

Risk Based Approach to Customer Due Diligence

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Risk Model Objectives

At Account Opening:

- **Determine appropriate level and amount of due diligence required to evaluate various potential risks that may be posed by new customer**
- **Ensure that appropriate due diligence information is collected and reviewed prior to establishing account relationship**

Risk Model Objectives

Ongoing Relationship:

- **Identify as early as possible suspicious activity and/or customers that may represent money laundering or terror financing risks**
- **Prioritize customers and transactions for review and investigation**
- **Ensure that resources are deployed commensurate with perceived risks**
- **Establish baseline to ensure that money laundering and terror financing risks are addressed in a consistent and quality manner globally**

Risk Factors

- **Geography and country risk**
- **Business and entity risk**
- **Products and transaction risk**
- ***Totality of Risk Factors determine Composite Risk***

Key Considerations for Evaluating Risk Factors

- **Objective**
- **Verifiable**
- **Previously published material**
- **Where possible, international sources**

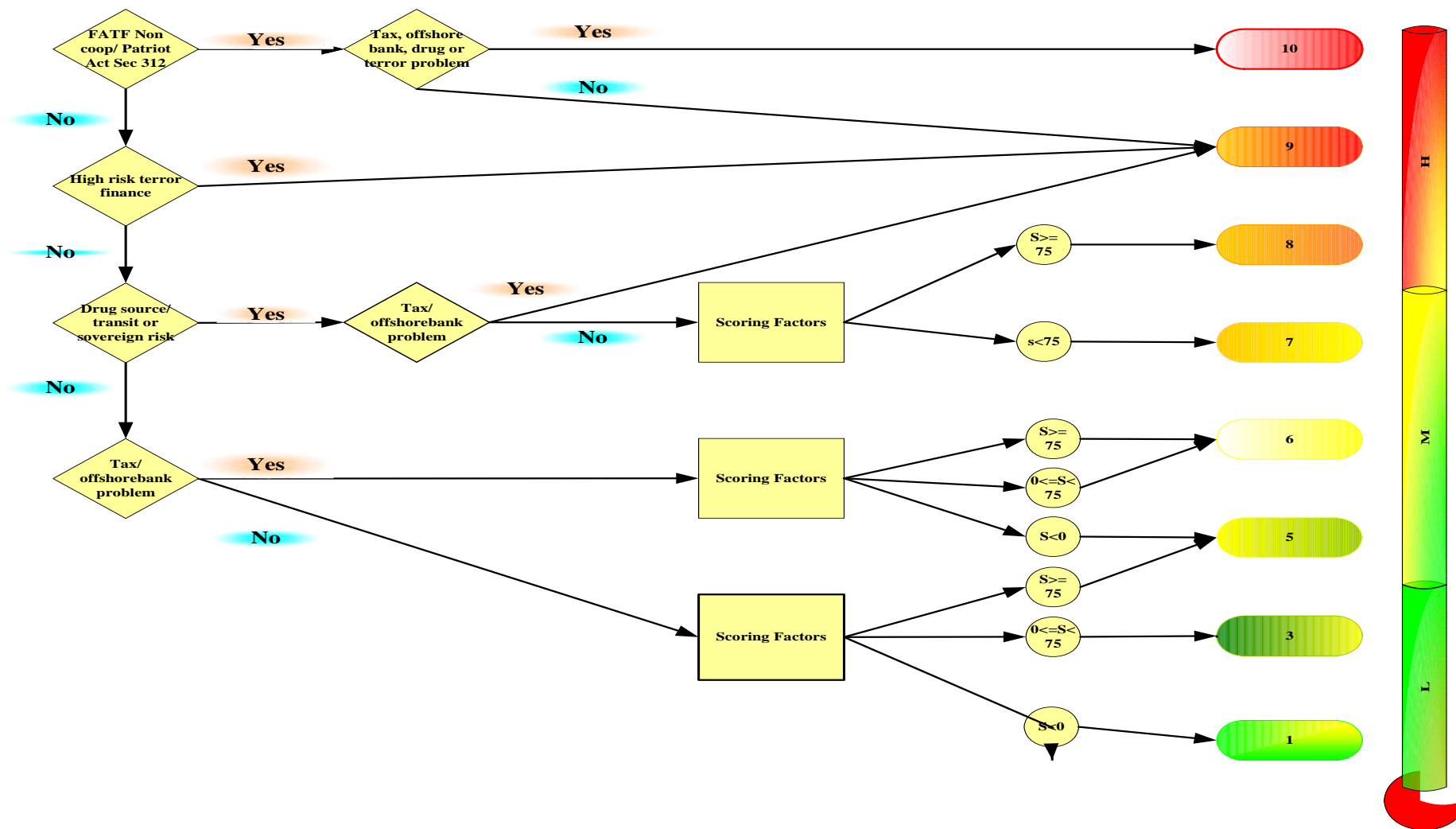
Geography and Country Risk - Factors

- **Principal factors are those that in and of themselves are so significant that they will result in a high risk score**
- **Scoring factors are those that can increase or decrease a risk score on the margin**
- **Scoring factors are not prime determinants of the risk score**

Geography and Country Risk – Principal Factors

- **Financial Action Task Force (FATF) NCCT**
- **Countries designated under USA Patriot Act Section 311**
- **Countries designated as High Risk for Terror Finance**
- **Countries with no money laundering laws or regulations**
- **Drug Source or Transit Country**
- **OECD Tax Problem Country**
- **INCSR (US Department of State report)**
- **Transparency International Corruption Index**
- **Heritage Foundation Economic Freedom Index**

Geography and Country Risk



Business and Entity Risk – Factors

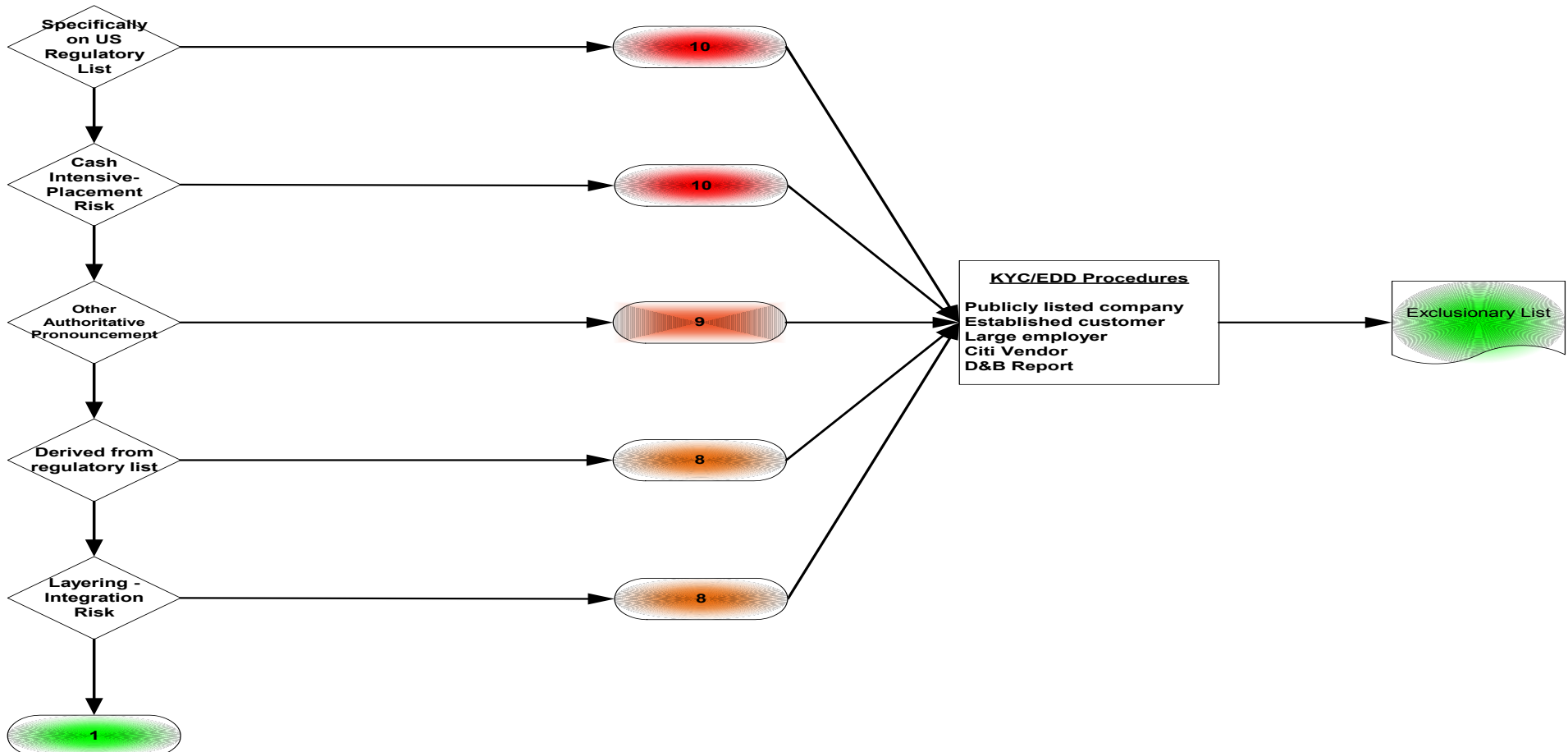
- **Specifically identified by Regulators/Law Enforcement**
- **Money Laundering Placement Risk; such as cash intensive businesses**
- **Other authoritative pronouncement**
- **Money Laundering Layering or Integration Risks**

