

Subject: RE: 2018 AFC EDD Audit [SC]
From: Vanessa Mendez <[REDACTED]>
Date: Wed, 25 Apr 2018 17:17:38 -0400
To: Janice Franklin <janice.franklin@db.com>
Cc: Wayne Salit <[REDACTED]>,
Yoonsun Chung <[REDACTED]>,
Douglas G Rosa <[REDACTED]>,
Nicole Alexander <[REDACTED]>,
Tope Owoyemi <[REDACTED]>,
Zeljka Smallman <[REDACTED]>,
Anthony Busanic <[REDACTED]>

Classification: Strictly Confidential

Good afternoon Janice,

Please see my responses below in blue and attached supporting documentation.

Best,

Vanessa Mendez

From: Janice Franklin
Sent: Wednesday, April 25, 2018 12:31 PM
To: Zeljka Smallman <[REDACTED]>; Vanessa Mendez <[REDACTED]>; Anthony Busanic <[REDACTED]>
Cc: Wayne Salit <[REDACTED]>; Yoonsun Chung <[REDACTED]>; Douglas G Rosa <[REDACTED]>; Nicole Alexander <[REDACTED]>; Tope Owoyemi <[REDACTED]>
Subject: RE: 2018 AFC EDD Audit

Dear Zeljka, Vanessa and Anthony:

Just a reminder to provide us with the details requested below.

Thanks.

Regards,
Janice P. Franklin

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Janice Franklin, CAMS, CFSA, CFIRS
Vice President | AML Compliance Officer

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Regulation, Compliance & Anti-Financial Crime
60 Wall Street, 10005-2836 New York, NY, USA
[REDACTED]
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From: Janice Franklin
Sent: Monday, April 23, 2018 12:10 PM
To: Zeljka Smallman <[REDACTED]>; Vanessa Mendez <[REDACTED]>; Anthony Busanic <[REDACTED]>
Cc: Wayne Salit <[REDACTED]>; Yoonsun Chung <[REDACTED]>
Subject: 2018 AFC EDD Audit

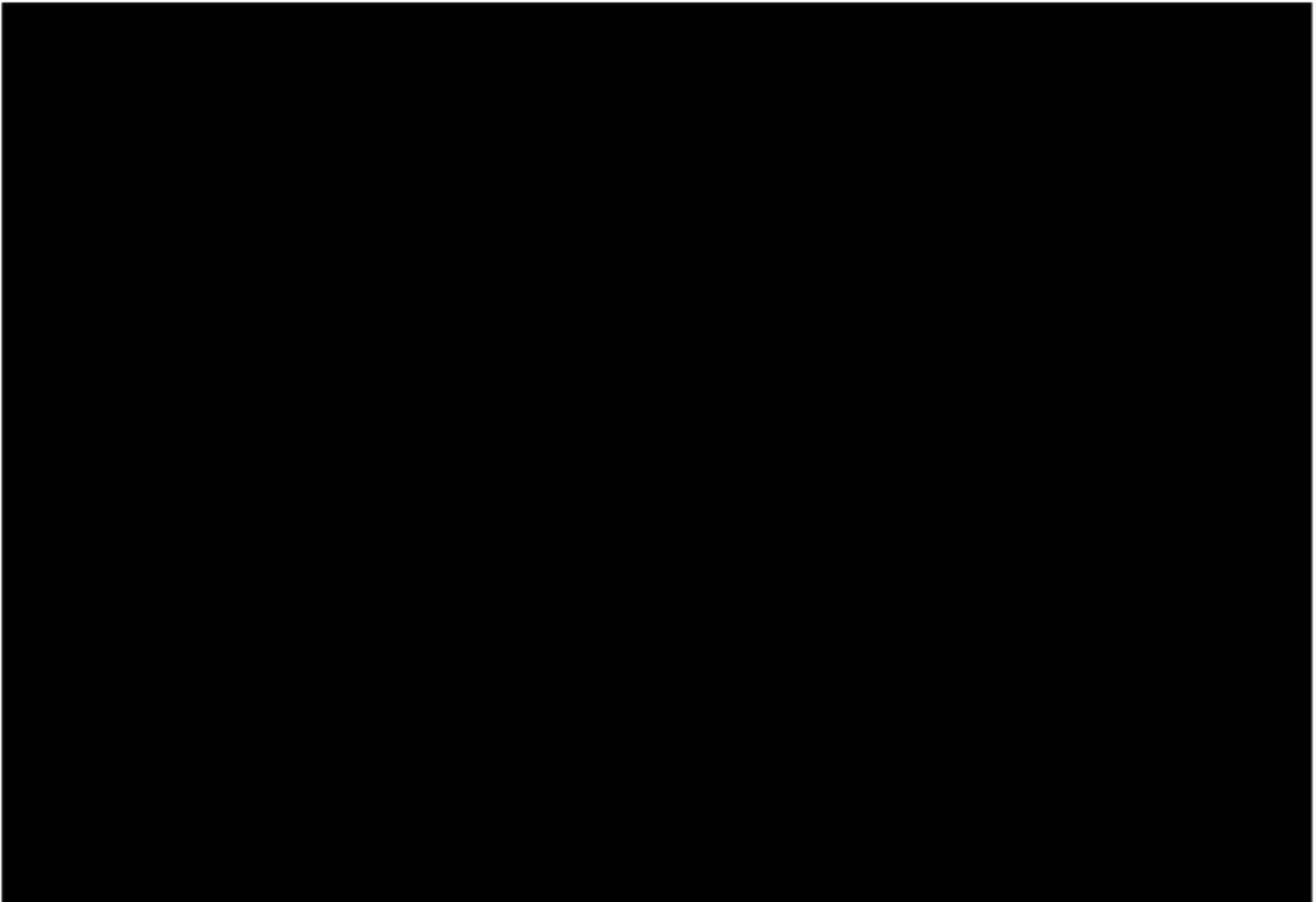
Good morning Zeljka, Vanessa and Anthony:

