

Above and Beyond Compliance in Latin America and Beyond

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XM3

Introducing XM3

Preventing financial crime has become a global priority. Regulators worldwide are increasing their attention on countries that do not meet the evolving international anti-money laundering and anti-terrorist financing standards. In a recent report by the Inter-American Development Bank (IDB), more than half of the “Top 10” money laundering countries are in Latin America. These problematic statistics, combined with increased scrutiny on the region, point to the fact that Latin America’s money laundering controls are in need of a major overhaul, not only to help the region adhere to the myriad regulations now being enforced but also to maintain correspondent relationships with European and North American banks – relationships that can seriously impact the bottom line.

Compliance: Doing It vs. Doing It Well

Regulators have been primarily interested in seeing compliance solutions in place; however they are beginning to exhibit concern about how well banks are executing compliance efforts. Also, correspondent banks across the globe are looking for serious compliance solutions from their foreign counterparts, viewing this as a commitment to protecting their professional association at the foundation level.

These two issues alone are significant drivers of increased attention on compliance tools. Meeting worldwide regulations and mandates, and protecting critical correspondent banking relationships are powerful reasons to make compliance not only a priority, but also a new way of doing business for Latin American banks.

Beyond Compliance

Leading compliance solutions are already moving beyond the basics into deeper innovation that employs a “risk matrix” for more in-depth analysis than the traditional data mining methods used today. This “Risk Intelligence” concept, versus simple risk awareness, provides a much greater perception of risk, adding context to analysis by starting with the basic what, when and how information, and going deeper to determine whether the transaction or group of transactions is legitimate. Risk intelligence uses a more quantitative scoring model that assigns alerts based on institution-defined parameters that take into account a bank’s own risk tolerance and “Know Your Customer” (KYC) policies.

With a deeper understanding of the reasons behind a specific transaction, compliance officers are more effective at identifying legitimate transactions from illegal activity.

Through risk intelligence, compliance teams have better direction and can better prioritize their investigative efforts.

Be More Strategic, Know Your Customer

Advanced compliance solutions based on the risk intelligence model leverage KYC banking policies to their fullest potential. While basic KYC data such as type of account and type of company is a common denominator of the banking industry, it’s the deeper information that really makes compliance solutions most effective.

- *What are the expected transactions this client will have?*
- *What are the amounts they will transact?*
- *Is this company public? Does it have a board of directors?*
- *Who are the directors and do these directors also have accounts with this bank?*

Implementing a compliance solution can make a bank realize it doesn’t obtain enough information about its customer to make a proper risk assessment. These issues can be addressed and remedied as compliance solutions are put into action. Based on a very simple interface, KYC data can easily be pulled into a robust compliance solution – such as the Haydrian XM3 platform – regardless of complexity or simplicity of the existing KYC data.

Big Picture Benefits of Compliance Through Risk Intelligence

With a wide variety of business transactions at stake – not to mention a tremendous amount of international banking activity – Latin American banks recognize the importance of retaining not just their own charters, but also those critical correspondent banking relationships and lines of business. By incorporating compliance tools based on real risk intelligence, smaller compliance teams

can detect and act on a larger scale, increasing productivity, reducing risk and keeping compliance costs down.

Comprehensive monitoring and analysis of customer and transactional data also delivers the important, tangible benefit of being able to prevent internal fraud, which is notoriously difficult to prosecute and costly on so many levels.

Above and Beyond Compliance

Fines and criminal suits are becoming more common as regulators are taking a sharper view on what defines a comprehensive compliance effort. Recent examples of large, reputable banks being faced with discontinued banking operations in certain regions, large fines, and even top management held accountable for internal KYC and compliance failures are rapidly elevating the importance of compliance among top industry issues.

Advanced compliance tools respond by addressing individual banks’ primary needs. Haydrian XM3 adheres to regulations specific to each country, including mandates by local and regional government officials, as well as international regulations and other mandates of global reach such as the U.S. Patriot Act, Basel II and others.

Latin American banks that employ comprehensive “Risk Intelligence” compliance tools will clearly have the market advantage. Utilizing a broader scope of KYC data and transaction information, banks have the ability to proactively adhere to the broad range of regulations, manage risk to their reputations, avoid fines or sanctions from regulators, and trim costly resources. This “above and beyond” mentality is certain to set these early adopters apart as leaders in the industry, making them model examples to banks and other institutions affected by compliance regulations and standards worldwide.

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Haydrian’s tailored monitoring and detection solution, XM3, provides banks with an affordable, fast track to crime prevention. The XM3 suite is customized to meet the special needs of regional and national banks in Latin America – protecting your institution’s reputation and addressing global compliance and crime prevention challenges by recognizing unusual and suspicious activity. Haydrian preserves your most valuable resources – time and money - with next generation crime prevention solutions featuring ease of use, flexibility and advanced technology.

XM3 uses comprehensive risk matrix analysis that goes beyond simple risk “awareness” – providing real risk “intelligence” that delivers powerful instantaneous drill-downs to the root cause of potential risks. Using globally recognized money laundering and fraud detection methodologies, XM3’s innovative technology monitors and analyzes all transactions and customer data, detecting suspicious scenarios and behavioral patterns.

XM3’s advanced and configurable investigative analytics are derived from industry experience and reviewed by former regulators, crime prevention experts and compliance officers from multinational banks. Powered by proven surveillance technology and adaptable to every client’s specific business requirements, XM3 provides financial institutions with analytical scenarios adapted to their own specific requirements. The end result is a robust, yet cost effective compliance tool that can be quickly deployed and tailored to meet current and future needs.

Protecting your institution is easy with XM3. It’s your foundation for reducing cost, detecting potential threats, managing risk and protecting your reputation – all the competitive advantages of superior regulatory compliance in a globally evolving banking market.