Business and Entity Risk – High Risk Businesses and Entities

- **Cash intensive businesses**
- **Gatekeepers such as accountants, lawyers, trustees and notaries that may be involved in facilitating the layering and integration of funds or assets**
- **Financial institutions and legal vehicles such as offshore banks, trusts and private investment companies that offer confidentiality and intermediary services**
- **Publicly exposed persons and their associates**

Business and Entity Risk

Business and Entity Risk Scoring Chart



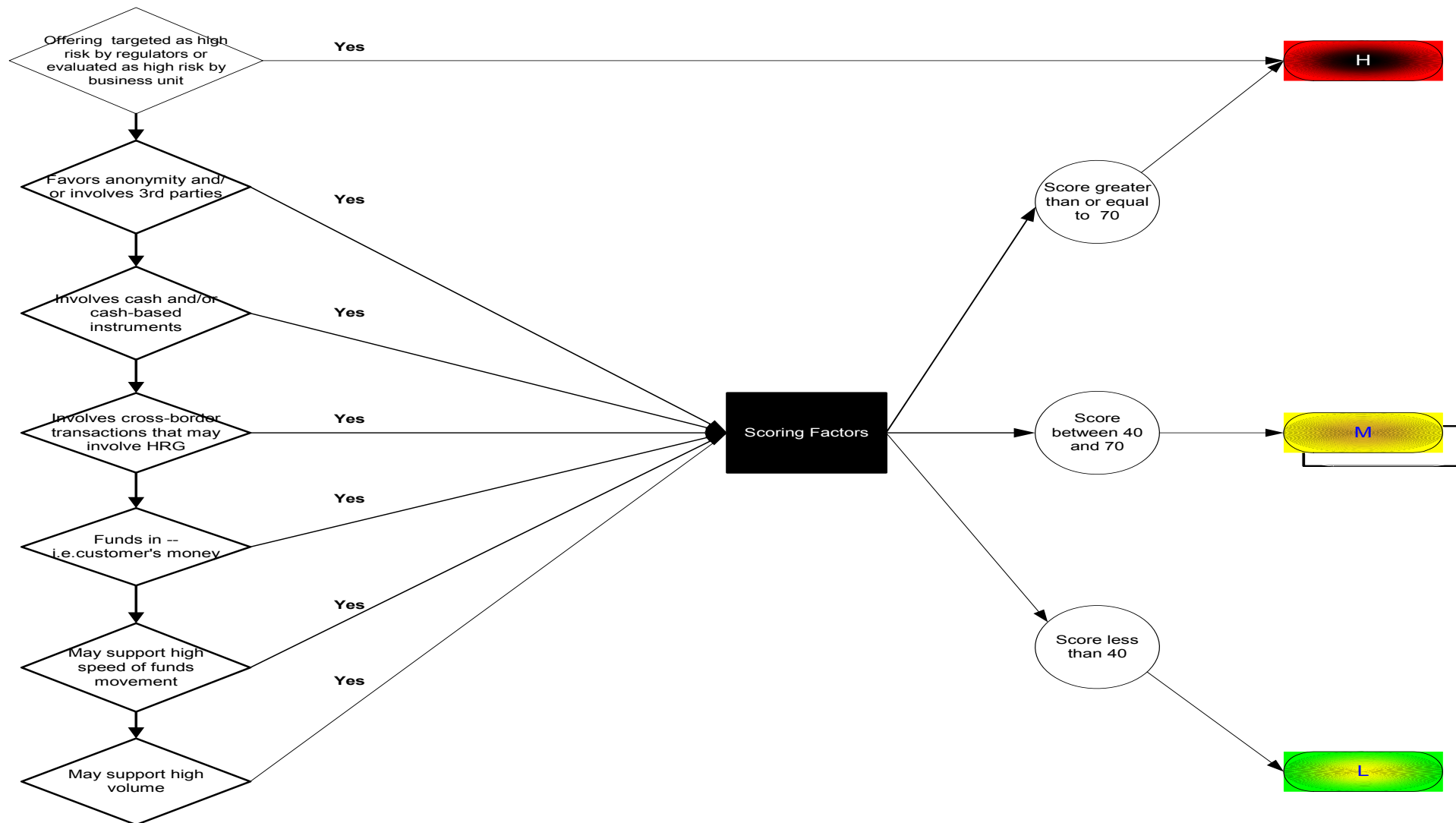
Model Extract for High Risk Businesses

NAISC	Category	Description	Specifically on US Regulator List	Recent Authoritative Advisories	Derived from Items Listed by Regulators	Cash Intensive Placement Risk	Layering Integration Risk	Risk Score
33991	Jewelry and Silverware Manufacturing		x				x	10
42111	Automobile and Other Motor Vehicle Wholesalers	Automobiles and Other Motor Vehicles	x		x		x	10
42186	Transportation Equipment and Supplies Wholesalers	Business Services, (yacht brokers)	x		x		x	10
42193	Recyclable Material Wholesalers	Scrap and Waste Materials			x			8
42194	Jewelry, Watch, Precious Stone, and Precious Metal Wholesalers	Jewelry, Watches, Precious Stones, and Precious Metals	x				x	10
42212	Stationery and Office Supplies Wholesalers	Stationery and Office Supplies				x		10
4228	Beer, Wine, and Alcohol Wholesalers			F				9
42294	Tobacco Wholesalers	Tobacco and Tobacco Products		F				9
441	Motor Vehicle and Parts Dealers		x		x		x	10
4411	Automobile Dealers	Motor Vehicle Dealers (New and Used)	x		x		x	10

Product Risk - Factors

- **Specifically identified by Regulators/Law Enforcement**
- **Favors anonymity or involves third parties**
- **Supports high transaction volumes**
- **Involves cross border transactions**
- **Involves cash, monetary or bearer instruments**
- **Supports high speed movement of funds**

