



An Introduction to AML Compliance Consulting Services

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Who We Are

Experience	<ul style="list-style-type: none">▶ Established in 1995, Madison is a management consulting firm that provides issue-based, value-added advisory services and hands-on implementation services to financial institutions.
Financial Services Specialists	<ul style="list-style-type: none">▶ Our clients include international banks, brokerages, insurance carriers and asset management firms in the global top tier of their chosen markets and products, including Citigroup, Deutsche Bank, JPMorgan Chase, BNY Mellon, Societe Generale, Lazard Freres, Merrill Lynch, Oppenheimer Funds, AIG, CNA, ING, and Prudential.
Services	<ul style="list-style-type: none">▶ Madison believes that advisory and implementation are inextricably linked. We operate 3 practice areas, offering realistic recommendations that meet the client's business objectives and are deliverable and achievable based on our extensive implementation services experience.
Business and Operations Consulting	<ul style="list-style-type: none">▶ Strategy execution▶ Market and competitive strategies development▶ Operating model and business process redesign▶ Risk and controls
Anti-Money Laundering Compliance Consulting	<ul style="list-style-type: none">▶ Implementation of compliance management structures and cultures▶ Response to regulatory actions▶ Preparation for a regulatory examinations
Resourcing Services	<ul style="list-style-type: none">▶ Project implementation - project managers and business analysts▶ Temporary operational resources - interim managers and operations specialists▶ AML compliance - supervisory managers, researchers, document specialists



Where We Practice

Madison Consulting Group provides its clients with *deep functional expertise* in the following *financial industry verticals*

Asset Management	Wealth Management	Securities Services
<ul style="list-style-type: none">▶ Mutual Funds▶ Retirement Services▶ Hedge Funds and Private Equity▶ Investment Management	<ul style="list-style-type: none">▶ Private Banking▶ Managed Account Services▶ Hedge Funds and Private Equity▶ Wealth Services	<ul style="list-style-type: none">▶ Corporate Trust▶ Securities Lending▶ Trust and Custody

Banking	Insurance	Investment Banking & Brokerage
<ul style="list-style-type: none">▶ Trade Services▶ Merchant Services▶ Money Transfer▶ Foreign Exchange▶ Payments Processing	<ul style="list-style-type: none">▶ Property & Casualty<ul style="list-style-type: none">▶ Commercial▶ Small Business▶ Personal Lines▶ Worker's Compensation	<ul style="list-style-type: none">▶ Derivatives▶ Retail Brokerage▶ Sales and Trading



AML Compliance Practice



AML Compliance – What We Offer

Madison helps clients to identify their unique compliance risks associated with their mix of business lines, products, services, and customer segments. This knowledge is used to enhance the client's AML program to effectively manage those unique risks. We can engage with the client anywhere along the program lifecycle.

- ▶ We can engage with the client anywhere along the program lifecycle:
 - ▶ Vendor review and selection of transaction surveillance platforms
 - ▶ Augmentation of the transaction surveillance rules library to meet regulatory requirements and updates
 - ▶ Development, or update, of customer identification, enhanced due diligence, and risk scoring programs
 - ▶ Respond to AML program issues arising from regulatory examinations
 - ▶ Prepare for a regulatory examination in advance with a rigorous assessment review
 - ▶ Streamline AML related processes – transaction surveillance, customer due diligence and onboarding, risk scoring, information maintenance



What Differentiates Us

Madison uses a resourcing model where engagements are staffed with seasoned consultants with both regulatory experience and, more importantly, with business domain expertise.

- ▶ Assembled teams can effectively communicate with business, compliance, and regulators
- ▶ Recommendations are developed to improve the effectiveness of the AML program that take into consideration products and customer segments, and make sense from a business perspective
- ▶ Action plans are pragmatic and executable
- ▶ We operate efficiently and effectively to provide maximum value-to-cost ratio



Recent Compliance Engagements

Enforcement Action Response	Client Documentation	Surveillance Systems
<ul style="list-style-type: none">▶ Lookback project for a correspondent banking and funds transfer division of a large European bank▶ Lookback project for a private banking division of a global institution▶ Case research of new wire transfer monitoring rules for a major US bank	<ul style="list-style-type: none">▶ Client identification program development for a major investment bank▶ Enhanced due diligence of fund clients for a European bank▶ Client document verification for an asset management division of a financial institution▶ Redocumentation project for the US and international correspondent banking areas for a major US banking institution	<ul style="list-style-type: none">▶ Implementation of new surveillance rules for a private banking business▶ Rules testing for the implementation of a new transaction monitoring system for a correspondent banking client



