Failed Entity were taught to identify money-laundering activity through fraud detection. They received the wrong training and do not truly understand what AML is. In reality, money-laundering cases and fraud cases often occur independently. For example, when a fraudster uses a victim's credit card to conduct a shopping spree, although there is a behavior change, there is no money-laundering activity at all. Similarly, when a drug dealer sends money through a financial institution to buy drugs, there is no fraud activity at all. This is the reason why FinCEN's Suspicious Activity Report (SAR) form clearly distinguishes between money-laundering activity and fraud activity. **A financial institution will miss countless money-laundering cases if it uses fraud detection methods to detect money-laundering activity**. By contrast, PATRIOT OFFICER clearly distinguishes between money-laundering activity and fraud activity. GlobalVision Systems has trained thousands of professionals to become BSA/AML experts worldwide.

In summary, a financial institution is doomed to fail the regulatory examination when it uses a defective BSA/AML product with any one of the following problems:

- the product cannot automatically and dynamically assign a risk score to each and every customer;
- the product cannot clearly distinguish between money-laundering activity and fraud activity;
- the product's detection mechanisms are not user-configurable;
- the product's detection mechanisms are hidden; and
- the product cannot ensure its data accuracy.

The BSA/AML standard is escalating higher and higher. **A faulty product that used to be able to cover its flaws in its prior regulatory examinations is unlikely to survive the next examination**. It is essential for a financial institution to replace its defective BSA/AML product immediately to avoid a consent order and regulatory penalties.

Publisher Background

GlobalVision Systems, Inc. is the largest independent provider of regulatory compliance, risk management and fraud prevention solutions in the U.S.A. It has produced the renowned PATRIOT OFFICER[®], GUARDIAN OFFICER[®], and ENQUIRER OFFICER[®] and has established the de facto standards for

BSA/AML compliance in the USA. For more information, please contact sales@gv-systems.com or (888) 227-7967.