

Siron® AML Segmentation – Profiling – Research and Monitoring – Link Analysis – Case Management

With Siron® AML TONBELLER offers a turnkey, cost-effective and safe solution for all finance service providers, to correspond to the national and international regulations for fighting money laundering and terrorism financing. Siron® AML is a system-independent user solution for preventive early diagnosis, analyses and monitoring of striking financial movements. Using Siron® AML you meet your liabilities within a short period of time; with moderate costs and fast. Long-standing knowledge of the banking environment, the conceptual participation of credit institutions and auditors as well as currently more than 500 international installations at private banks, big banks and savings banks up to the present day make sure that the specific requirements of the credit institutions with respect to functionality, security, quality and efficiency are taken into account to a high degree. The use of our approved systems substantially contributes to the compliance of the legal requirements relating to supervision.

■ 3rd Money Laundering Guideline

With the 3rd EU money-laundering guideline as of June 2004, the EU commission has presented a suggestion "for the prevention of financial system use for the purpose of money laundering including the financing of terrorism".

Purpose of the 3rd money-laundering guideline:

- prevention of financial system abuse is in the foreground
- legally binding conversion of the FATF political standards
- coordination of implementation of the 40 FATF recommendations across the EU
- harmonized „customer due diligence“ approach for banks, finance service institutions, (life) insurances and free professions.

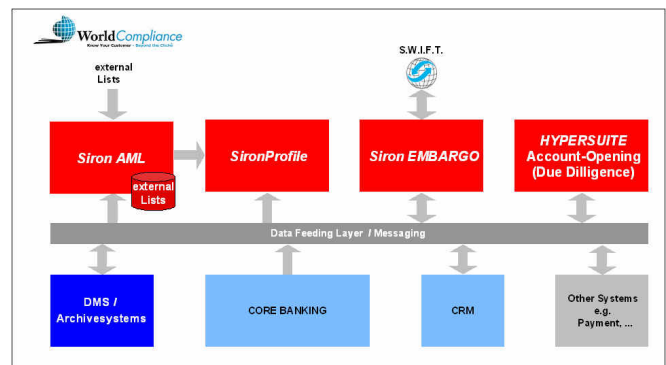
The 40 FATF recommendations as a world-wide valid minimum standard for money-laundering measures have already been updated in June 2003. Furthermore, the "customer due diligence" approach of the Basle committee for banking supervision was established by the FATF in the insurance and security area as well.

Contrary to the previous regulation, in future, credit institutions do not only have the obligation any longer to pay attention to possible money laundering during the direct contact with the customer, but they also have an active research duty for all cash and cashless transactions, which are particularly suitable for money laundering. The credit institutions have the duty to supervise striking customers with the help of monitoring over a longer period of time.

In the context of a *risk-based endangering analysis*, the institutions need to decide upon the kind and extent of the security mechanisms to be implemented and to implement suitable money-laundering and terrorism research systems.

■ Which Obligations and Requests Result from it for Credit Institutions?

The legislators have obliged the credit institutions in national ordinances and laws to introduce „adequate business and customer-related security systems against money laundering, terrorism financing and deceitful actions...“ and to track down striking transactions. Facts which are doubtful or unusual due to experience knowledge about the methods of money laundering, need to be investigated against the background of ongoing business relations. With regard to a steadily increasing complexity of modern banking products and growing electronic payment transactions these requirements can only be met with suitable IT-based analysis methods. List-based, periodical checking approaches will not be sufficient any longer on the background of the new requirements. Extensive IT-supported security systems rather have to be implemented, which enable the money-laundering representative to examine all transactions in the company for the various money-laundering methods and to observe and document striking features over longer periods of time. Security, data protection and a revision-safe documentation of analysis results have to be granted mandatorily in the interest of the bank.



Pic.: Siron® AML-Suite

■ Technological Approaches

Rule-based systems offer the money-laundering representative the possibility to describe behavior patterns known from the past by means of rules (typologies). Rule violations identified by the system (e.g., cash deposits of large, round amounts on newly opened accounts) are listed to the money-laundering representative for further judgment and tracking down. The disadvantage of these purely rule-based systems can be found in the permanent manual effort to reconstruct the steadily changing methods in the system as well as in the mostly high number of "false" striking features.

