Inheritance of Customer Relation and Risk

To prevent money laundering and the financing of terrorism, banks and insurance companies are obliged to treat customers with due diligence. Depending on the customers risk class the type of due diligence is selected. According to the 4th money laundering directive of the EU, customers who are related to high risk customers are to be checked just as stringently as high risk customers themselves.

Improved Customer Risk Classification Through Consideration of Further Customer Relations

Siron®AML determines the risk that results from these relations for every customer. Risk classification takes into account master data, the customer profile, and product use. There are scenarios, where this classification may not be sufficient, e.g.:

A person classified as a medium risk customer is the beneficial owner of a company with a high risk behavior. The owner of a company from the low risk segment does business in high risk countries.

According to article 16, paragraph 2 of the 4th anti-money laundering directive of the EU, all contexts of business relations have to be checked when assessing the appropriate due diligence. This includes potential relations to other high risk customers. Siron®AML and its additional inheritance of customer relations use a much broader data basis when assessing the customer's risk. Through an interface, relations to beneficial owners may now be loaded to Siron®AML and used for risk classification in scoring. This enables inheritance of the customer risk by related customers.

Advantages and Highlights at a Glance

- Improved customer risk classification through inheritance of risks from customer relations with automated assignment of the highest risk class
- Traceable relations in static link analysis
- Continuous risk monitoring to derive adequate risk measures
- More transparency and a differentiated check strategy through risk modeling in the customer category
- Visualization of risks and their history from the last scorings in well-structured charts
- Display of high risk customers in the high risk scoring report
- Hits from risk class based customer categories decide on the customer's risk classification
- Additional check of account, transaction, and account profile data and non-monetary events, apart from the customer master data from profiling
- Compliance with statutory reporting obligations
- Records to comply with statutory retention and marking obligations

Further information: www.tonbeller.com
Risks are Changed Through Inheritance

The following demonstrates the effects of automatic risk inheritance on the risk classification of a customer:

The risk of a company is initially classified as low. The result of the automatic evaluation is that one of the company’s beneficial owners comes from a high risk country. The beneficial owner is classified as high risk customer and passes the high risk to the hitherto low rated company.

The highest risk of the customer or company is inherited. The customer’s original risk is not changed. The inherited risk is shown in an additional field. You can use Siron®AML to specify whether higher risk inheritance applies to one direction (the company inherits the beneficial owner’s risk) or to both (the beneficial owner also inherits the company’s risk).

Due Diligence

For customers with an inherited higher risk, Siron®AML provides separate customer risk categories. You can use parameterization to decide for each money laundering scenario, whether a threshold takes the original or the new inherited risk into account.

Visualization of the Inherited Risk

For money laundering alerts, Siron®AML provides all relevant case information to the compliance officer, for instance:

- Original risk
- Inherited risk (e.g. through beneficial owners or family members)
- Relational network (table)
- Relations to other customers in link analysis (graphical)

Taking the customer relations and risk inheritance into account significantly improves customer risk classification regarding enhanced due diligence. Furthermore, identifying the related companies or persons makes it far easier to detect potential money laundering transactions.

Politically Exposed Person (PEPs)

If you also use Siron®KYC, ratings from this software are provided as comparison objects in Siron®AML for risk assessment.

Using the new component, Siron®KYC customers (as of release 1201) can pass or inherit the beneficial owner’s PEP status to or from the legal entity, thereby adding the status from relevant relations. This also classifies the beneficial owner’s company as PEP.

Apart from the check status, the risk level from customer acceptance or KYC case management is also inherited.

The new Siron®AML component also allows import of the inherited check status and risk level into the research system for compliance with enhanced due diligence.