



# Building a risk assessment that considers both the institution's risk and national AML priorities



There is a growing consensus among regulators, law enforcement, and the financial industry to reform and modernize the US anti-money laundering (AML) regime, as evident in US regulators' recent notices and joint statements on the future of the AML regime. The objective of the reform initiative is to provide for greater focus on national AML priorities (e.g., terrorist financing, drug trafficking, cybercrime) in order to report useful information to law enforcement. Additionally, the initiative aims to increase AML program effectiveness and efficiency by building in flexibility to focus on priorities specific to industry and institution, and by reducing the effort spent on lower value activities.

The focus on increasing AML regime effectiveness is evident in Financial Crimes Enforcement Network's (FinCEN) Advance Notice of Proposed Rulemaking (ANPRM) on the AML Program Effectiveness, published on September 16, 2020, which seeks feedback on its proposals to clearly define requirements for an "effective and reasonably designed" AML program. One such proposal is to explicitly require financial institutions to perform a risk assessment, while considering both the institution's risk and the threats and vulnerabilities established in national AML priorities.

## Key challenges and questions

- 1 How can you pivot your risk assessment methodology to enhance focus on the threats and vulnerabilities identified in national AML priorities?**
  - Do you have the required insight and information about national AML priorities and if/how they apply to your institution?
  - Do you have a methodology to identify risks within your institution that align to national AML priorities, and to report useful information to law enforcement?
- 2 How can you automate your risk assessment process to improve efficiency without compromising ability to identify "hot spots" of emerging risks?**
  - Have you built data lakes that allow for automated collection of key data points to identify emerging changes in your institution's risk profile (e.g., growth of non-resident alien (NRA) customer base, increased concentration of international wires to/from higher risk countries)?
  - Do you have a tool that can ingest key data points and produce periodic key risk indicator (KRI) dashboards?
- 3 How can you demonstrate effectiveness of your risk assessment as the foundation of your Bank Secrecy Act (BSA)/AML program?**
  - How can you demonstrate that your risk assessment produces useful information to law enforcement in line with national AML priorities while staying current and in support of a risk-based BSA/AML program tailored to your institution's risk profile?
  - Have you re-trained your risk assessment resources to shift focus from a standard quantitative data refresh exercise to an assessment of risk tailored towards national AML priorities?

## Actions to consider now

- 1 Develop a methodology to identify and assess the risks within your institution for each of national AML priorities, as applicable:**
  - Consider quantitative and qualitative data needs to assess the inherent risk and controls based on your operating model, including customers, products/services, transactions, channels, and geographies.
  - Leverage additional information from public and private sector sources to identify "red flags".
- 2 Incorporate feedback into your risk assessment process from stakeholders beyond the BSA/AML compliance, to better assess applicability of national AML priorities to your industry and institution, considering:**
  - First line of defense, including front-office business and back-office operations (i.e., accounting and clearing).
  - Second line of defense, including risk management and regulatory compliance and other monitoring functions.
  - Third line of defense (i.e., internal audit function).
- 3 Integrate your AML data lake with the risk assessment tool to enable automated KRI and key performance indicator (KPI) reporting to:**
  - Make your periodic risk assessment refresh highly efficient via automation.
  - Free up resources to focus on targeted risk assessments to address the threats and vulnerabilities identified in national AML priorities.
  - Demonstrate bilateral feedback loop between the risk assessment and your BSA/AML program.

## AML reform objectives



Reinforce focus on law enforcement outcomes



Evolve BSA/AML regulatory and examination framework



Promote innovation, information sharing and collaboration

**DERA** – Deloitte Enterprise Risk Assessment Tool – is a web-based, standardized and automated tool that enables consistent risk assessments across an organization, covering Financial Crime, Compliance, and Operational risks

[www.deloitte.com/us/DERA](https://www.deloitte.com/us/DERA)

Financial Institutions could develop an ongoing capability to focus on national AML priorities and drive change to create risk management and law enforcement value—critical to getting more return on investment (ROI) for AML compliance spend. While this effort will likely be a long-term journey across all dimensions, institutions could start to pivot now by articulating a long-term vision for their future AML programs and addressing areas of low risk management value.

## Connect with us



**Miriam Ratkovicova**

Managing Director | Deloitte Risk & Financial Advisory  
Deloitte Transactions and Business Analytics LLP  
[mratkovicova@deloitte.com](mailto:mratkovicova@deloitte.com)  
+1 215 982 6449

To learn more, visit <https://www2.deloitte.com/us/en/pages/regulatory/articles/aml-program-reform.html>

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, “Deloitte” means Deloitte Financial Advisory Services LLP, which provides forensic, dispute, and other consulting services, and its affiliate, Deloitte Transactions and Business Analytics LLP, which provides a wide range of advisory and analytics services. Deloitte Transactions and Business Analytics LLP is not a certified public accounting firm. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2020 Deloitte Development LLC. All rights reserved.