AMAN

Know Your Risk: Introducing the Customer Risk Calculator

POWERED BY THEMIS

Financial Crime Isn't Waiting — Evolving Crimes Need Smarter AML

Trillions in dirty money flow through the financial system each year, fueling organised crime and instability, while exposing legitimate businesses to significant risk and exploitation. One often cited estimate is that up to 5% of global GDP is linked to illicit activity, yet less than 1% of these criminal profits are ever recovered. Today, companies and other organisations face significant challenges in their efforts to keep pace with the growing complexity and scale of financial crime.

Adding to the challenge are mounting compliance obligations and a clear demand for more advanced and effective AML tools, especially around risk management and customer screening. As thousands of new customers come through companies' doors each month, compliance teams are stretched thin. Even with the best intentions, limited resources can mean a firm has to adopt a one-size-fits-all approach to AML, undermining effectiveness and leaving it exposed to risks.

Effective AML starts with a tailored approach. The foundation of this is a risk-based approach (RBA) to customer screening and risk management. Even with the best intentions, limited resources have often limited companies' ability to properly implement an RBA. But now with the latest digital tools, firms can identify, assess, and understand the risks to which they are exposed more effectively and without breaking the bank.

A Smarter Risk-Based Approach

An effective RBA means firms not only understand the risks to which they are exposed but take appropriate mitigation measures in accordance with the level of that risk. It helps overcome rigid compliance approaches, enabling organisations to prioritise and allocate resources to areas with the highest financial crime risks instead of simply de-risking across the board. Companies can concentrate resources where they matter most, rather than applying uniform controls to all customers. RBA enables tailored treatment of customers based on their risk level, supporting more effective and efficient risk management.

The global authority on combating financial crime, the Financial Action Task Force (FATF) has long emphasised the importance of an RBA as the foundational principle for effective AML. While historically, RBA obligations have largely fallen on regulated sectors such as financial services and designated non-financial professionals and businesses (DNFBPs), regulators are increasingly expecting other sectors to adopt RBA as best practice. All companies – regardless of size or industry, whether financial or non-financial – should adopt a clear RBA as an essential first step in building an effective AML strategy. This will help you stay compliant and best allocate resources.

What's more, to stay ahead and meet evolving compliance expectations, companies must adopt an RBA that is specific to their business. By integrating the very latest digital tools, businesses can assess customer risk both during onboarding and through regular reviews in a dynamic and responsible manner. It is important to tailor your RBA approach to your specific risk profile and business demands, adapting to new threats as they come.

We've listened closely to our clients who have said time and again that they are looking for a smarter, digital mechanism to understand customer risk that can feed into further AML decisions. That's why we've created our new Customer Risk Calculator, which provides a digital tool for assessing the risk of customers.

Click here for more information on the calculator.

The calculator evaluates various risk parameters for you, providing a risk rating to aid in compliance with AML regulations and risk management processes. It provides a dynamic scoring system and customisable risk weighting, so you can always adjust your risk preferences based on your own internal policies and business needs. The calculator is designed to be easy to use and a light touch resource-wise.

We'll walk you through how it works and how it can make a difference. But before we dive in, let's take a step back to understand why this matters.

Meeting Regulatory Pressure

As the FATF continues to champion the RBA as a foundational principle, regulators worldwide are increasingly embedding it into their AML supervision frameworks. Consequently, companies are now contending with both longstanding and emerging expectations around RBA. Regardless of where you do business, more and more your company will be asked to assess factors such as a customer's country of origin, business activities, and transaction patterns. Below we lay out regulatory approaches to the RBA that are particularly relevant to AMAN's clients.

International Best Practices:

The FATF has released updated guidance reaffirming the RBA as central to effective AML compliance. It reiterates RBA principles, promotes shared understanding, and highlights best practices for the public and private sectors. The guidance also emphasises proportionality and the use of advanced technologies to improve risk assessment.

The Wolfsberg Group, an association of global banks which develops industry guidance, has reiterated the importance of a dynamic, data-driven RBA in its recent financial crime guidance. Similar to the FATF, the group also encourages the adoption of advanced technologies to improve risk assessment and monitoring.

UK and Europe:

The European Union's latest AML Package (AML6) established the RBA as a core principle across its AML framework. It requires all relevant firms – from major banks to smaller AML service providers – to integrate the RBA into their core operations.

