Monitoring and Reporting Potential Money Laundering and Terrorist Financing Activities

Problem

A national bank's costs rose by $40 million because of the burden of having to monitor suspicious activity in its customers' accounts

Solution

Alacer developed end-to-end processes that refined how technology was used as well as how variables in account activity were identified

Results

Saved $12 million/year in costs; cut $16 million in contract costs; regulators rated system best in class

Overview

One of the top challenges banks face is how to 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. But when one national bank's SARs increased 10x, 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 disrupted 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 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. Alacer then 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 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.