



Fintelekt[®]

Quick Insights Report

AML Transactions Monitoring in Bangladesh Banks

March 2018

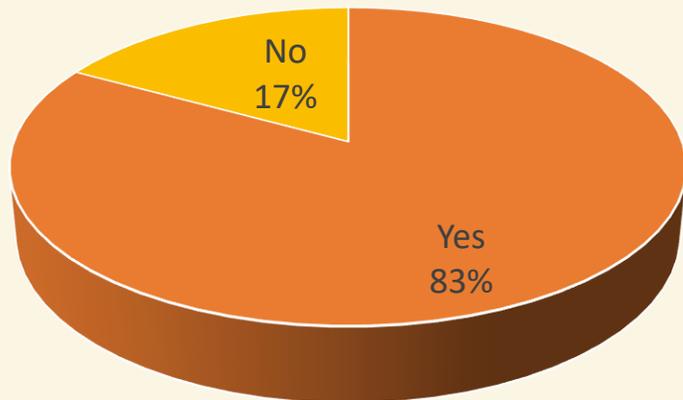
Scope and Coverage of the Report

An effective Anti-Money Laundering (AML) programme for any bank hinges on its transactions monitoring process, systems, and resources. In the absence of technology and processes, banks may be severely constrained to detect key risks and flag off suspicious transactions. Further, if technology is not configured correctly or is not the right fit for the type and size of bank, it may lead to a large number of false positives straining resources and taking away time and attention from cases that require scrutiny.

The **Fintelekt Quick Insights Report on AML Transactions Monitoring in Bangladesh Banks 2018** is based on a survey conducted among compliance heads of Bangladesh banks in February 2018, with a view to understand the adoption patterns of transactions monitoring technology and to identify gaps in existing systems. The study covers more than 40% of the Bangladesh banking industry.

Current Systems for AML Transactions Monitoring

Does your bank have a dedicated system for AML transactions monitoring?

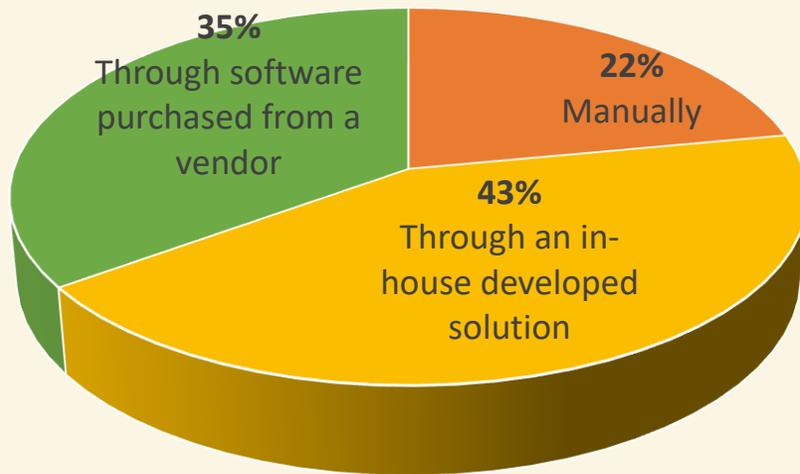


Out of the banks that participated in the study:

- 83 per cent indicated that they have a dedicated transactions monitoring system for AML
- At 17 per cent of the banks, AML transactions monitoring is system combined with the bank's financial fraud, crime or tax evasion system.