The UK's Financial Conduct Authority (FCA) has reiterated the RBA as well, stating that AML controls must reflect a firm's specific risk profile. This has been strengthened by the Economic Crime and Corporate Transparency Act 2023. This act further underscores the importance of an RBA in combating economic crime, including the need for organisations to implement reasonable and proportionate procedures tailored to organisational activities, as well as an approach to due diligence that is RBA-driven.

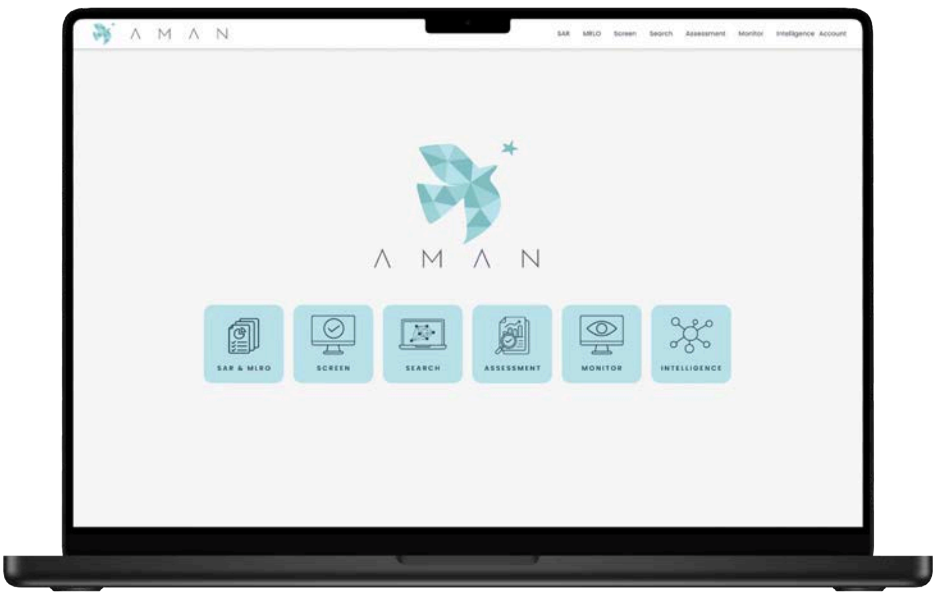
MENA:

The UAE has taken a multi-agency approach to embedding RBA. The Central Bank, Securities and Commodities Authority, and the Ministry of Economy have each issued sector-specific guidance on implementing risk-based controls. This includes expectations for customer segmentation and the use of adverse media and open-source intelligence in risk profiling.

Saudi Arabia has embedded the RBA more deeply into its financial regulations through guidance issued by the Saudi Central Bank (SAMA). Institutions are expected to move beyond procedural compliance and towards a model that integrates customer risk scoring into AML measures.

Bahrain's regulatory regime continues to evolve through regular updates to the Central Bank of Bahrain (CBB) Rulebook. For instance, the CBB has called for a more tailored RBA that reflects the unique characteristics of firms, and firms are expected to implement ongoing risk reviews – not just static assessments at onboarding – so they can respond to emerging threats or changing customer behaviours as promptly as possible.

Jordan's AML regulations also emphasise a risk-based approach. The Central Bank of Jordan (CBJ) outlines a risk-based approach, including identifying and managing risks in commensurate with the nature, size, and complexity of an organisation. There is a clear need for an overall risk management framework as well.



Recent Cases of Non-Compliance

These developments are all on the heels of regulators issuing some of the highest AML fines in history. Failing to maintain an RBA was at the core of many of these cases of non-compliance. Some examples include:

TD Bank

One of Canada's biggest banks faced a historic $3 billion penalty in the US after admitting to systemic AML failures, including systemic failures in its RBA. The bank's systemic failures – stemming from inadequate RBA and insufficient resource allocation – allowed illicit networks to launder over $670 million through its accounts

