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## **Kreissparkasse Esslingen-Nürtingen Finds Perfect Anti-Money Laundering Solution**

Germany's savings banks are region-based banks offering a broad range of financial and investment services to private and business clients. Though they do business under a common trademark, each savings bank is unique. As a regional bank of supra-regional importance, Kreissparkasse Esslingen-Nürtingen serves the entire district, a diverse area with 514,000 inhabitants, 44 towns and communities, and some 28,000 businesses. With a balance-sheet total of 8.5 billion Euro (2009) and 107 branches covering this huge catchment area, Kreissparkasse Esslingen-Nürtingen counts among Germany's largest regional banks.

Banking is based on trust. Successful banking hence depends very much on good reputation. No bank wants to be the victim of fraud: not so much because of direct financial losses, but rather because of the damage caused to the bank's standing in the eyes of its partners, customers, and the public.

However, apart from fraud, there are other forms of financial crime, such as money laundering. Bank accounts are used to launder illegally earned money. This risk has been addressed by statutory measures, most recently by the Third EU Money Laundering Directive, implemented in Germany through the law (Geldwäschekämpfungsergänzungsgesetz – GwBekErgG). This act came into force on August 21, 2008, and gave financial service companies, such as Kreissparkasse Esslingen-Nürtingen, just a few months to comply. The new legislation obliges institutions to assess the risks of its business relations along with the related customers. The result of this risk analysis is the identification of high-risk customers who are submitted to Enhanced Due Diligence by the bank.

### **Customer Convenience**

While all banks are obliged to comply, every one of them faces a specific set of risks. „The challenge for savings banks is that we have many current accounts spread across many branches, which means we must be particularly vigilant,” says Olaf Schanz, anti-money laundering (AML) officer at Kreissparkasse Esslingen-Nürtingen. „We provide outstanding service to our customers. They can easily find a branch to withdraw or deposit funds. Money launderers try to use these branches to conceal the origins of money earned through criminal activities. AML officers must pay particular attention to analyze the movements of funds,” he adds.

Identifying suspicious transactions is a Sisyphean task for any bank that tries to do that manually. „I know, because we tried it,” says Schanz. „Before we installed Siron®AML from FICO TONBELLER in late June 2004, we were confronted with a pile of paper listing potentially suspicious transactions on a daily basis. By the end of the month, it had become a mountain. After the successful implementation, we could use our time more productively, as Siron®AML separated the genuinely suspicious transactions from the numerous false positives,” says Schanz.

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## Regulatory Compliance

Kreissparkasse Esslingen-Nürtingen decided to implement a system providing a full audit trail and meeting the most stringent standards. In June 2004, Kreissparkasse Esslingen-Nürtingen purchased the anti-money laundering solution Siron® AML through Finanz Informatik – the IT service provider for the savings banks group.

„The centrally hosted solution at Finanz Informatik not only fulfils all legal requirements but it also relieves us of the costs and risks of operating an internal application,“ says Schanz.

„Equally important though, we wanted the quality of know-how and the continuity of service delivered by FICO TONBELLER.“ Since 2005, FICO TONBELLER has provided Kreissparkasse Esslingen-Nürtingen with strategic and technical advice on anti-money laundering. One of the key challenges of meeting the requirements of the GwBekErgG concerned politically exposed persons (PEPs), their family members and business partners. PEPs include heads of state, political and military leaders who can use their status and foreign business contacts to retrieve assets from their home countries (often to the detriment of national economy). Verifying PEPs requires extensive information management and can impose a huge time and resource burden on the financial institution.

## Technically Superb

„Every night the savings bank compares the customer base with a PEP database,“ says Schanz. „That means if customers open an account at our institution, we know whether they are potential PEPs before the next business day has even begun.“ Kreissparkasse Esslingen-Nürtingen then looks at the accounts in more detail using Siron® PEP and decides whether the account holder is actually politically exposed or whether there is a mere similarity to another PEP.

„I find the entire solution technically superb since the integration with Siron® AML already ensures that potential PEPs are treated with Enhanced Due Diligence,“ says Schanz. „Hence we do not need to take the decision ‚PEP/no PEP‘ for all customers bearing similarities with entries in the PEP list.“

However, when fighting money laundering one is trying to hit a moving target. As the forms and methods of criminality change constantly, new strategies must be developed to combat those crimes. People change identities, criminals find new opportunities to exploit, and the way they channel funds constantly changes. „As soon as the regulator issues new requirements for combating financial crime, FICO TONBELLER provides a solution,“ explains Schanz. „Also when we identify potential threats ourselves or update the system, we know we can always reach TONBELLER and count on prompt advice and action to ensure that everything runs smoothly and is up-to-date,“ adds Schanz.

Assisted by FICO TONBELLER, Kreissparkasse Esslingen-Nürtingen arranges an internal audit of all AML procedures once a year. „This always puts us in excellent shape for the external audit, which might be inspected by BaFin, the federal financial regulator,“ says Schanz.

„We have never encountered any problems in that respect.“



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Olaf Schanz  
Anti-Money Laundering Officer  
Kreissparkasse Esslingen-Nürtingen

### **Protect Honest Customers**

Naturally, Kreissparkasse's number one priority is to avoid abuse of its services, but there is another vitally important consideration: it wishes to avoid any inconvenience for its valued customers. „Customer care is of course the responsibility of our branch staff. The problem is that even though our employees know their customers, they do not have an overview of every single account movement in all our branches. This is where we need FICO TONBELLER. If a certain risk level is reached, Siron®AML provides the required overview that – combined with the knowledge and professionalism of our employees – ensures that potential cases of money laundering or the financing of terrorism are identified without troubling honest customers.“

### **The Challenge**

Like all banks, Kreissparkasse Esslingen-Nürtingen had to comply with new statutory requirements regarding AML. But it required a flexible solution and the expertise to implement it.

### **The Solution**

Siron®AML enables Kreissparkasse Esslingen-Nürtingen to prevent and identify cases of money laundering. With the solution from FICO TONBELLER, Kreissparkasse Esslingen-Nürtingen complies with all statutory requirements regarding Anti-Money Laundering and Counter Terrorism Financing.

### **The Benefits**

The technical excellence of the system combined with the professional expertise from FICO TONBELLER has enabled Kreissparkasse Esslingen-Nürtingen to reduce manual processes to a minimum and pass every internal and external audit of its AML procedures with flying colors.

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