Product Risk



Product Risk – High Risk Products

ATM Credits	Funds Transfers - In Financial Center
Cash	Global Custody Related Funds Transfer
Cash Deposits	International Cash Letter
Citiconnect (Seller Centric Model)	
WorldLink	International Funds Transfers
Deposit Services	International Funds Transfers to Account
Deposit/Encashment of Money Orders	Offshore Personal Investment Company
Deposit/Encashment of Official Checks	Offshore Trust
Deposit/Encashment of Travelers Checks	Payable-Through (Citibank UK/399 Park)
Direct/Local Custody Related Funds Transfer	Sale of Stored Value Cards
Domestic Funds Transfers	Standby Letters of Credit (Citibank as Advising or Confirming Bank)
Domestic Funds Transfers to Account	U.S. Custody/Trust Related Dollar Funds Transfer
Electronic Check Writing	WorldLink Funds Transfer
Electronic Escrow Settlement Services	WorldLink On-Site Checks or Checks in Financial Center
Escrow	WorldLink Remote Checks or Requested by Financial Center
Export Letters of Credit	
FI Checks Paid	

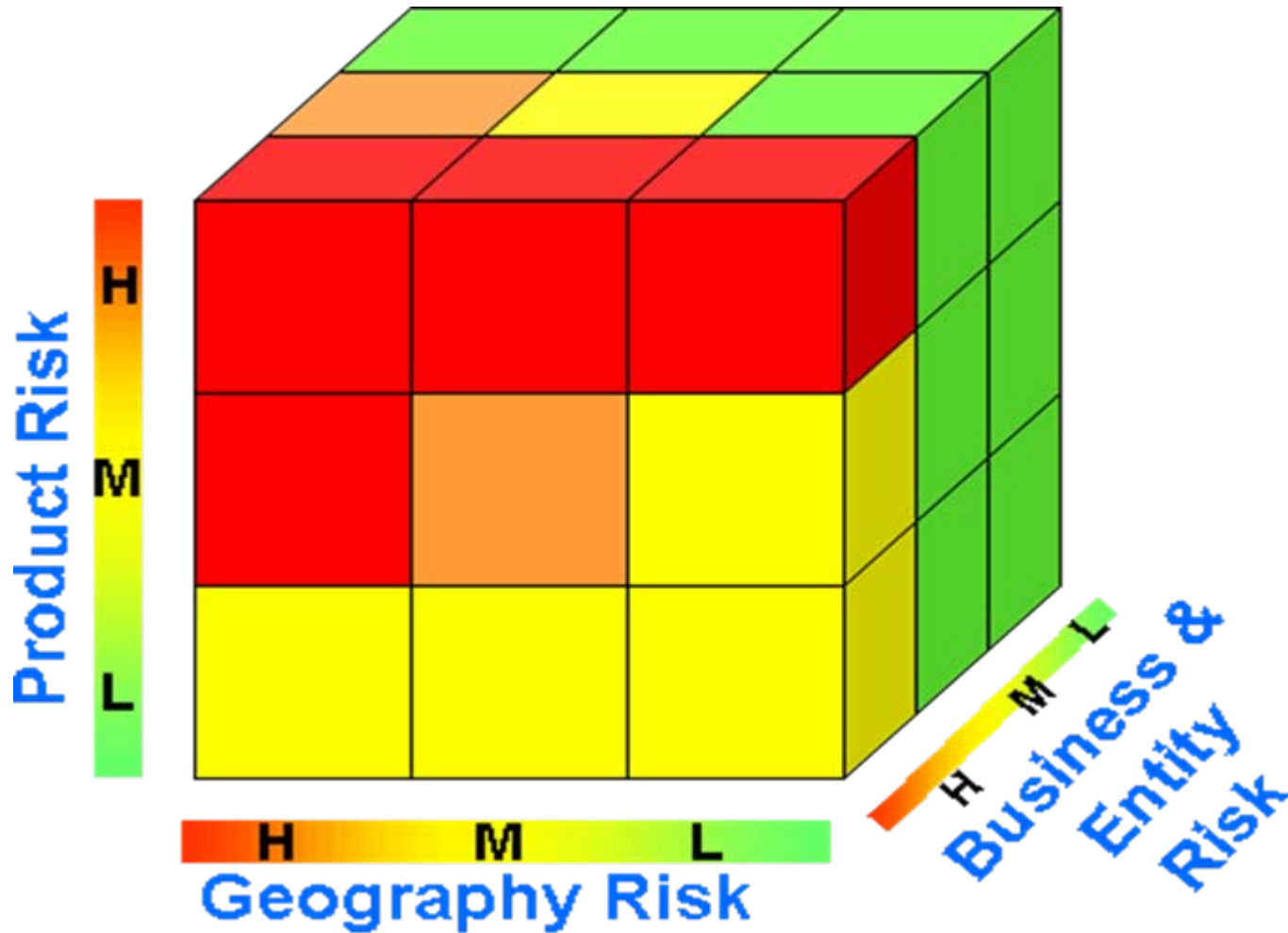
Product Risk – Medium Risk Products

ATM Withdrawals
Cashiers Checks
Checking Writing
Export Documentary Collections
Foreign Currency
Foreign Exchange
Import Documentary Collections
Import Documentary Letters of Credit
POS Withdrawals
Private Label Controlled Disbursement

Product Risk – Low Risk Products

Annuities	Investment Redemptions
Art Advisory	Investment/Brokerage Accounts
Automated Clearing House	Loan Accounts
B2B e-Billing - web based billing and receivables mgmt services	Lockbox Customer (Wholesale/Retail)
Bank-to-Bank Reimbursements	Margin
