False Positive Management Survey: Results Summary

Conducted 2nd quarter 2015

Introduction:

In the second quarter of 2015, we conducted a survey about false positive management on BSA (Bank Secrecy Act) or transaction monitoring, OFAC (Office of Foreign Asset Control) or sanctions filtering, and FinCEN 314(a) request systems. We wanted to know if the institutions we spoke to conduct false positive management; if so, on what systems; what their match rate is for each program; how many names they're processing; how many cases are generated; how many are reported; and how many case analysts review all of it.

Demographic questions:

To demonstrate the type of financial institutions that participated in our survey, we asked a couple of demographic questions. We found that a majority of our respondents were in the commercial (46%) or retail (43%) banking business (see Figure 1). Also, most respondents (52%) work at community banks (see Figure 2).
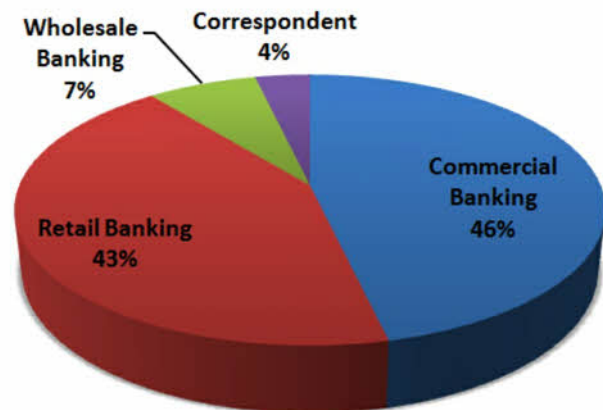

Figure 1: Type of Business

- Wholesale Banking 7%
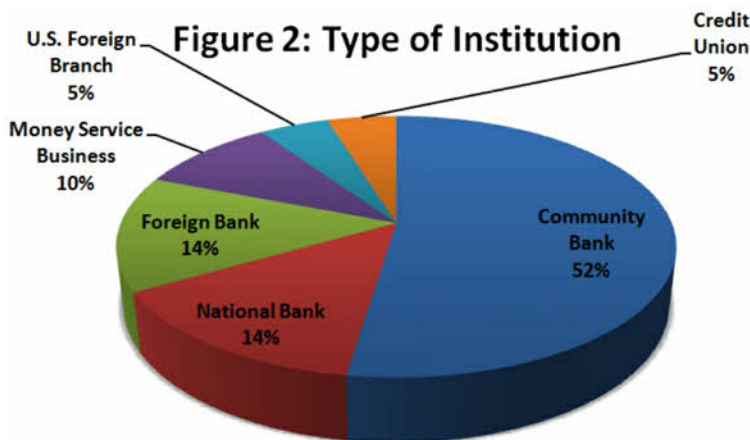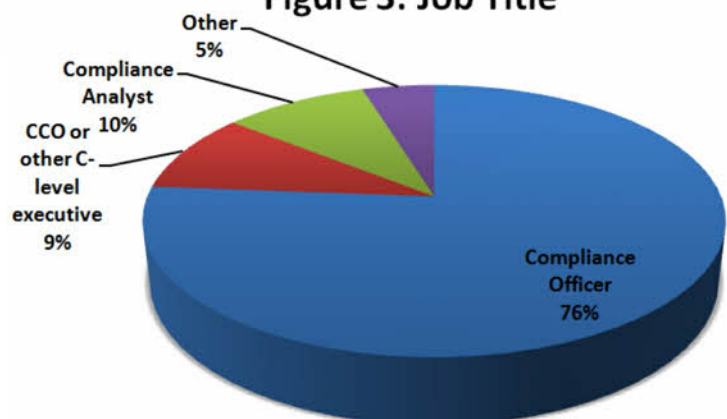- Correspondent 4%
- Commercial Banking 46%
- Retail Banking 43%

Figure 2: Type of Institution

- U.S. Foreign Branch 5%
- Credit Union 5%
- Money Service Business 10%
- Foreign Bank 14%
- National Bank 14%
- Community Bank 52%

Figure 3: Job Title

- Other 5%
- Compliance Analyst 10%
- CCO or other C-level executive 9%
- Compliance Officer 76%

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False Positive Management Survey Questions:

OFAC:

Figure 4: Do you conduct false positive management on OFAC (sanctions filtering)?