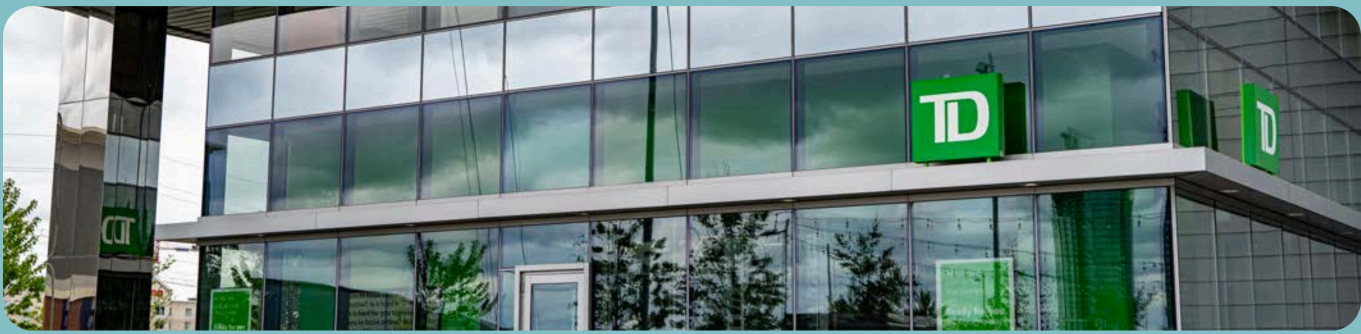
Standard Chartered Bank

In one of the UK's FCA's highest fines, Standard Chartered was fined £102 million for serious and sustained shortcomings in the bank's AML controls. The FCA found that the bank had "failed to establish and maintain risk-sensitive policies and procedures" and that its approach to identifying and mitigating risks was inadequate. This lack of a robust risk-based approach exposed the bank to significant financial crime risks.

Danske Bank

Danske Bank was fined for its failure to detect and prevent a large-scale money laundering operation that funneled over €200 billion through its Estonian branch. Authorities found that the bank's RBA was inadequate in identifying and mitigating risks associated with high-risk customers and jurisdictions. The bank faced sustained media scrutiny in the aftermath of the breach. The bank also agreed to pay over $2 billion in fines and forfeitures to resolve investigations in the US, Denmark, and France.

TD Bank Deep-Dive



Let's look at the TD Bank case more closely. Despite expanding profits and a growing risk profile globally, TD Bank maintained a "flat cost paradigm" for its AML budget – failing to properly invest in needed upgrades to its AML approach year over year. The result? An AML programme that checked the right boxes on paper but was fundamentally unfit to detect or disrupt complex, evolving money laundering schemes in practice.

In fact, the US Department of Justice's investigation of the bank uncovered alarming lapses across the board in its AML measures, from a static transaction monitoring system to failure to file accurate reporting around suspicious activities. Fundamental to each failure was the lack of a proper RBA. For example, TD Bank failed to properly flag and check high-risk transactions and customers, such as those involving more complex customer types or high-risk jurisdictions. In one instance, a money laundering network linked to a high-risk jewelry business moved nearly $120 million through shell accounts.

What's the lesson from this cautionary tale? TD Bank serves as a powerful reminder that effective AML processes and tools aren't a nice-to-have. Ignoring them doesn't just invite regulatory risk; it opens the door to criminal abuse and non-compliance at scale. A truly effective AML strategy starts with a robust risk-based approach – it's the foundation everything else is built on.

So, what can we learn from this case?

- The RBA should be a cornerstone of compliance regimes worldwide, big or small.
- The RBA must evolve to address emerging risks, integrating the latest threats across products, services, customer types, and jurisdictions.
- The RBA should be accompanied by robust, real-time customer screening, due diligence, and transaction monitoring to detect and prevent illicit activity.
- The RBA should be configured based on your business profile, risk appetite, and regulatory obligations.
- Cutting corners doesn't work. Nor does fostering a culture of superficial risk assessment or management.

How Can The AMAN Powered by Themis Customer Risk Calculator Help?

We've designed our risk calculator with new and future clients in mind. Key features include automated risk assessment and a customisable framework for your specific business and regulatory needs, as well as dynamic scoring and automatic high-risk triggering so the heavy lifting can be done for you.

