

Anti-Money Laundering Opportunities for Midsized Banks

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Midsized banks and AML today

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TRENDS AND OPPORTUNITIES

Stronger AML, industry consolidation, better customer experience

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REALIZING AML OPPORTUNITIES

Data, end-to-end-systems, advanced analytics, and cloud

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WRAP UP

Key takeaways and Q&A



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What's happening at midsize banks today?

Need to provide a superior, digital customer experience

COVID pandemic has shown that services can be provided remotely

Challenges related to managing structured and unstructured data

Disproportionate compliance costs, without necessarily better outcomes



What is the state of anti-money laundering at midsize banks today?

Expecting better technology at a reasonable price with easy implementation

AI and ML becoming industry standard at larger banks

Midsized banks need to take advantage of innovation

Opportunity for adoption of innovative, low cost, flexible, cloud-based solutions

Evergreen challenges of low detection, high false positives, large backlogs



As large banks strengthen AML, how can midsize turn this into an opportunity?

Trend

AML is changing at large banks

Money launderers are shifting their focus to smaller banks

Opportunities

Take advantage of extensive de-risking by large banks

Use technology to identify the customers that are good but risky

As midsized banks consolidate, how can they improve their AML?

Trend

There are on average 250 to 280 bank M&A deals announced per year, and banks with less than \$10 billion in assets represent the vast majority of that activity

Opportunities

Drive efficiency across a newly consolidated BSA/AML program

More focused roles for employees

Consolidate systems for scale advantages

Aggregate data for better risk scoring, insights, and assessment of customer risk

As midsize banks focus on customer experience, how can they improve their AML?

Trend

McKinsey: "...community connection is not a major factor in determining where people bank, and the importance of local branch presence has been steadily declining."

Improving customer experience is a top priority for 77% of banks

Opportunities

AML system needs to support fast, smooth onboarding

AML system must minimize disruptions for disputed transactions and potential fraud

How can midsize banks use technology to realize these opportunities?

Focus on data management

Proper data management is a must for advanced analytics

How can midsize banks use technology to realize these opportunities?

Find a consolidated AML system

Minimize complexity by dealing with only one vendor

Increase team efficiency with better CX for your employees

Consolidated case management can aggregate data and insights

How can midsize banks use technology to realize these opportunities?

Look for a vendor that provides advanced analytics features

Machine learning can greatly improve detection

Graph analytics can create better cases and support intuitive, visual investigations

Cloud is making these technologies available to midsize banks at a realistic cost

How can midsize banks use technology to realize these opportunities?

Find a vendor who is knowledgeable about AML in the cloud

Flexibility, scalability

Cost savings from outsourcing management of different software versions, upgrades, etc.

No need to deploy additional infrastructure

Key takeaways

Expand your data and have a way to make sense of it

- Proper data management enables advanced analytics.
- Often, data can not only help you do the job at hand but it also has residual uses.

Look to technology to access best-in-class AML

- Be receptive to innovation, including cloud technology.
- Partner with a vendor who can bring their knowledge to supplement your capabilities.
- Start by focusing on the area of most need.
- Think of what you can put on top of existing systems; different paths to bringing in new technologies and capabilities.

Make compliance a revenue-generating cost center

- While managing risk is the #1 priority, AML can actually help you improve customer experience and achieve business goals. By thinking strategically and sharing data with the front office, you can solve for multiple problems in both risk and elsewhere.
- Look at additional controls/data/analytics that can be useful for operations and the business.
- Don't get to the end of an AML system implementation and have forgotten the customer.

Q&A

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