

# Compliance Risk Rating

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# Compliance Risk Rating

underlying source for risk based approach for products & trx

## 3. EU AML Directive requires a risk based approach, for which the CRR forms the basis

Article 8 – (1) – (2)

(...) “The institutions and persons covered by this Directive shall apply each of the customer due diligence requirements set out in paragraph 1, but may determine the extent of such measures on a **risk-sensitive basis** depending on the type of customer, business relationship, **product or transaction**”

## In addition to the requirements stemming from the 3.EU AML Directive the CRR is further based on the following guidances

### FATF

- International Standards on combating money laundering and the financing of terrorism & proliferation - The FATF Recommendations

### The Wolfsberg Group

- Guidance on a Risk Based Approach for Managing Money Laundering Risks
- AML Principles for Private Banking
- AML Principles for Correspondent Banking

### Worldbank

- Preventing Money Laundering and Terrorist Financing - A practical guide for Bank Supervisors

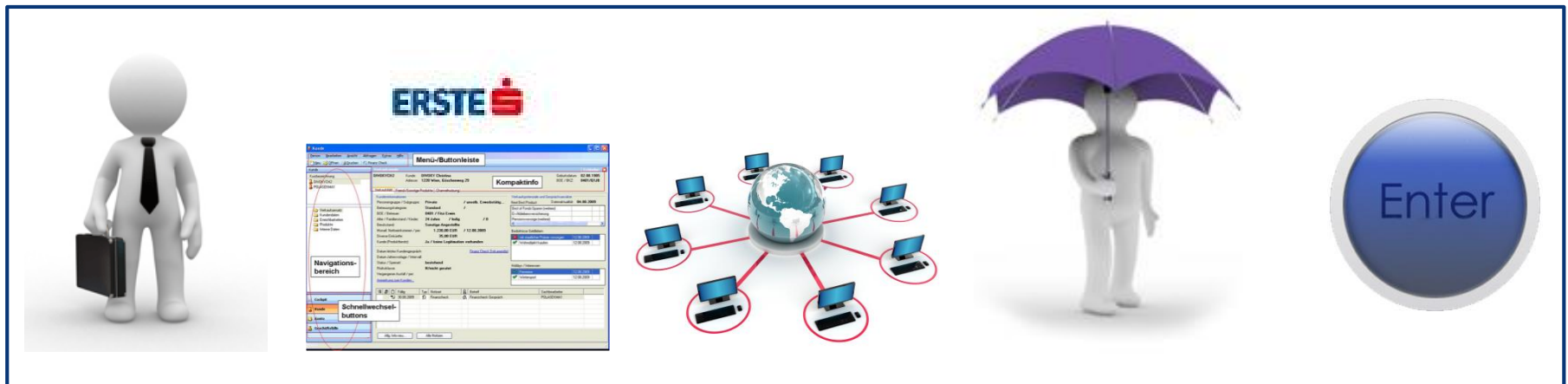
### Basel Committee on Banking Supervision