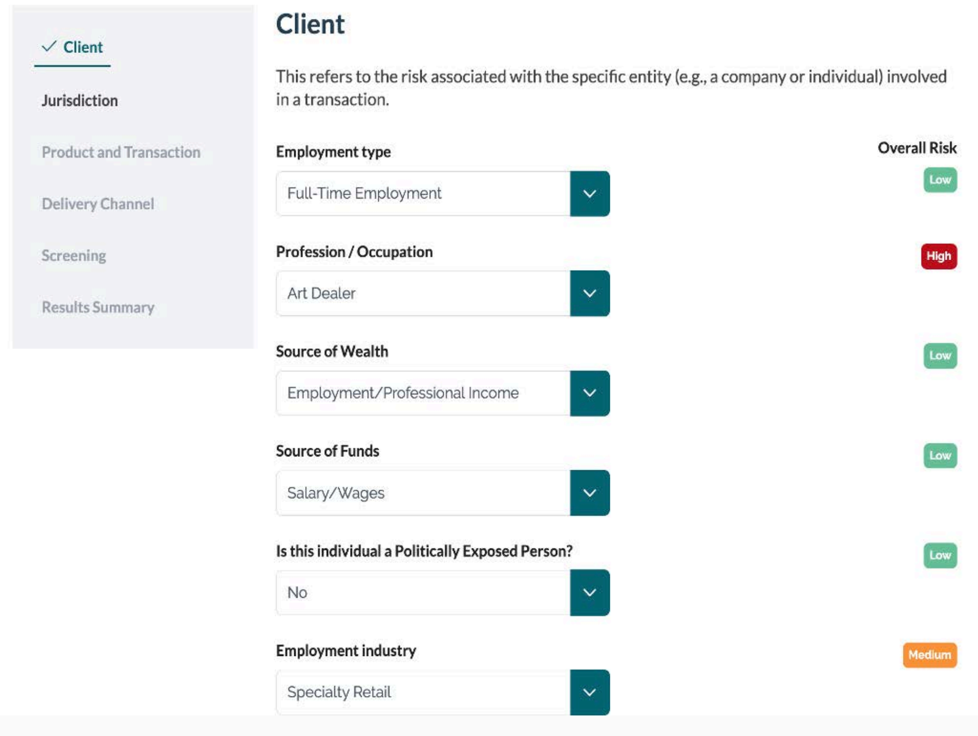
Key features include:

- The calculator is compliance-ready, built using industry best practices and aligned with leading regulatory frameworks, including FATF and the Wolfsberg Group.
- Users can override system-generated risk ratings based on internal policies and specific risk appetite, ensuring alignment with organisational standards.
- The calculator is enriched with up-to-date data from reputable international sources such as Transparency International and the Basel AML Index.
- It is designed for rapid deployment and offers straightforward initial setup and a user-friendly experience from day one, built with intuitive design principles.
- Comprehensive audit trails and documentation capabilities support full transparency and facilitate regulatory compliance.

See It In Action:
How The Calculator Works

Imagine a prospective customer: a full-time art dealer employed at one of the city's most prestigious and well-regarded galleries. The customer is interested in opening a premium business checking account and initiating wealth management services with your bank. They have long been employed at this gallery with clear proof of salary and maintained income over many years. While their established role at a reputable institution suggests a relatively low financial crime risk, the nature of the art dealership industry introduces certain inherent high-risk factors that warrant careful consideration.

In this scenario, our risk calculator assesses the individual's employment type and source of wealth and funds as low risk, while their profession as high risk and their employment industry as medium risk.



But what if the individual's profile had slightly different characteristics? Suppose instead that this person is a self-employed dealer who launched their business using a family inheritance. Furthermore, their mother is a former member of parliament in their home country. How might these factors impact their risk rating? You can see below that the individual now has four high-risk categories, instead of only one.

Client

This refers to the risk associated with the specific entity (e.g., a company or individual) involved in a transaction.

		Overall Risk
Employment type	Business Owner / Self-Employed	High
Profession / Occupation	Art Dealer	High
Source of Wealth	Inheritance	High
Source of Funds	Salary/Wages	Low
Is this individual a Politically Exposed Person?	Yes	High
Employment industry	Specialty Retail	Medium