Over 80% (86%, see figure 4) of our respondents do conduct false positive management on an OFAC system. The remaining 14% said they do not manage OFAC false positives.

Half of the banks who participated in our survey filter between 101 and 1,000 transactions each month (see figure 5). However, another 28% alone filter up to 10,000 transactions a month (see figure 5).
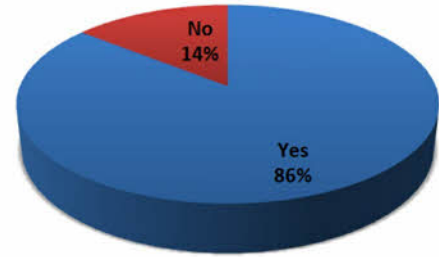
Figure 5: How many OFAC transactions are you filtering each month?

- 100,001-500,000 — 6%
- 10,001-100,000 — 5%
- < 100 — 11%
- 1,001-10,000 — 28%
- 101-1,000 — 50%
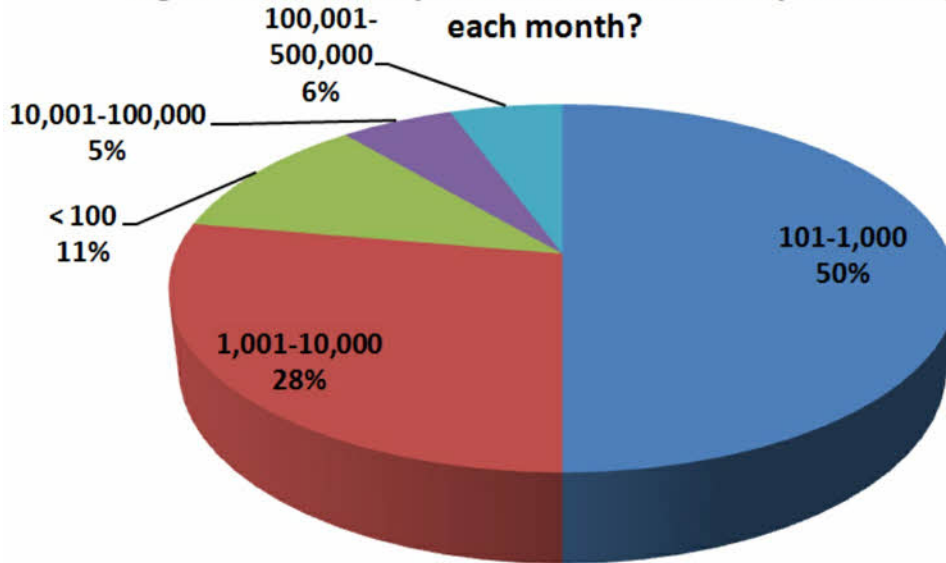
More than 50% (56%, see figure 6) say that less than 1% match on RTF (real-time transaction filtering), while more than 60% (67%, see figure 7) say that less than 0.10% match on CIF (customer information filtering). The biggest surprise in figure 6 is that 17% match more than 50% of the time. Further, in figure 7, we were surprised to see that 22% demonstrated significant match rates for CIF filtering.