AML Transactions Monitoring Technology

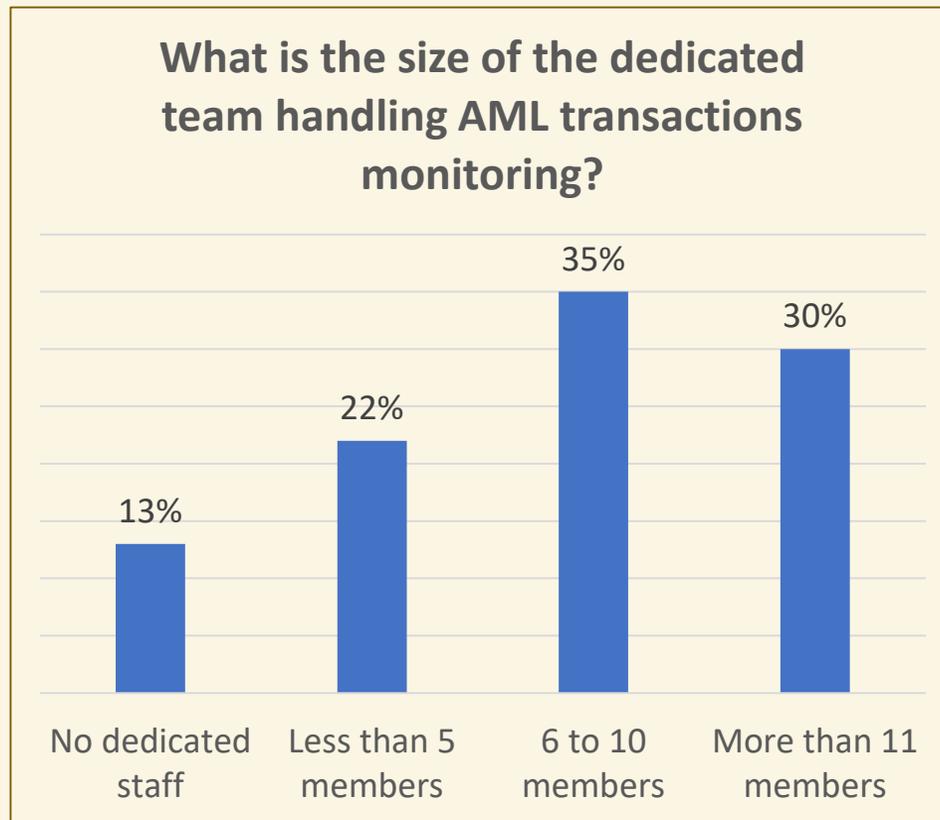
How is AML transactions monitoring currently conducted at your bank?



- 22 per cent banks rely on manual processes for AML transactions monitoring
- 43 per cent use an in-house developed system
- 35 per cent banks use a software solution purchased from a third party vendor.

All the banks using software from vendors have purchased it within the last two years, showing a recent shift in the technology landscape for AML transactions monitoring within Bangladesh banks.

Resources for AML Transactions Monitoring



87 per cent of the banks that participated in the study have a dedicated team of analysts for AML transactions monitoring.

- 13 per cent banks do not have dedicated analysts
- 22 per cent of the banks have less than 5 dedicated analysts
- 35 per cent banks have between 6 and 10 analysts
- 30 per cent banks have more than 11 analysts on board.

Satisfaction with In-house vs. Vendor Solutions

Satisfaction on various parameters for in-house vs. vendor solutions
(On a scale of 1 to 5; 1 being the lowest and 5 being the highest)

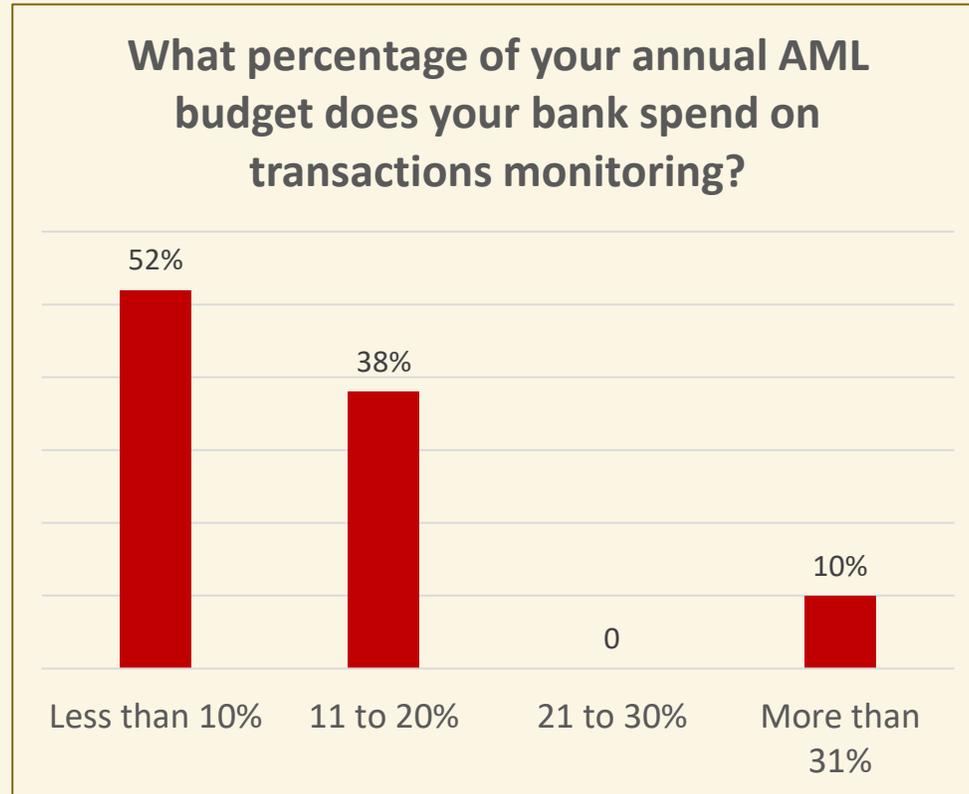
Parameter	In-house solutions	Vendor solutions
Ability to monitor transactions across various geographies	2.7	3.2
Ability to monitor transactions across various business lines	2.6	3.0
Ability to keep up with regulatory changes	3.1	2.8
Ability to throw up the right type of alerts	3.0	3.2