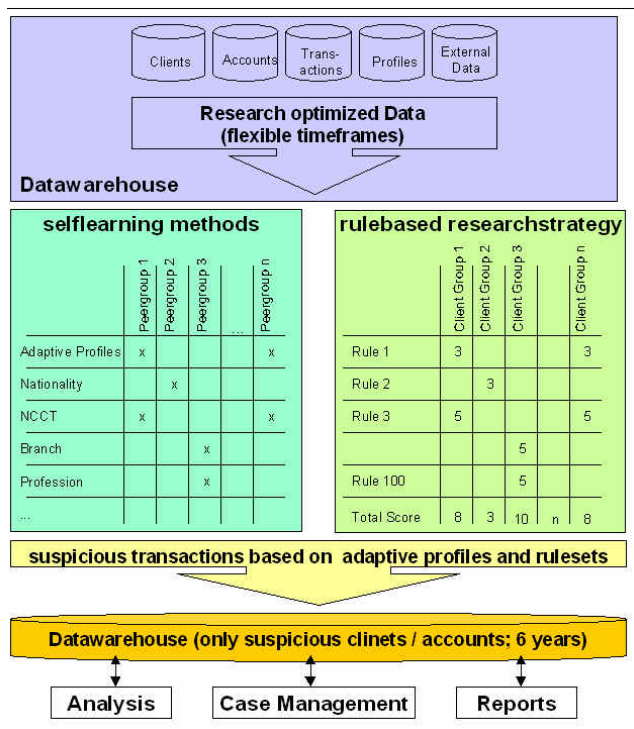
Self-learning systems, however, make use of modern technologies (e.g., data mining), to create dynamic profiles for each customer or customer group, based on the customer behavior up to now. In self-learning systems, therefore, an extensive knowledge (KYC: Know Your Customer) about each customer is being built up. Behavior amendments, abnormalities and typical or similar behavior patterns will be automatically recognized by the system and shown to the money-laundering representative as risks. The disadvantage of these exclusively "self-learning" systems is based essentially in their high complexity as well as in the long introduction times (long learning curve of the systems).

■ Best Practice by Combination of Both Worlds

Siron®AML makes use of both rule-based and self-learning technologies. Using the intelligent combination of both technologies, the institutions' requests for

- optimum protection from known money-laundering practices (adjusted rules / typologies)
- dynamic, risk-based adaptation of KYC profiles
- recognizing unexpected / unusual behaviors (e.g., cluster analysis, time progression analysis)
- automatic determination of existing risks (e.g., formation of risk customer groups)

will be realized in an optimal way.



Pic.: Self-Learning and Rule-Based Solution Approach

■ The Solution in Practice

With Siron®AML, the complete process is mapped, from data provisioning, setting up AML-DataMarts by means of scoring, monitoring the suspicious cases up to reporting / logging. In this case, by means of its integrated and standardized support, Siron®AML guarantees a high degree of efficiency increase and quality improvement, a complete documentation and logging: at minimum costs with lowest effects on the core business.

Siron®AML can be implemented without problems in any existing infrastructure and is available on all platforms (e.g. Windows, Linux, Unix, z/OS, OS/400). Data provisioning can be carried out both directly from the operative systems and from a data warehouse already existing.

External data (e.g., embargo lists of the EU, OFAC or PEP-databases) are completely integrated into the AML process.

The implementation of Siron®AML into the existing infrastructure enables shortest introduction times and costs.

The flexible scoring procedure, based on up to 200 individual rules / typologies, 100 customer groups as well as adaptive customer profiles makes it possible for the money-laundering representative to quickly and efficiently build up the striking check portfolio (AML-DataMart). The further analysis and evaluation of the risks shown is supported by means of a comprehensive case management.

In principle, all system settings and rule adaptations can be carried out by the money laundering representative himself after a short training period.

In the context of the workflow, all checking actions are automatically logged by the system so that the money-laundering representative can account for the checking process in detail any time.

In the Siron®AML reporting module, detailed performance figures are made available about the results of the money-laundering analysis. All report-relevant information is edited by the system and displayed and archived in arbitrary formats.

When provisioning the data (data collection and provisioning) TONBELLER supports the customer in the context of integration consulting. Furthermore, TONBELLER provides the required technical and professional support for Siron®AML, which takes into account the high and permanently changing requirements of the supervisory authorities.

Highlights at a Glance

- combined use of rule-based and self-learning methods
- simple handling by the AML representative / compliance officer
- to be implemented quickly in each infrastructure
- cost-effective implementation
- continuous further development on the basis of regulative requirements
- 500 international installations (private banks, saving banks, retail banks ...)
- regular exchange of information in the SironAML user group

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