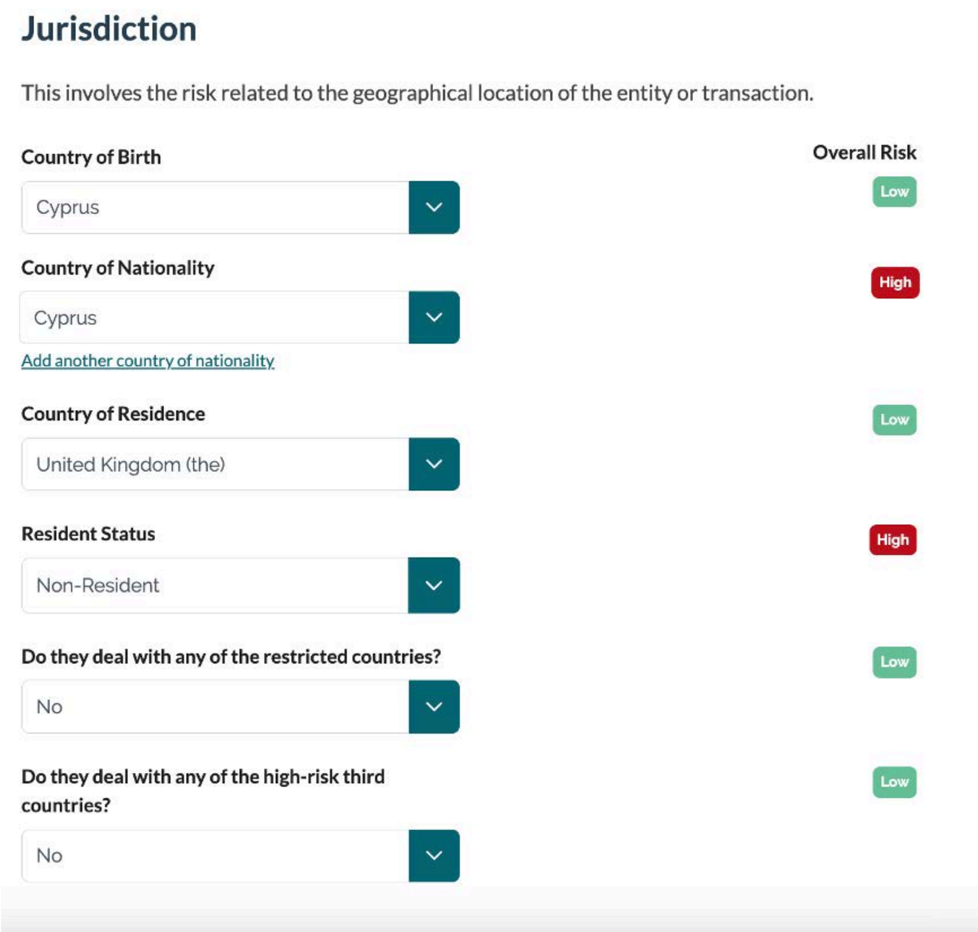
Now let's consider this individual's jurisdictional risk. Suppose the person is a national of Australia, a country generally regarded as low risk in terms of AML exposure, and holds permanent residency in the UK. As expected, our risk calculator reflects this by assigning a low jurisdictional risk rating to the individual.

Jurisdiction

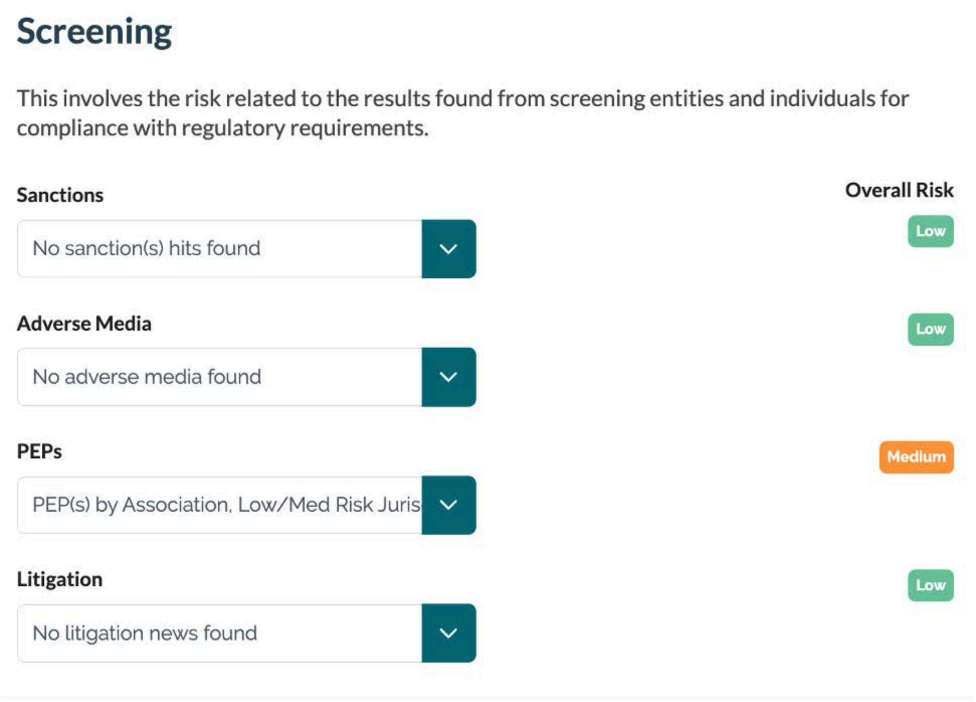
This involves the risk related to the geographical location of the entity or transaction.