- Core Principles Methodology

# Onboarding Process

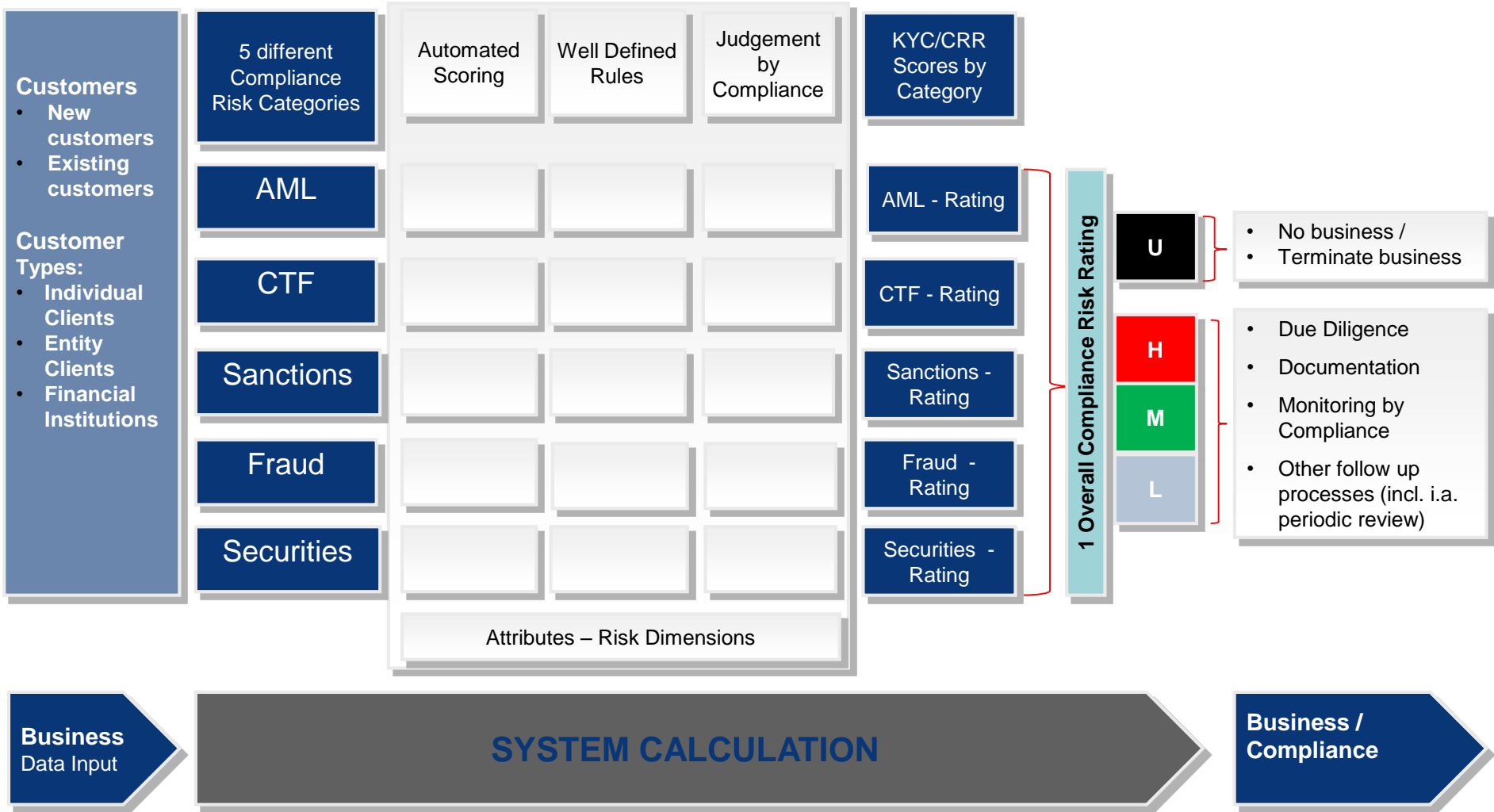
## Initiation of Customer Relationship on the basis of established processes

- Sales Representative responsible for data capturing required for Compliance Risk Rating, remaining customer due diligence processes and standard sales processes
- Customer due diligence varies in the level of detail – depending on the outcome of the realtime calculated Compliance Risk Rating



# Compliance Risk Rating

All customers will be subject to an automatic calculated Compliance Risk Rating



# Different Types of Due Diligences

The majority of customers will be subject to General Due Diligence ERSTE GROUP

## Simplified Due Diligence

- Determine controlling partners and ownership structure
- Risk-based wealth determination
- Record and store due diligence information
- Terror check and negative information
- Monitoring the relationship



## General Due Diligence Para 9/2a,b)

- Identification and verification of customers
- Obtain and document the type and purpose of the relationship
- Determine the ultimate beneficial owner



## Enhanced Due Diligence Para § 9/2c,d)

- Obtain approval from superior
- Increased or continuous monitoring of the relationship
- Taking measures to determine the sources of wealth

# Responsibilities

Know-Your-Customer is already daily business for Sales Representatives

## Relationship Manager



- **Obtain information on customer**
- **Data Capturing in Front-End-System**
- **Execution of Due Diligence**
  - Identification and – where no mid-office exists – verification of customer
  - Obtain and document type and purpose of the relationship
  - Determine the ultimate beneficial owner
  - Determine controlling partners and ownership structure
  - Risk-based determination of wealth
  - Record and store the due diligence information
  - Obtain approval from superior in case of high risk clients
  - **Periodic Review**

## System



- **Terror check**
- **PEP Check**
- **Calculation of Compliance Risk Rating**
- **Monitoring of customer relationships and transactions**

## Compliance



- **Advise branches on Compliance-related topics**
- **Monitoring of customer relationships and transactions**
- **Processing of monitoring alerts**
- **Execution of research**
- **Reporting of Suspicions**
- **Negative information**
  
- **Development of policies and guidelines**
- **Development of Compliance Risk Rating (CRR) model**
- **Actualization of monitoring and CRR models**
- **Training of Sales Personnel**
- **Desk Review/Periodic Review**