

January 2021

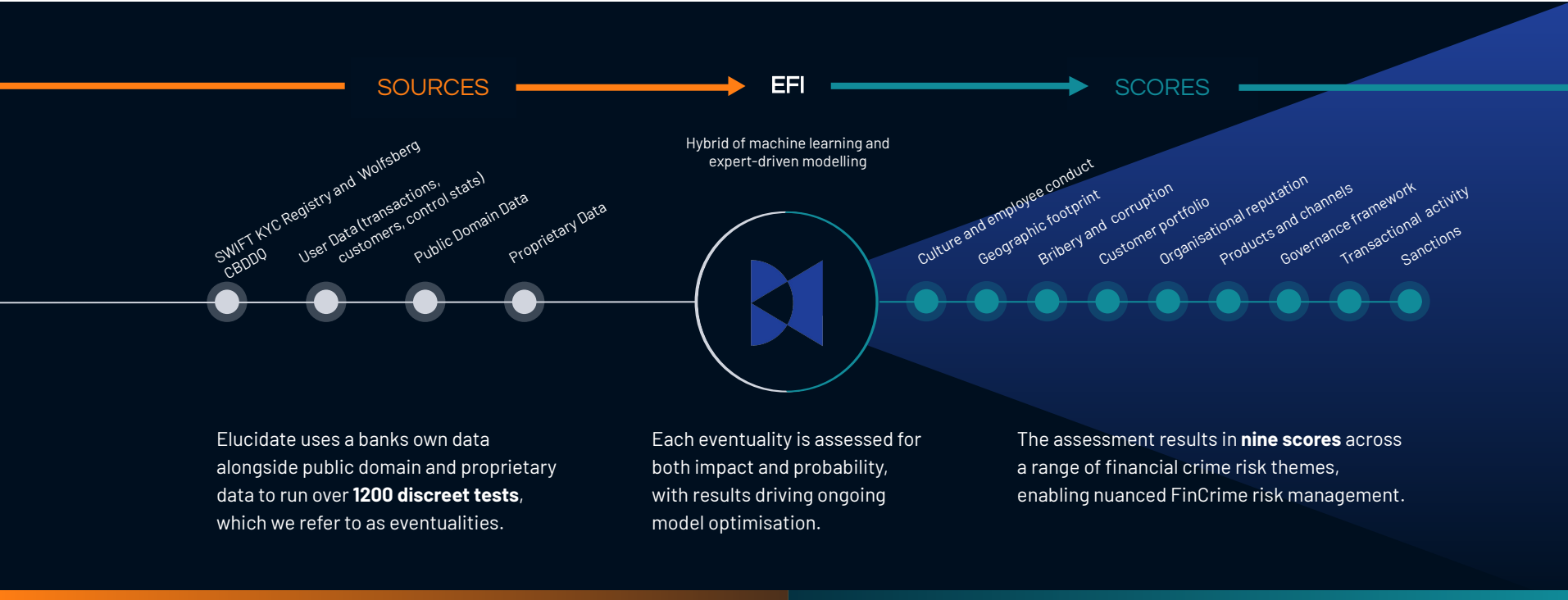


Using technology to standardize and automate financial crime risk analysis

ASSUMPTIONS

- Current manual and subjective processes for managing financial crime are unsustainable
- Counterparty / correspondent relations require a data-driven analysis of financial crime risk
- Data availability and quality is an iterative challenge, but need not prevent progress
- Data focus is not isolated to large banks

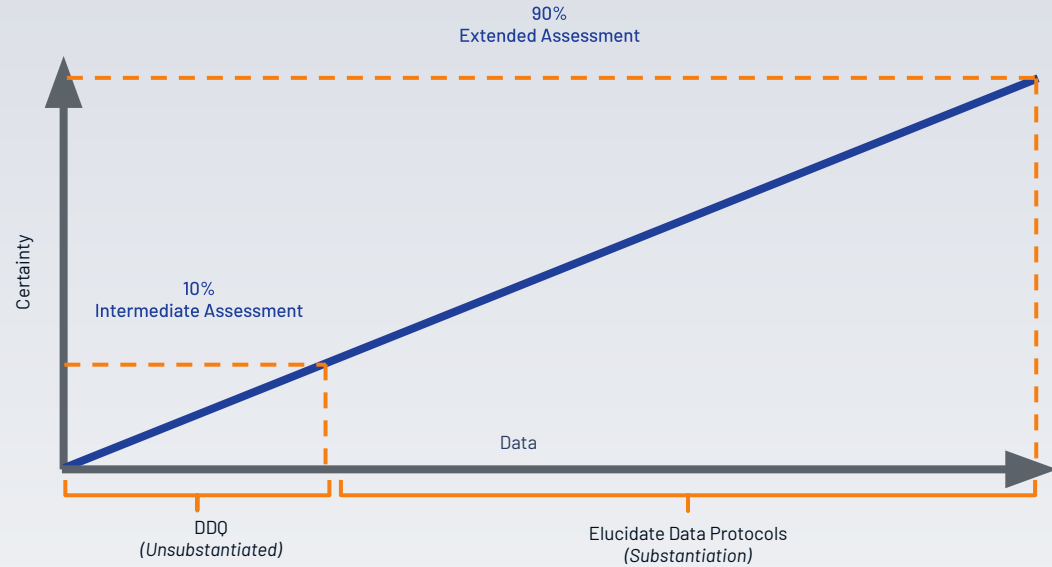
DATA MODELLING FOR OBJECTIVE SCORING



DATA COMPLETENESS DRIVES CERTAINTY

Definition:

