Annual Private Bank AML Monitoring Program Report

Objective

This document is a comprehensive summary of the current AML Monitoring Program for the Private Bank, in particular, the Prime rules scenarios. The following document describes the current rules scenarios in use, as well as discusses any recent changes made and any recommendations for modification in the future.

Prime Compliance Suite Overview

Prime is used by the Private Bank Transaction Monitoring Team to effect two kinds of surveillance:

1. Account Profiling
2. Rules Based Monitoring

Account Profiling is designed to capture overall activity levels in excess of expectations and/or account history. Monthly profiles (expected activity levels) are created for each account according to the KYC and maintained according to transaction & investigation history. The customer's risk class determines the percentage variance allowed and the minimum thresholds needed before a suspicious activity case is created.

Risk Class Chart:

Risk Class	Variance Percentage	Minimum Threshold Amount	Minimum Threshold Count
1 (Low)	50%	$ 750,000	12
2 (Low)	40%	$ 500,000	10
3 (Moderate/Low)	30%	$ 400,000	10
4 (Moderate)	25%	$ 150,000	5
5 (Moderate/High)	20%	$ 50,000	5
6 (High)	15%	$ 50,000	2

Prime automatically generates cases whenever an account exceeds the transaction dollar amount or volume established in Prime's account profiling tool. Each case relates to a single account for a specific 1-month time period. Each case will be assigned a risk-based score by the Prime system. The score is used to determine which cases will be researched. Cases with scores less than the predetermined limit will not be investigated. To ensure the validity of current thresholds, a sampling of auto-closed cases is reviewed monthly. The AML team reviews a risk-weighted, random sample of cases that fall below the specified scoring range.

Rules-Based Monitoring focuses on individual transactions and groups of transactions regardless of the customer's risk level. PB AML utilizes a suite of rules designed to capture high risk activity types and patterns. Transactions considered to present the highest risk of criminal activity are targeted for further investigation. There are 26 individual rules active today. They are grouped into the following rule families:

1. CTR/Cash

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SDNY_GM_00209071
EFTA01370225