Figure 6: What is your transaction OFAC filtering match rate for RTF (Real-Time Transaction Filtering) each month?
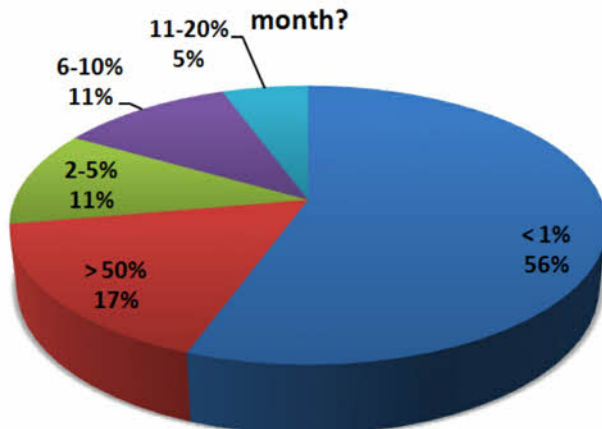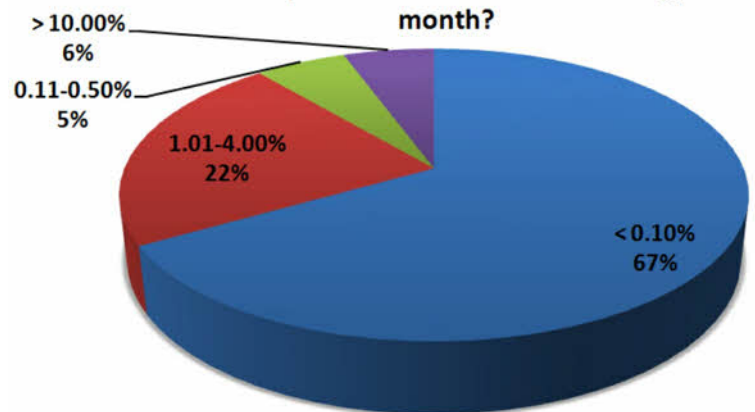
- 11-20% — 5%
- 6-10% — 11%
- 2-5% — 11%
- >50% — 17%
- <1% — 56%

Figure 7: What is your transaction OFAC filtering match rate for CIF (Customer Information Filtering) each month?

- >10.00% — 6%
- 0.11-0.50% — 5%
- 1.01-4.00% — 22%
- <0.10% — 67%

OFAC Continued:

When asking the next two questions we defined "all related parties" to include board of directors, gatekeepers, beneficial owners, etc. When we asked our participants how many new customers and related parties are added for Customer Information Filtering, the majority said 51-100, but the next largest group was less than 10 (see figure 8).

When their OFAC list is updated, a majority of our participants are filtering anywhere from 1,001 to 100,000 (see figure 9) customers and related parties.

Figure 8: How many new customers and all related parties do you add per month for CIF (Customer Information Filtering) processing?

- 101-500: 11%
- 11-50: 22%
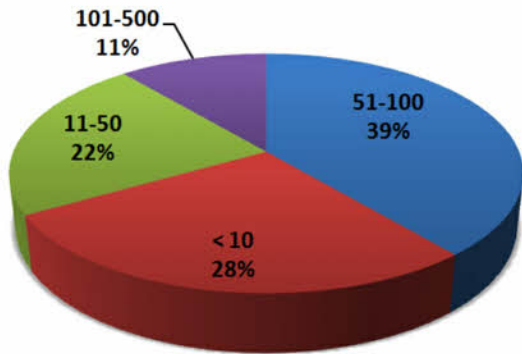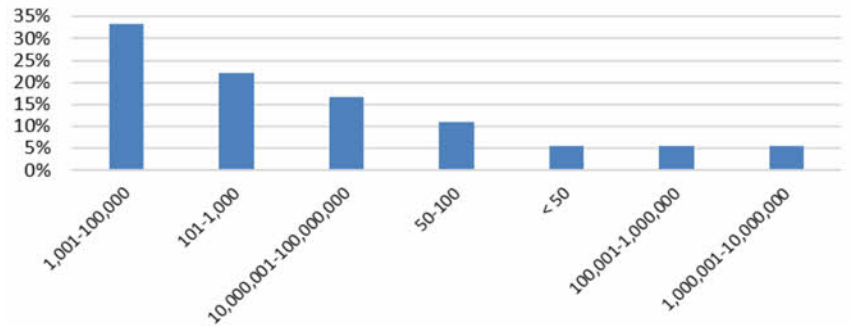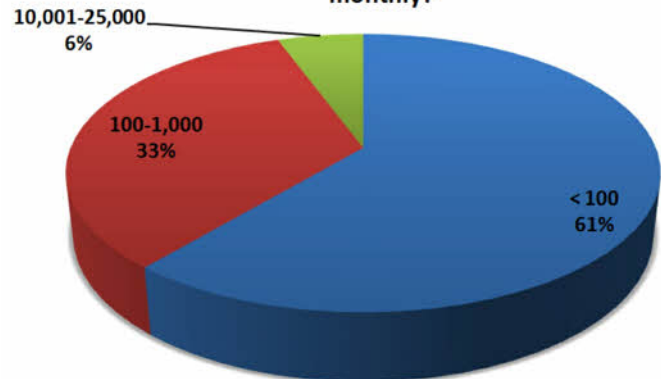- 51-100: 39%
- < 10: 28%