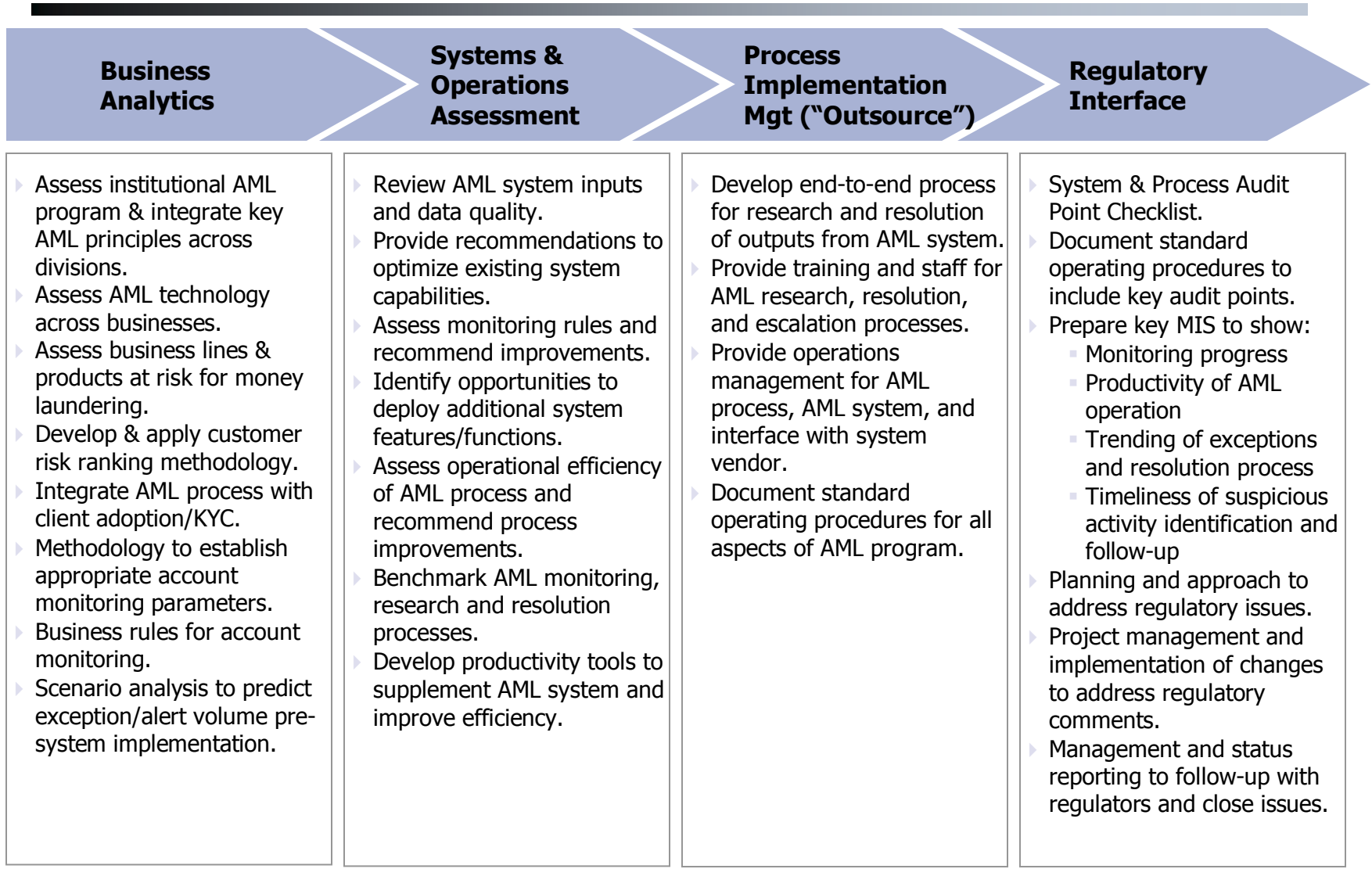
Sample Services – **Response to Enforcement Action**

Madison can provide consulting and resource assistance in some or all facets of the enforcement action response.