I hope this email finds you well. In conjunction with the 2018 AFC EDD Audit, could you please provide us (Business Line AFC – WM) with the backup details (e.g., client name, client #s, KYC #s, etc.) allowing us to identify the specific clients cited in your preliminary report? The details required are listed below (provide only if comments pertain to WM):

Finding #1: EDD Risk Management Control and Policy Framework

- 2 clients identified as PEPs not escalated to AFC
- 1 high risk client not escalated to AFC for approval

. 7 client records not updated to reflect their PEP status (for WM AFC, this is applicable to 2 clients)



. EDRs not initiated for 8 active clients (should be 7 of 8 active clients). (Please refer to the attachment: SARs_supporting documents.docx for supporting documentation)

#

SAR Filed Date

Status

Most Recent In Progress / Approved Case #

Most Recent Approved Case Date

Risk Rating

PCS or Private Banking

GA Commentary

Client Name

1

6/15/2016

Active

1139500

10/24/2013

Low

WM - PCS / Brokerage

GA was unable to identify an EDR case raised after the SAR was filed. Additionally, this client remains at a low risk rating.

John Clinton Hathorn Retirement Trust,
John Hathorn

2

9/7/2016, 6/2/2017, and 8/17/2017

Active

1791049

7/18/2017

Low

WM - PB

GA was unable to identify an EDR case raised after the SAR was filed. Additionally, GA was unable to locate evidence this client was considered for off-boarding after multiple SAR filings. This client remains at low risk rating.

Darren K Indyke

3

12/29/2016

Active

1822198

11/7/2017

High

WM - PCS / Brokerage

GA was unable to identify an EDR case raised after the SAR was filed.

Steven A Tananbaum

4

3/2/2017

Active

1285836,

1311844

12/3/2014

Moderate

WM - PB

GA was unable to identify an EDR case raised after the SAR was filed. Additionally, this client remains at a moderate risk rating.

Metro Joy Management LLC
Metro Joy International LLC

5

3/2/2017, 5/5/2017, and 9/8/2017

Active

1311844

10/3/2014

Moderate

WM - PB

GA was unable to identify an EDR case raised after the SAR was filed.

Metro Joy International LLC

8/25/2017

Active

GA identified three cases were created on 08/25/27, same day of the SAR filing, where the SAR subject / client is the UBO.

9/20/2017

High

WM - PB

No exception noted.

RDW Capital LLC

6

7

10/18/2017

Active

Unable to locate a case. DbForce states "Legacy Risk Calculator Review".

Unable to locate a case. DbForce states "Legacy Risk Calculator Review".

Moderate

WM - PB

GA was unable to identify an EDR case raised after the SAR was filed. Additionally, this client remains at a moderate risk rating.

Axcis Information Network Inc

8

11/22/2017

Active

1830090

In Progress (created on 9/21/2017)

High

WM - PB

GA identified a case "in progress" created on 9/21/2017. (Two months before the SAR filing).