Figure 9: Every time the OFAC list is updated, how many total number of customers and all related parties (board of directors, gatekeepers, beneficial owners, etc.) are filtered?

(Bar chart categories: 1,001-100,000; 101-1,000; 10,000,001-100,000,000; 50-100; <50; 100,001-1,000,000; 1,000,001-10,000,000)

More than 60% of our respondents said that they are generating less than 100 OFAC alerts/cases per month, and 6% are generating between 10,001 and 25,000 alerts/cases a month (see figure 10). Meanwhile, 94% are reporting 1-5 per month (see figure 11). That makes for a 0.01-0.05% false positive rate on their OFAC matches.

For the respondents who participate in OFAC false positive management, most of them are utilizing 1-2 full-time case analysts to process the alerts/cases (83%, see figure 12).

Figure 10: How many OFAC alerts/cases are generated monthly?
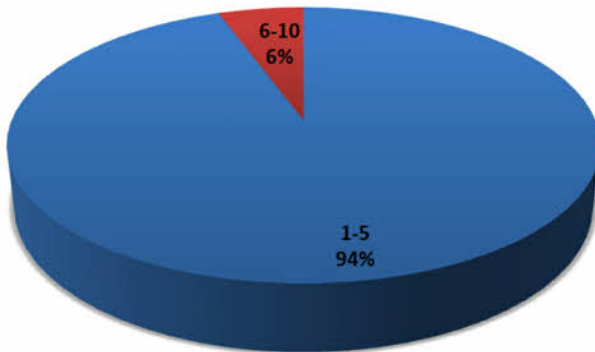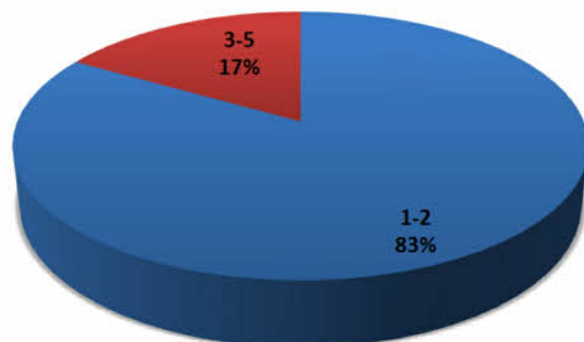
- 10,001-25,000: 6%
- 100-1,000: 33%
- < 100: 61%

Figure 11: How many OFAC positives do you report monthly?

- 6-10: 6%
- 1-5: 94%

Figure 12: How many full-time case analysts do you have to process the alerts/cases?

- 3-5: 17%
- 1-2: 83%

BSA:

Over 80% (81%, see figure 13) of our respondents do conduct false positive management on a transaction (BSA) system, and 19% do not manage BSA false positives.

There was a good distribution on responses for BSA transaction monitoring. For BSA, the number of transactions our respondents are monitoring was tied at 27% each for 101-1,000 and 1,001 to 10,000 (see figure 14). So over 50% of our respondents are watching anywhere from 100 to 10,000 transactions. Under 15% are watching hundreds of thousands of transactions (13% 100,001-500,000, see figure 14).