- ▶ Work closely with the client to develop a detailed work plan to respond to each enforcement action item.
 - ▶ Perform the necessary reviews to determine the governance and accountability, infrastructure, operational processes, staffing, and documentation gaps, and validation of those gaps with regulators
 - ▶ Define the execution actions required to achieve the target defined environment, and timetables.
- ▶ Development of a customer identification program
 - ▶ Define a client risk rating model based on key factors including customer type, geography, and products
 - ▶ Establish documentation standards that meet legal and regulatory due diligence standards based on the client risk rating
- ▶ Offer assistance to meet any lookback requirements defined by the enforcement action
 - ▶ Provide independent testing of historical transactions against regulatory monitoring standards.
 - ▶ Supply research resources to review of all activities identified as potential exceptions
 - ▶ Report on the results of the independent review
- ▶ Assist client to establish written progress reporting and presentations reviews with the regulators



Sample Services – AML Compliance Advisory





Sample Services – AML Surveillance Calibration (1)

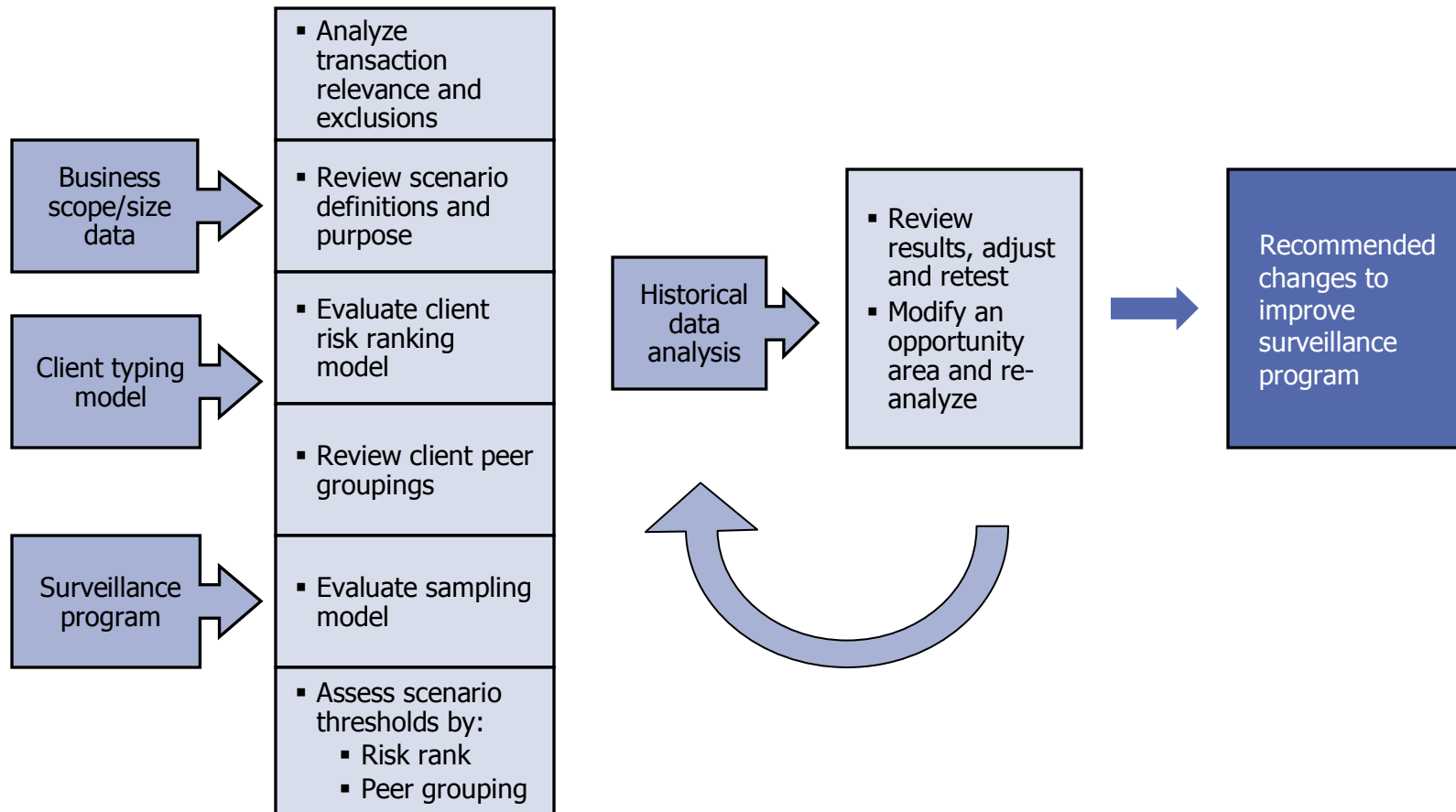
A full understanding of the current AML program will establish the proper baseline for effective, actionable calibration analysis

