Monitoring and Reporting Potential Money Laundering and Terrorist Financing Activities

Problem

An increase in SARs cost a national bank $40 million in vendor and contracting expenses

Solution

Alacer developed a two-phase approach to reduce expenses and improve processes with new processing and staffing models to mitigate operations impact and reduce vendor contracts

Results

Savings of $36 million over three years, vendor costs cut by $16 million and received "Best in Class" designation from regulatory agencies

Overview

One of the top ten challenges facing banks today is how to best respond to increased scrutiny surrounding Suspicious Activity Reports (SARs). SARs play a significant role in reducing the country's vulnerability to terrorist threats by identifying potentially fraudulent financial activities; however, when one national bank's SARs increased tenfold, it experienced an unanticipated related cost of $40 million in vendor and contracting expenses. Alacer first needed to identify and mitigate the risks within the bank's current system before developing new processes that specifically addressed how to handle increasing SAR volumes with minimal economic impact.

Challenges

With thousands of branches across the U.S., the bank's increasing SAR activity resulted in disruptive internal processes, lowered the quality of reports and increased vendor and contractor expenses. The strict filing guidelines enforced by the Financial Crimes Enforcement Network (FinCEN), a department of the U.S. Treasury, meant that SARs must be filed within 30 days of detecting the suspicious activity and must be maintained in storage for a period of five years from the date of filing.

Results

Alacer first worked with existing bank vendors to develop a multiphase approach that focused on expense controls, end-to-end process reviews and the identification of high variability areas. Secondly, Alacer developed new processing and staffing models to address work backlog and to mitigate operational impact. As a result, the bank realized $36 million in savings over a three years, and $16 million in savings through vendor contract reductions. The result outperformed regulatory expectations and was designated "Best in Class" by government agencies.

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Seattle :: Dallas :: New York www.alacergroup.com +1 **800 414-5170**