Figure 13: Do you conduct false positive management on BSA (transaction monitoring)?
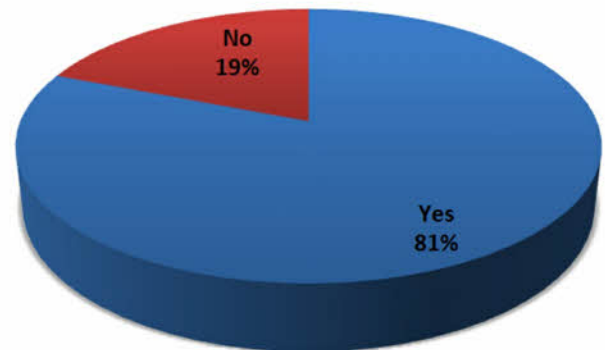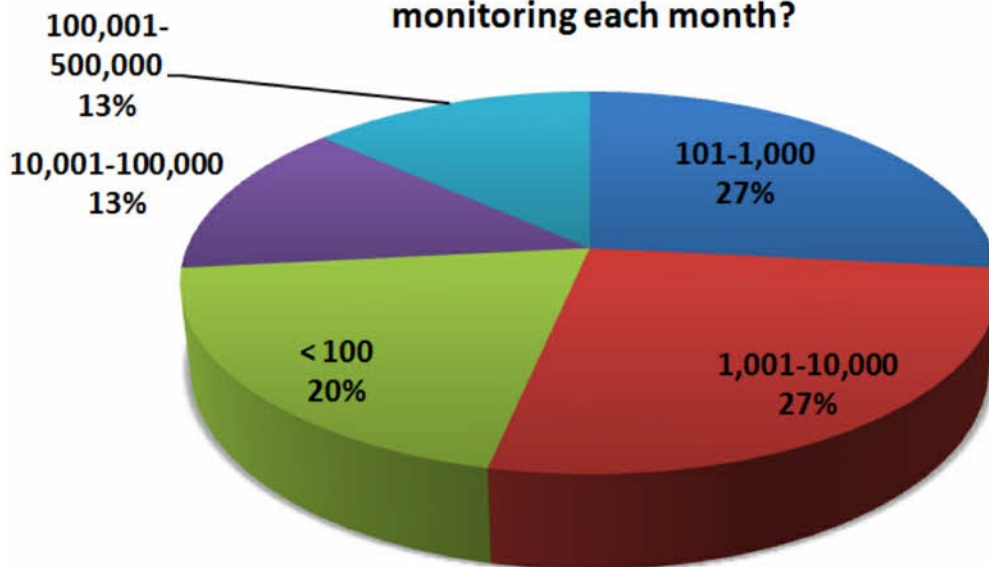
No
19%

Yes
81%

Figure 14: How many BSA transactions are you monitoring each month?

100,001-500,000
13%

10,001-100,000
13%

< 100
20%

101-1,000
27%

1,001-10,000
27%

It seems that regardless of the number of transactions they're monitoring, 60% have a less than 0.10% match rate, and another 20% have less than a 0.11%-0.99% match rate (see figure 15). That means that 80% of the responding population is seeing less than a 1% match rate on their BSA transactions. Just 7% are seeing a 4-6% match rate on their BSA transactions, which is a bit high in comparison.

Figure 15: What is your BSA transaction monitoring match rate?

4-6%
7%

1-3%
13%

0.11-0.99%
20%

<0.10%
60%
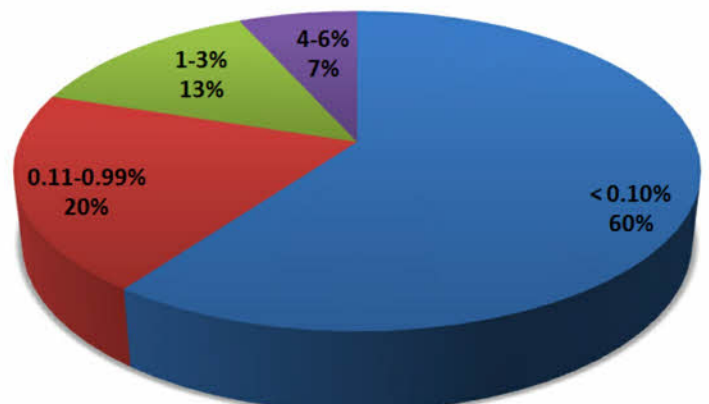
BSA Continued:

According to figure 16, there was quite a spread on the number of alerts/cases generated for BSA. An equal 40% said that they receive less than 100 alerts/cases per month, as well as 100-1,000 alerts/cases per month. Another 20% said that they are generating up to 10,000 alerts per month for BSA transactions.