		Overall Risk
Country of Birth	Australia	Low
Country of Nationality	Australia Add another country of nationality	Low
Country of Residence	United Kingdom (the)	Low
Resident Status	Permanent Resident	Low
Do they deal with any of the restricted countries?	No	Low
Do they deal with any of the high-risk third countries?	No	Low

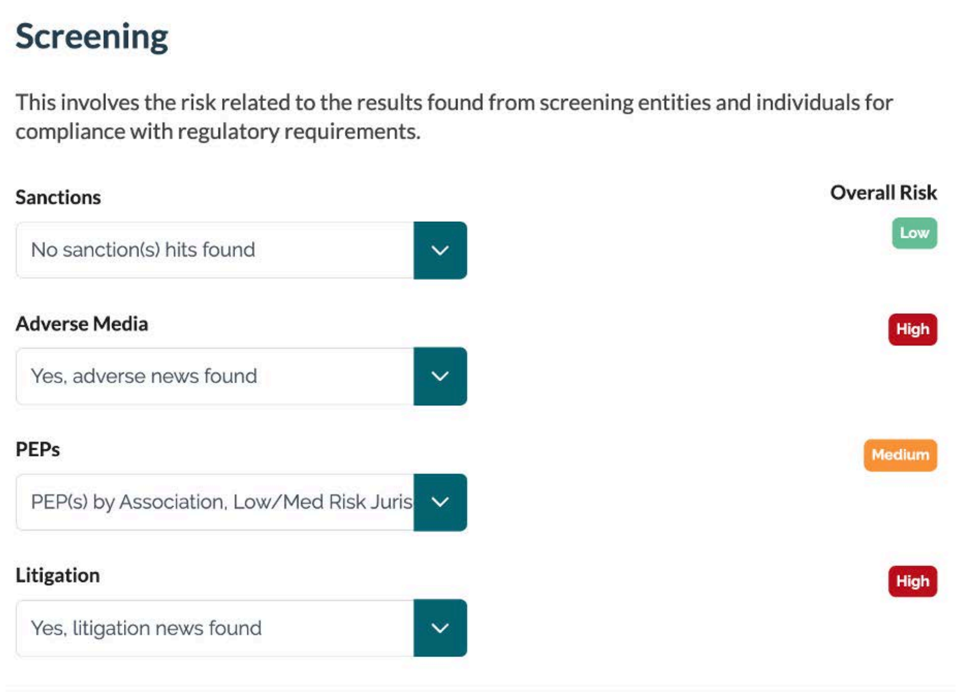
But what if the individual were a national of a country with a higher level of AML risk? Let's say the individual is from Cyprus, which has faced scrutiny over its financial sector being used by international criminal networks to launder money. Furthermore, what if this individual was conducting business from the UK but was a non-resident of the UK. These factors would elevate the potential client's risk profile, as reflected in our calculator.



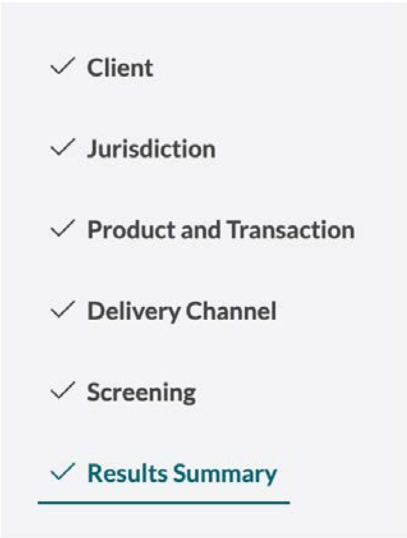
Finally, let's look at the calculator's screening category, which takes into account the risks related to the results found from screening entities and individuals on our platform. This shows the complementary nature of our solutions. Let's first go back to the second scenario where the potential customer's mother was a former member of parliament; this would mean the individual would fall under the category of PEPs by Association and in this original example for a lower-risk jurisdiction. As you can see, this would mean the individual had one medium risk category out of four for screening.