Mons Investments CV

- 49 clients with RR due dates greater than 1 year
- 27 moderate risk clients with RR due dates greater than 2 years
- 31 low risk clients with no RR due dates

The all KYCS Risk Rating report was run from DbForce (PB). (Please refer to attachment: WM_all KYCS – 1st report-_.xlsx)

Finding #3

- direct owner (99.9%) not included in the ownership chain of the KYC profile
- clients with PEP relationship not escalated to BLAFC – if different from comment listing under Findings #1
- clients with PCR/negative news not escalated to BLAFC for review

Finding #4

- Specific MI which GA was unable to reconcile/re-perform (Regarding discrepancy[s] noted across four month of MI reviewed.) GA had provided supporting documentation for this previously, but I have re-attached, with an updated screen shot regarding the discrepancy noted in PEP totals. (Please refer to attachment: Reporting & Statistics for WM AFC_sent on 04.25.18.docx)

1. For the month of April (reported in May) for Private Bank:

- a. GA reviewed the statistics provided in the MRC deck (page 45) and noted: 25 low-risk clients; 20 moderate-risk clients; and 8 high-risk clients. The statistics WM AFC provided the MI team totaled 8 high-risk clients. However, during the walkthrough, GA noted there were 9 high-risk

clients on the NCA report from DbForce; not 8 as reflected in the MRC deck.

b. GA reviewed the statistics in the MRC deck (page 45) and noted: 3 NCAs associated with high-risk jurisdiction; 7 NCAs associated with high-risk industry; 4 NCAs with doubtful / negative information; and 1 NCA treated as a PEP relationship. This results in a total of 15. The statistics WM AFC provided to the MI Team were the same, totaling 15. However, during the walkthrough, GA noted that there were 9 high-risk clients on the NCA report from DbForce; not 15 as reflected in the MRC deck.

c. GA reviewed the statistics provided in the MRC deck (page 45) and noted, for April 2017: 429 total PEP clients. The statistics WM AFC provided to the MI Team were the same, totaling 429. However, during the walkthrough, GA noted 431 PEP clients as the total.

d. GA reviewed the statistics provided in the MRC deck (page 48) and noted: 0 permanent exceptions granted for high-risk KYCs; and 4 permanent exceptions granted on low and moderate KYCs. GA filtered the "Permanent Exceptions" report for April 2017 by column F, "Primary officer / RM Approval date" which resulted in one temporary exception. However, the MIS report shows 4 permanent exceptions granted in April 2017.

2. For the month of July (reported in August) for Private Bank:

The MRC deck totals for Private Banking July NCA are as follows: 14 low-risk clients; 4 moderate-risk clients; and 8 high-risk clients. However, the NCA Report from DbForce shows:

- 7 high-risk NCAs; not 8 as reflected in MRC deck;
- 6 moderate-risk NCAs; not 4 as reflected in MRC deck; and
- 11 low-risk clients; not 14 as reflected in MRC deck.

3. For the month of September (reported in October):

- For Private Bank, MRC slide 146 of the MRC deck reflects incorrect statistics. For "Key Risk Drivers for High Risk NCAs" & September Key Risk Drivers for High Risk NCAs do not include September 2017 totals. As such, GA did a comparison of metrics WM AFC provided to the MI team for September. GA noted the following numbers WM AFC provided to the MI team: 14 low-risk, 15 moderate risk, and 2 high risk. However, the NCA report GA ran showed as follows: 5 high-risk NCAs, not 2 high risk as WM AFC reported; 14 moderate-risk NCAs, not 15 as WM AFC reported; and 14 low-risk NCAs (no discrepancy)

- For Brokerage, MRC slide 146: GA was unclear as to whether the "Key Risk

Drivers for High Risk NCAs" and "August Key Risk Drivers for High risk NCAs" were intended to be duplicates. In previous month(s), the total were different in both charts. There is a discrepancy in the breakdown between the two charts. Neither population breakdown reconciles against the source report, PershingAccountsWithAmlRiskDesignation, which reflects four (4), not three (3), key risk drivers, as follows:

divisionally defined high risk countries),
pharmaceutical),
divisionally defined risk industries),
reputation/negative information).

- A04 (locally /
- B11 (healthcare and
- B13 (locally /
- and C02 (doubtful

Further, one chart reflects a total of 5 NCAs across 3 key risk drivers, and the other chart reflects 9 NCAs across 3 risk drivers. However, per PershingAccountsWithAmlRiskDesignation report, there are only 3 NCAs.

4. For the month of October (reported in November) for Private Bank:

- Slide 162 of the MRC deck reflects: 29 low-risk clients; 14 moderate-risk clients; and 3 high-risk clients. However, per the NCA Report GA ran, the totals were as follows:
 - 2 high-risk NCAs, not 3 as reflected in the MRC deck;
 - 13 moderate-risk NCAs, not 14 as reflected in the MRC deck; and
 - 29 low risk-clients (no discrepancy)

Thanks.

Regards,
Janice P. Franklin

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