

BSA RISK ANALYSIS

CUSTOMERS/ACCOUNTS, PRODUCTS/SERVICES AND GEOGRAPHIES

This chart primarily represents general federally defined BSA related risk categories which present “heightened risk” from the BSA/AML perspective. BSA risks applicable to each bank can vary depending on the specific risk characteristics associated within each category of risk. By identifying bank unique risk characteristics within each category, the bank can reasonably ascertain its overall general risk within each category in order to develop a risk based and focused BSA/AML program to address and mitigate those risks. *(Note: Chart is SC specific)*

*The bank does have risks with items underlined and **bolded** below.*

Sources: Federally defined categories of high-risk products found in the SAR Activity Reviews, the FFIEC BSA/AML Examination Manual, and the Treasury Department's' National Money Laundering Strategy documents, etc.

Categories:	Customers/Accounts	Products/Services	Geographies
RISK:	<i>Whether individuals and business customers create AML risk based on financial situation, occupation, reasons for accounts, currency activity in accounts, etc.</i>	<i>Whether products and services are the type most likely used by money launderers to hide and disguise illegitimate monies.</i>	<i>Whether branch, service locations, means of service delivery and demographics create AML risk due to higher criminal money laundering activity in the area</i>
Characteristics			
LOW	<ul style="list-style-type: none"> ▪ 314a “hits” – no positive hits at https://www.fincen.gov/314a/. ▪ Exempt customers – none to less than 5 ▪ Existing, stable, known, long time customers with little change ▪ Family/living trust deposit accounts ▪ High risk customers/businesses – none to few ▪ Non-governmental organizations and foreign charities – none to few ▪ OFAC “hits” – no positive hits ▪ Personal investment companies (PICS) accounts in Charleston, SC (or other designated cities/states) – none to few ▪ Professional Service Providers – intermediaries between its client and the bank – lawyers, accountants, investment brokers and other such third parties – none to few ▪ Retail banking customers (checking and savings accounts) - mostly ▪ SARs filed on customers – none to less than 10 per year ▪ Subpoenas or summonses – few rec’d from law enforcement, IRS, etc. ▪ US Resident Customers/Accounts only (no international) 	<ul style="list-style-type: none"> ▪ Account opening – in-person only ▪ ACH services – none offered or offered domestic only ▪ Brokered deposit accounts – not offered ▪ Commercial Loans - domestic only ▪ Consumer loans – domestic only ▪ Electronic banking (online account opening, internal banking transactions and telephone banking)– not offered ▪ Foreign correspondent accounts – none/not offered ▪ International accounts – not offered ▪ Internet banking – not offered ▪ Large currency transactions – few to limited activity ▪ Monetary Instruments – – travelers checks, official bank checks and money orders -sold to existing customers only ▪ Mortgage loans ▪ Night deposit ▪ Private banking services offered (high net worth individuals) – not offered ▪ Safe deposit boxes ▪ Savings and CD’s ▪ Telephone transfer availability ▪ Trust services – none/not offered ▪ Website informational, not transactional ▪ Wire transfers – limited and domestic only 	<ul style="list-style-type: none"> ▪ Acquisitions, branching or mergers – none recently ▪ Branches – few in number – 1 or less ▪ Deposits taking only facilities - none ▪ Domestic operations only (no foreign) ▪ HIDTAs or HIFCA’s or other high risk geographies – no offices (none identified in SC) ▪ Market Area – narrow and defined – mostly small towns and rural ▪ No formal communications from OFAC indicating compliance problems ▪ Personnel - Low turnover of key or frontline
MEDIUM	<ul style="list-style-type: none"> ▪ 314a “hits” – history of a few positive ▪ Commercial customers with minimal cash activity or foreign wires or customers ▪ Customer base increasing due to branching ▪ Domestic LLC’s, LLP’s ▪ Domestic non profit accounts ▪ Exempt customers – moderate number – 5 to 10 ▪ Growing customer base due to expanding business ▪ High risk customers/business – (check cashers, conv. stores, non-res. Aliens, foreign cust) moderate number ▪ International accounts – few accounts or such accounts with unexplained cash activity ▪ Mail drop address on account ▪ Medicare supplies sales due to 	<ul style="list-style-type: none"> ▪ ACH services – high domestic activity and some international ▪ Brokered deposit accounts – few domestic only ▪ Checking and NOW accounts – domestic ▪ Commercial Loans - international ▪ Consumer loans - international ▪ Credit cards/cash advances ▪ Drafting of funds from other banks ▪ Electronic Banking - Bank does or is beginning to offer e-banking services ▪ Electronic payment services offered ▪ Foreign correspondent – few accounts, but no payable thru accounts ▪ Home Equity loans ▪ Internet banking (transactional) offered to domestic and existing customers only ▪ Large Currency transactions – 	<ul style="list-style-type: none"> ▪ Acquisitions, branching or mergers - Some recent local and domestic activity ▪ Branches – moderate number – 2 to 3 ▪ Communications from OFAC include warning letters only, no OFAC violations noted. ▪ Domestic operations only with some in high risk geographies (no foreign) ▪ Market Area – broader (multiple counties, within the same state – all cities, suburbs ▪ Personnel - Lower turnover of key but frontline staff in branches may have changed ▪ The bank is located in or conducting major business transactions in either an HIDTA or HIFCA area (none identified in SC)