Current Operating Model		
Business Scope/Size	Client Typing	Surveillance Program
<ul style="list-style-type: none">▶ Business Segments▶ Volume statistics<ul style="list-style-type: none">▶ Clients▶ Accounts▶ Transaction types▶ Transactions by type▶ Data retention policy▶ Client & Account Exclusions<ul style="list-style-type: none">▶ Type▶ Volume▶ Reasons▶ Transaction exclusions<ul style="list-style-type: none">▶ Type▶ Volume▶ Reasons	<ul style="list-style-type: none">▶ Number of Risk Levels▶ Risk Ranking Model<ul style="list-style-type: none">▶ High Risk Categories▶ Parameters▶ Country▶ Business type▶ Source of wealth▶ Entity type▶ Integration with surveillance program	<ul style="list-style-type: none">▶ Scenarios<ul style="list-style-type: none">▶ Types and definitions▶ Threshold settings▶ Frequency▶ Intent▶ Alerts volume by scenario<ul style="list-style-type: none">▶ Aggregates▶ By Alert Type▶ Frequency (Daily, Weekly, Monthly, Quarterly)▶ Alert variance to scenario threshold settings▶ Sampling model used to for determine alerts to research



Sample Services – AML Surveillance Calibration (2)

With an understanding of the current baseline, an iterative approach will be used to develop several areas of opportunity to test with the intent to reduce the number of false positive alerts generated.





Sample Projects – AML Compliance Consulting Services

Client Profile	Issue	Challenge	Results
Global Financial Institution	<ul style="list-style-type: none"> ▶ KYC (Know your customer) 	<ul style="list-style-type: none"> ▶ Develop business requirements to support global information collection needs 	<ul style="list-style-type: none"> ▶ Worked with each regional compliance groups to identify common and unique information collection requirements for the design of a global front end system for customer information capture ▶ Teamed with offshore development partner and project managed the development and implementation of Web-based KYC data capture application, user training and rollout
Private Banking	<ul style="list-style-type: none"> ▶ AML (anti-money laundering) 	<ul style="list-style-type: none"> ▶ Review historical data to determine changes to improve AML testing for a private bank 	<ul style="list-style-type: none"> ▶ Review historical results to determine recommended changes to calibrate surveillance and monitoring system to reduce the volume of false positive exceptions. ▶ Perform sensitivity analysis to test recommended changes and validate improvement to AML testing accuracy.
Private Banking	<ul style="list-style-type: none"> ▶ AML (anti-money laundering) 	<ul style="list-style-type: none"> ▶ Establish process model for research identified exceptions 	<ul style="list-style-type: none"> ▶ Develop end-to-end process model and procedural documentation for researching exception items identified by monitoring systems and determining disposition of each case.
Private and Institutional Banking	<ul style="list-style-type: none"> ▶ AML (anti-money laundering) 	<ul style="list-style-type: none"> ▶ Client risk rating 	<ul style="list-style-type: none"> ▶ Develop a methodology to risk rate clients based on key factors including domicile, product set, source of assets, industry classification, etc.



Sample Projects – AML Resourcing Services

Client Profile	Issue	Challenge	Results
Private Banking	<ul style="list-style-type: none"> ▶ KYC (Know your customer) 	<ul style="list-style-type: none"> ▶ Implement application to streamline KYC information collection from clients 	<ul style="list-style-type: none"> ▶ Teamed with offshore development partner to project manage the development and implementation of Web-based KYC data capture application, including user training and rollout
Private and Institutional Banking, and Investment Management	<ul style="list-style-type: none"> ▶ KYC (Know your customer) 	<ul style="list-style-type: none"> ▶ Provide team for KYC re-documentation project 	<ul style="list-style-type: none"> ▶ Provided project manager and client research team to re-document client files as defined by bank's client information requirements. Clients include international financial institutions, corporations, investment funds and corresponding advisors. ▶ Developed database to track project progress and to report on project operating metrics to client management. ▶ Prepared client for regulator review meetings ▶ Met required completion timelines defined by client and regulators
Private and Institutional Banking	<ul style="list-style-type: none"> ▶ AML (anti-money laundering) 	<ul style="list-style-type: none"> ▶ Provide research staff for AML lookback project 	<ul style="list-style-type: none"> ▶ Provided team to research lookback generated case files, working alongside "consultant of record". Team performed all investigative research, case file documentation, SAR drafting, and final QA to review cases prior to closure or SAR filing approval ▶ Provided management to oversee team and prepare ongoing MIS status reports for client. ▶ Prepared client for regulator review meetings ▶ Met required completion timelines defined by client and regulators
Private and Institutional Banking	<ul style="list-style-type: none"> ▶ KYC and AML 	<ul style="list-style-type: none"> ▶ Provide supplemental staff to assist with ongoing client onboarding and AML research efforts 	<ul style="list-style-type: none"> ▶ Provided supplemental staff to augment client team to investigate new cases.



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