Bill Payment	Master Trust & Custody
Business Access - Funds Transfer Initiation	Money Market Accounts
Business Access Balance/Transaction Information	Mortgages
Business-to-business Global Settlement and Financing Solution	Municipal Bonds
Certificates of Deposit	Mutual Funds
Citiconnect (Seller Centric Model) ACH	Orbian "Interim Phase"
CitiDirect Balance Transaction Information	Payroll Checks
CitiDirect Transaction Initiation	PBG Investment Advisory
Claims Settlement Processing	PBG Margin Lending
Clean Bankers Acceptance	PBG Participants/Syndications
Commercial Paper	PBG Preferred Custody
Commercial Paper	PBG Tailored Lending
Commodities	Personal Installment Loan
Controlled Disbursement and Account Reconciliation Services	Pledge Collateral Account
Corp Bonds	Preferred Line
Corporate Trust - US and Global	Preferred Loan
Corporate Trust Services	Prime Broker Accounts
Custody/Safekeeping Accounts	Private Label Lockbox
Debt Derivatives	Ready Credit
Delivery Versus Payment	Receive Versus Payment
Demand Deposit (DDA)/Basic Checking Accounts	Repo
Depository Receipts (DR)	Retirement Accounts
Directed Share Program	Reverse Repo

Composite Risk



Composite Risk

For High-Risk Business & Entity Types

Country Risk	Product Risk		
	HIGH	MEDIUM	LOW
HIGH	HIGH	HIGH	MEDIUM
MEDIUM	HIGH	MEDIUM - HIGH	MEDIUM
LOW	HIGH	MEDIUM	MEDIUM

For Medium-Risk Business & Entity Types

Country Risk	Product Risk		
	HIGH	MEDIUM	LOW
HIGH	MEDIUM - HIGH	MEDIUM	MEDIUM
MEDIUM	MEDIUM	MEDIUM	MEDIUM
LOW	LOW	LOW	LOW

For Low-Risk Business & Entity Types

Country Risk	Product Risk		
	HIGH	MEDIUM	LOW
HIGH	LOW	LOW	LOW
MEDIUM	LOW	LOW	LOW
LOW	LOW	LOW	LOW