Although many banks have opted to develop in-house solutions for transactions monitoring, the overall satisfaction level with the in-house solution is relatively lower than that from third party vendor solutions.

Vendor solutions score better on their ability to monitor transactions across locations and business lines, and the ability to throw up the right type of alerts.

The only parameter for which vendor solutions scored a lower satisfaction rating was for the ability to keep up with regulatory changes.

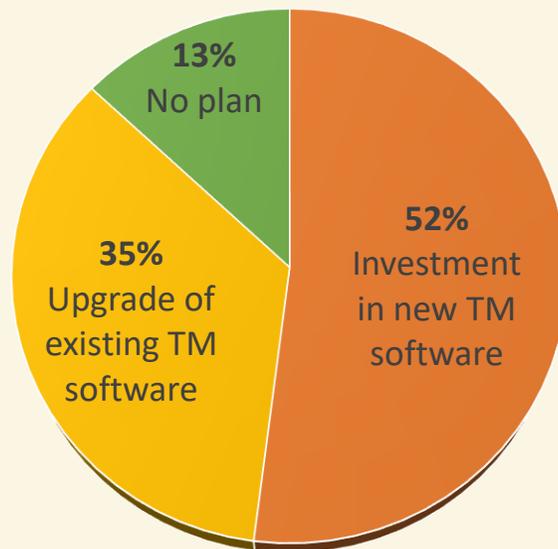
AML Transactions Monitoring Budgets



- 52 per cent of the banks spend less than 10 per cent of their annual AML budget on transactions monitoring.
- 38 per cent banks spend between 11 and 20 per cent of their annual AML budget on transactions monitoring.
- 10 percent of the banks, especially those in implementation stages of a new transactions monitoring system, spent more than 31 per cent of the AML budget on transactions monitoring in the previous year.

Future Plans for Investment or Upgrade

In the next 12 months, has your bank planned any of the following?



52 per cent of the banks are planning to invest in new AML transactions monitoring software in the next 12 months.

Another 35 per cent banks are planning to upgrade their existing AML transactions monitoring software within the next 12 months.

Key Takeaways

Investment in Technology

- Currently, AML transactions monitoring is being done largely through manual processes or alerts generated through the core banking system in Bangladesh banks.
- However, manual review of transactions is resource-intensive, has longer lead times and may add significant risk to the bank.
- In the last 2 years, there appears to be have been a shift in the technology landscape towards the adoption of third party vendor solutions.

Allocation of Budgets

- Several banks are considering investment in AML transactions monitoring solutions in the next 12 months according the survey results.
- However, securing budgets for AML solutions was cited as an important challenge by many compliance heads.
- Currently banks are spending a small proportion of their AML budget on transactions monitoring and hence investment in technology and resources may be constrained.

Dedicated Resources

- A dedicated team for transactions monitoring will lead to specialisation among the AML workforce and knowledge and capacity building.
- Centralisation of alert management will provide a comprehensive view of the likely risks to the AML team.
- Many banks currently do not have dedicated staff for AML transactions monitoring.



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