Certainty corresponds to the percentage of eventualities for which the platform had the necessary data for validation.



$$CS_{theme} = 10\% \cdot \frac{|\text{analysed eventualities from intermediate model}|}{|\text{all eventualities in intermediate model}|} + 90\% \cdot \frac{|\text{analysed eventualities from extended model}|}{|\text{all eventualities in extended model}|}$$

MEASURE PROBABILITY AND IMPACT

The probability metric ranges from .1 to 1, as more data is analysed, to incorporate learnings from data analyses.

Eventualities where exclusively business expertise is available.

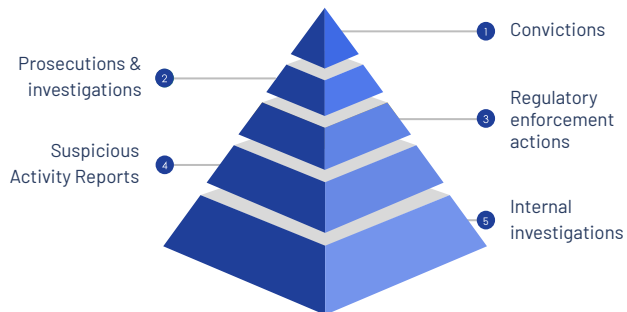
.01



Eventualities where data show very high negative outcome risk.

Data collection and preparation

- A. Data collection
- B. Categorisation of substantiated risk events



- C. Identification of key drivers

Measure link between risk factors and outcomes

1

Text mining using key drivers for convictions, prosecutions & investigations and regulatory enforcement Associate risk event and eventualities, using SAR and investigation categorisations.

2

Measure frequency of risk events and scale the number of SARs and internal investigations using selected scale algorithm.

3

Measure scaled probability by evaluating correlation between outcome and eventualities.

$$prob_{ij} = \frac{\sum_{doc \in j} x_{i|doc}}{\sum_{doc \in j} 1}$$

Where $x_{i|doc}$ takes value 1 if the associated terms for eventuality i appear in document doc and 0 otherwise, for every doc in data source j

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Report

Extended | Intermediate | Preliminary

Snowflake Financial Holdings

Ownership: Privately Owned
Incorporated: 01/04/1995
Managed assets: greater than \$500 million
Employees: 201-500

Business areas: Retail Banking, Private Banking / Wealth Management, Commercial Banking, Transactional Banking, Investment Banking, Security Services / Custody, Broker/Dealer

BIC: FAKEG0LD
Address: Germ

Not subscribed

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Assessment

PRELIMINARY
 INTERMEDIATE
 EXTENDED

EFI Rating

168.74

B

Data Completeness

65.9%

Sanctions

68.1 Industry median

38.4 score

This theme includes risk and control eventualities related to economic sanctions issued by key authorities, which are the United Nation (UN), the Euro of Foreign Asset Control (OFAC) and Her Majesty's Treasury (HMT).

Overview

Information Analysed

Total number of individual names in the data	
Total number of originators	2436
Total number of beneficiaries	2361
Total number of names in the lists used for screening	10842
Screening performed on	01/09/2019
Number of countries found which are in the country sanctions list	3

Culture and Employee Conduct

47.1 Industry median

58.8 score

74.3% Data completeness

EXTENDED

Hide details

This theme includes risk and control eventualities which relate to employee conduct. Employees have access to information and systems which enables them to engage in criminal activity either for their own benefit or for the benefit of an external group. To that effect, companies have controls in place to reduce the risk of criminal employee misconduct.

Overview

Snowflake Financial Holdings - EFI Evaluation Summary (Culture and Employee Conduct)



Risk Level	Unevaluated eventualities	Evaluated eventualities	Theoretical worst possible outcome
None	~32	~2	~34
Low	~20	~20	~40
Moderate	~15	~15	~30
Significant	~25	~25	~50
High	~10	~10	~20

This graphic enables you to see how the model has responded to the data provided and how you compare against a theoretical baseline. Eventualities are either evaluated or unevaluated depending upon the availability and/or quality of the data.

Key risk indicators

The analysis of the data did not return key risk indicators for this theme.

Functional irregularities

No functional irregularities were found as part of the analysis.

81.2
|

Standardised and transparent ratings create the right incentives for financial institutions to **prevent, detect and report financial crime.**



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