	<ul style="list-style-type: none"> Medicare fraud Mostly US Resident Customers/ Accounts and a few international Movie Theaters New customers – moderate number Non resident aliens – none to few OFAC “hits” –few positive hits Personal investment companies (PICS) accounts – moderate number in Charleston, SC (or other designated cities/states) SAR’s – moderate number filed - > 10 but < 20 US resident customers assigning POA 	<ul style="list-style-type: none"> moderate to large volume or structured transactions Loans secured by savings/CD’s Loans to closely held corporations MMDA’s offered Monetary Instruments – – travelers checks, official bank checks and money orders -sold to non customers but limited activity Non deposit investment products (such as insurance) Private banking services offered – moderate number mostly domestic and few/no foreign customers Telephone delivery system for new accounts Trust services – moderate number offered Wire transfers – moderate number w/few international 	
HIGH	<ul style="list-style-type: none"> 314a “hits” - history of a large number of positive Accountants/Tax Preparers Adult book stores/massage parlors Antique dealers Art dealers – high end Attorneys Auctioneers Auto dealers – new and used Auto salvage or collision repair shops Auto wash Bail bond companies Bank insiders Barbers, hair dressers & nail salons Bartenders and dancers Boat captains Bowling alleys/leagues Brothel houses Cash intensive businesses(convenience, liquor stores; restaurants, truck stops) Casinos Cattle buyers Charitable and non governmental organizations Cigarette Outlets Cleaning services Commercial customers with high cash activity Commercial customers with international business including foreign wires Coin or gold bullion dealers Construction companies/contractors Convenience stores Customers sending or receiving funds from any NCCT nation (Myanmar and Nigeria) Customers with foreign business Customers with privately owned ATM’s Day care centers Drug stores Embassy and Foreign Consulates Ethnic Groceries Exempt customers – high number – over 10 Flea markets Foreign corporation accounts with transactions Foreign LLC’s, LLP’s Fruit stands – generic and ethnic Furniture rental stores Gas stations Gun dealers High risk customers– (check cashers, conv. stores, non-res. 	<ul style="list-style-type: none"> Accounts opened through the internet, mail, wire or by phone (non branch; non face to face) ACH services – high domestic and/or international activity Brokerage Department/Operations Brokered deposit accounts – large number Domestic and/ or international Business Cash management accounts Customer directed (non discretionary) accounts such as custodial, investment advisory and revocable trusts Electronic-banking products and services – wide array offered including account transfers, e-bill payment or accounts opened via internet Electronic Cash Embassy Banking Foreign Branches Foreign Correspondent bank relationships International Transportation of Currency and Monetary Instruments Internet banking (transactional) offered to and accessible by new and international customers Investment Advisory/Management Large Currency transactions – high volume; may include some structured transactions Lending activities (CD or stock secured, etc.) Loan guarantee schemes Monetary Instruments Sales – travelers checks, official bank checks and money orders - especially large numbers or amounts or consecutively numbered or sold to non customers New products and services (assess risk early to build in controls to mitigate risks Offshore activity Parallel Banking – domestic and foreign bank controlled by one person/entity Payable thru accounts -Large number of foreign correspondent accounts including payable thru Payroll cards offered Pouch services w/foreign banks, persons or businesses Private Banking activities (domestic and foreign) – significant activity PUPID – pay upon proper ID wire transfers 	<ul style="list-style-type: none"> Acquisitions, branching or mergers recent local/domestic and international activity Branches – high number – 4 or over Deposit taking facilities HIDTA’s – Bank has branches located in a High Intensity Drug Trafficking Areas (none identified in SC) http://www.whitehousedrugpolicy.gov/statelocal HIFCA’s – Bank has branches located in a High risk Financial Crime Areas (none identified in SC) www.fincen.gov/hifcaregions.html Highly diverse metro areas or universities located nearby Large and growing deposit base in a wide and diverse geographic area OFAC has sent bank reprimand or penalty notification letter Personnel - High amount of turnover especially in key personnel positions <p>BANK OPERATING OR CUSTOMERS DOING BUSINESS IN:</p> <ul style="list-style-type: none"> Bank secrecy havens http://www.escapeartist.com/taxhavens/tashavens.htm Countries identified in FINCEN advisories http://www.fincen.gov Countries in which production or transportation of illegal drugs may be occurring Emerging countries that may be seeking hard currency investments FATF – Countries identified as non cooperative as of 9/05 to include Myanmar & Nigeria http://www.fatf-gafi.org/NCCT_en.htm High risk locations for sending and receiving wires INSCR -designated money laundering countries and jurisdictions http://www.state.gov/g/inl/rls/nrcrpt/ Market Area – interstate, large diverse metro areas and/or international NCCTS – Non cooperative countries territories (Myanmar and Nigeria) OFAC sanctioned countries, including state sponsors of terrorism http://www.ustreas.gov/ofac OFCs Offshore Financial Centers

