



RACS

**INTRODUCTION**

The Prime High Risk Country rule looks for transactions that originate, pass through, or come to an end in high or moderate risk countries based on the Global PWM High Risk Countries List. AML Compliance currently runs 4 variations of the High Risk Country (RACS) rule. The objective of the suite of RACS rules currently used is to flag transactions meeting the specific parameters set in each variation of the rule, as they pertain to cross-border involvement in moderate-high and high risk countries. The rules evaluate the country code fields associated with the originator, originator bank, beneficiary, beneficiary bank, and up to four (4) intermediary address fields. There are eight (8) available country fields in each transaction record. When a country field is not populated with a valid country code, that country field will not be evaluated by the RACS rule(s). Each country field is evaluated independently; therefore all country fields DO NOT need to be populated in order for the transaction to be evaluated by the rule(s).

**ANALYTICAL PROCESS**

Although the RACS rules will evaluate the country codes in every transaction type, this analysis is limited to wire transactions only. The intention of PWM AML Compliance in using the RACS rules is to focus on wire transactions. Additionally, party data (names, addresses, country, etc.) is not expected to be captured electronically for transactions other than wires, and is not available on most non-wire transactions.

The analysis included in this document is based on the population of wire transactions with a "bookdate" between November 1, 2011 and March 31, 2012.

Total wire transactions for this period: 35,451.

Rule Name	Additional Details/Parameter Settings
RACS3	Must include at least 2 txns of at least \$1,000, with a cumulative amount at least \$10,000. Runs weekly.
RACS3Neg	Must include at least 2 txns between \$1 and \$1,000, with a cumulative amount between \$1 and \$10,000. Runs weekly.

In 1Q 2012, there were 1,602 wire transactions involving moderate-high risk countries. 1,021 of the 1,602 transactions have contributed to generating (114) RACS3 and (21) RACS3Neg alerts. And so, approximately 69% of all moderate-high risk wires were captured in a RACS alert. The other 580 transactions did not meet RACS3 criteria of at least 2 transactions per customer in one week.

**RECOMMENDATION**

For RACS3 Rule, recommend expanding dollar range: lowering minimum transaction amount from \$1,000 to \$500; and modifying minimum aggregate amount from \$10,000 to \$7,000. Also, for RACS3Neg rule, recommend increasing maximum transaction amount from \$1,000 to \$2,000, while maintaining a maximum aggregate transaction amount of \$10,000. If these changes were accepted, another 3% of moderate-high risk country wires would be reviewed.

Rule Name	Additional Details/Parameter Settings
-----------	---------------------------------------