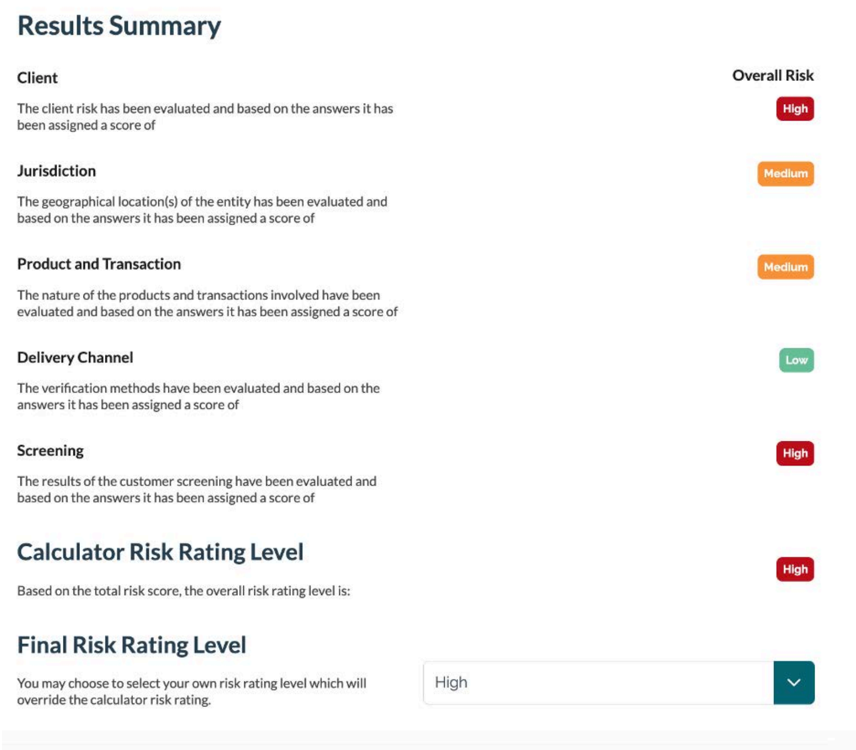
But what if the individual's screenings results were different? What if both adverse media and litigation were found during an initial search on the AMAN platform? Well, as you can see, this would significantly increase the individual's risk profile during screening.



These scenarios are just a few examples of how our Customer Risk Calculator enables a dynamic and intuitive approach to understanding customer risk. In total, the calculator as five overarching risk categories – client, jurisdiction, product and transaction, delivery channel, and screening.



Let's take the second, higher-risk scenario from each of the examples we've reviewed; we can calculate an overall risk score for the mystery client. Assessing the total scores across all categories, the customer overall screening results in a high-risk evaluation.



This high-risk rating is more than just a red flag – it's your cue to take action with additional AML measures like enhanced due diligence and source of wealth verification. This is exactly where the power of our Customer Risk Calculator shines. It can support your RBA as it gives you the clarity and confidence to assess customer risk accurately and apply the right level of mitigation.

The result? Smarter decisions and peace of mind. To see more of the calculator in action, book a demo here.

Get in Touch

If you would like to talk to us about any of the themes or updates covered in this report, please let us know.

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About AMAN Powered by Themis

AMAN helps organisations identify and manage their financial crime risks with a blend of innovation, insight, intelligence and insourcing. We offer a cutting-edge platform that provides deep understanding of strategic threats through an ESG and socio-economic lens. Our platform protects clients, suppliers, and third parties from criminal attacks or association, meeting the stringent requirements of the Ministry of Interior and the Ministry of Justice for SAR and STR submissions. Created and supported by financial crime experts, AMAN is endorsed by the Government of Bahrain.

Aman is the trading name of Aman Compliance Solutions W.L.L, a registered Bahraini company with CR no 172967-1.

Find out more

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