



Consulting for the Financial Industry

CASE STUDY

Talent. Teamwork. Trust.



VMS Expertise Helps Financial Institution Implement AML Compliance Program

Implementation of AML Compliance Program Protects Reputation

Customer Challenge

In the current regulatory environment, especially as the focus turns more and more towards cryptocurrency and blockchain, it's imperative to establish controls that prevent bad actors from using financial services companies to engage in money laundering or other fraudulent conduct. When a leading New York Money Services Business (MSB) was establishing an Anti-Money Laundering (AML) Compliance Program, they needed a reliable and experienced partner who could help implement and enhance controls to detect and prevent illicit transactions—a partner with a deep understanding of the regulatory requirements who could oversee the entire process and make sure the customer identity verification and transaction monitoring controls functioned effectively. More importantly, they needed a partner who understood THEIR business and developed a solution that was right for them.

VMS Solution

A senior VMS expert served as the Organization's Chief Compliance Officer (CCO), ensuring that the financial institution's AML Compliance Officer was qualified for the role and received necessary support and appropriate ongoing training to keep abreast of the ever-changing AML regulatory environment. The VMS team performed a gap analysis to determine whether the MSB met all of the elements required by the U.S. Financial Crimes Enforcement Network (FinCEN). Deficiencies revealed by the analysis were corrected promptly. Moreover, aligned with a strategic commitment to continuous improvement, the AML Compliance Program was enhanced through updated procedures and implementation of an integrated technology solution designed to improve the program's sustainability. VMS expertise critical to success included understanding the how FinCEN regulations applied to the specific nature of the customer's business, and executing a plan for compliance that was designed to cause minimal disruption to the business. Some of the enhancements put in place by the VMS team included:

- Developing an AML Risk Assessment to determine the level of the MSB's aggregate exposure to illicit AML activity and instituting annual updates of the Risk Assessment.
- Drafting a revised AML Policy for approval by the financial institution's Board of Directors. The revisions clarified the FinCEN requirement regarding frequency of independent testing and applied the AML Policy to all of the financial institution's MSB activities.

Executive Summary

Challenge

- Implement AML Compliance Program
- Not "one size fits all"

VMS Solution

- Dedicated Compliance team
- Gap Analysis and Remediation with Minimal Disruption to Business
- Policy, Procedure, and Risk Assessment Documentation
- Training Development
- Audit and Regulatory Inquiry Response

Results

- Project increased customer trust in company, protecting its reputation.
- Increased business productivity; VMS handled Compliance so the business could focus on success.
- At least \$15,000 in cost savings.



Consulting for the Financial Industry

Talent. Teamwork. Trust.



- Substantive revision of the Standard Operating Procedures (SOPs) supporting the financial institution's AML Policy. The VMS expert/CCO worked with the AML Compliance Officer to revise the SOPs in collaboration with applicable business units to ensure that the AML SOPs were specifically tailored for the MSB's business, complied fully with AML regulations, and mitigated risks identified in the new AML Risk Assessment.
- FinCEN requires periodic testing (audit) of AML compliance programs. The VMS team oversaw the MSB's audit response, working with the AML Compliance Officer to successfully meet the standards expected by the external party selected to perform the audit.
- Assisting the financial institution with responses to inquiries from regulators.
- Updating the MSB's AML Education plan and presentations.

Customer Benefits

Cost savings. The AML Risk Assessment developed by the VMS team documented that the MSB was at low risk for AML activity, eliminating the need for frequent external audits, which can range from \$15,000 to \$35,000, to \$100,000 (or more). These cost savings were achieved because the VMS team understood the MSB's business and could document the level of AML risk appropriately.

Time savings. Before they called on VMS to help, the financial institution was assigning little pieces of the AML puzzle to many different personnel within the company, and taking them away from their real jobs. Aside from the AML Compliance Officer, none of them had any AML or compliance expertise, and the AML Compliance Officer had no-one to provide support or guidance. They had been working on the problem for over a year and a half and getting nowhere. With the VMS team on the case dedicated to compliance, the company's AML worries were solved in less than 8 months, and everyone could get back to business.

Mitigation of Reputation Risk. Following the project, the company became known for its rigorous Know Your Customer requirements and transaction monitoring protocols. Its customers knew that the company only dealt with reputable people and entities, and that they could trust the company with their business.

About VMS

Founded in 2002, VMS, LLC (Virtual Management Solutions) offers a specialized portfolio of advisory and consulting services worldwide. Through the addition of a Compliance Offering in 2018, we provide individualized strategies to help your financial services company achieve and maintain regulatory safety and soundness.

We are owned and operated by an executive team with a reputation for excellence and integrity in the financial services industry. Because of our exclusive focus on financial services and dedication to personal service, we are able to work with clients quickly and expertly to deliver technology requirements, business models, and management practices, as well as complete project management—from planning and methodology, to execution, staffing, documentation, quality assurance testing, and training.

For more information, visit www.vmsconsulting.com. Email emccarthy@vmsconsulting.com or call 917-608-8020.

VMS, LLC
99 Wall Street
Suite 763
New York, NY 10005