	<p>Aliens, foreign cust) significant number</p> <ul style="list-style-type: none"> ▪ Home Health services ▪ Import/export companies ▪ Internal accounts with unexplained cash activity – high number ▪ International customers/ accounts/activity - substantial ▪ Jewelry, Gem and precious metal dealer (retail and wholesale) ▪ Laundromats/dry cleansers ▪ Lawn mowing/landscaping ▪ Large customer base over a diverse geographic area ▪ Leather goods stores ▪ Liquor stores ▪ Money Service Businesses ▪ Motels especially no name ▪ New customers – large number ▪ Newsstands ▪ Night clubs ▪ Non resident alien assigning POA ▪ Non-bank financial institution (MSB's) relationships to include domestic and foreign currency exchanges, money transmitters, check cashing, smart cards and e-cash http://www.msb.gov ▪ Non-resident aliens ▪ OFAC “hits” – large number of positive hits ▪ Out of market customers – significant number ▪ Painters ▪ PayDay lenders ▪ Phone card sales/companies ▪ Plumbers ▪ Physicians ▪ Pawnbrokers, loan or finance companies ▪ Personal investment companies (PICS) accounts – high number in Charleston, SC (or other designated cities/states) ▪ Pizza parlors ▪ Politically exposed persons (PEP's) ▪ Preachers ▪ Real estate agents – cash sales of RE ▪ Restaurants - ethnic ▪ SAR's filed – large number filed – over 20 per year ▪ Seafood distributors/shrimp boats ▪ Securities Brokers ▪ Self storage facilities ▪ Senior Foreign Political Figures ▪ Stock brokerage (broker dealer) ▪ Subpoenas or summonses – high number rec'd from law enforcement, IRS, etc. ▪ Subprime lenders ▪ Tanning booths ▪ Tattoo/body piercing parlors ▪ Taxi cabs/cab companies ▪ Telemarketers ▪ Travel agencies ▪ Trucking companies – especially on US border ▪ Trucks – ice cream/hot dog, etc. ▪ Insurance companies serving uninsurable ▪ Used car dealers ▪ Vending machine companies ▪ Video gaming/poker businesses 	<ul style="list-style-type: none"> ▪ Remote deposit capture ▪ Special use or concentration accounts (intra-day, suspense, etc. ▪ Stored value /smart cards offered ▪ Telephone banking with significant international accounts ▪ Third party payment processors ▪ Trade financing with unusual pricing features ▪ Trust Accounts – significant number including charitable trusts and foundations (domestic and foreign) ▪ Trust accounts with foreign grantors or beneficiaries ▪ US Dollar Drafts ▪ Wire transfers - frequent wires from personal or business accounts to /from money laundering havens ▪ Wire transfers – high number of non customer wires. ▪ Wire transfers - large number of international wires 	<p>www.imf.org/external/ns/cs.aspx?id=55</p> <ul style="list-style-type: none"> ▪ Other countries identified by the bank or FINCEN as high risk because of prior experiences, transaction history or other factors. ▪ Section 311 Countries http://www.fincen.gov/reg_section311.htm ▪ State Dept. identified countries supporting international terrorism aka “Patterns of Global Terrorism” http://www.state.gov/s/ct
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