The majority of our respondents reported that are only reporting 1-5 positives monthly (67%, see figure 17). However, the spread is quite wide again, with the next largest group of respondents reporting 6-10 per month (13%) and another reporting as high as 1,000 positives per month (7%).

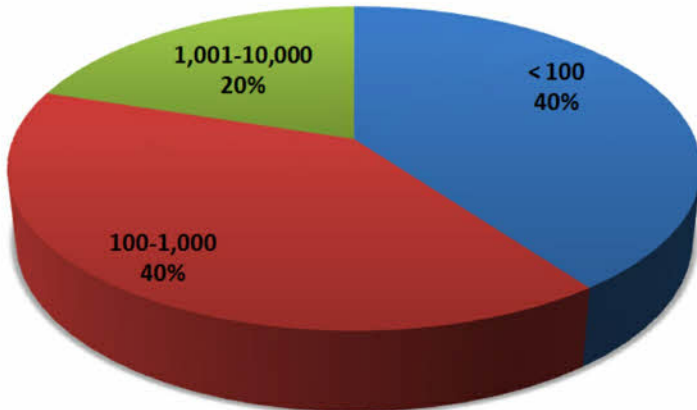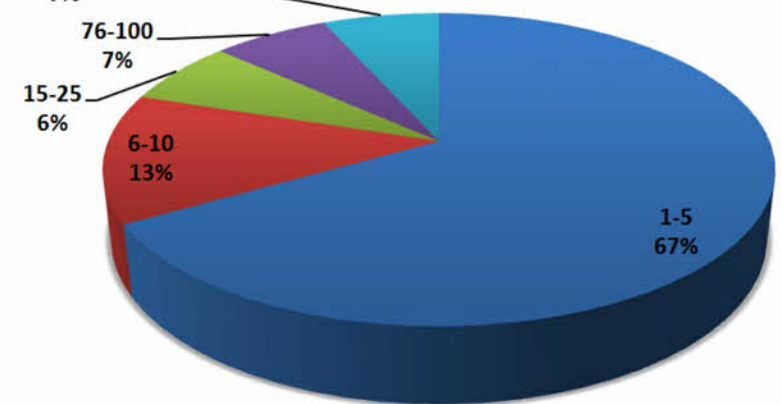### Figure 16: How many BSA alerts/cases are generated monthly?

Figure 17: How many BSA positives do you report monthly?

Again, there was a larger spread on the number of case analysts utilized to monitor their BSA transactions, with the largest group, representing 47%, said they use 1-2 case analysts (see figure 18). The range does go as high as 100 full-time case analysts utilized for BSA transactions.

Figure 18: How many full-time case analysts do you have to process the alerts/cases?
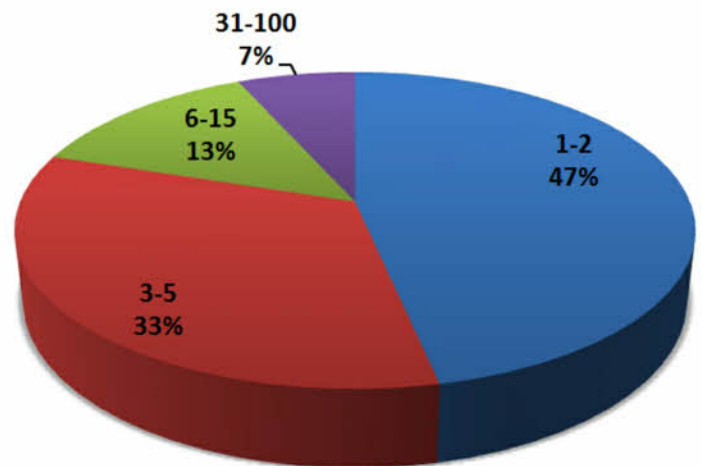
314(a):

While a majority of our respondent population do conduct false positive management on 314(a), still 32% do not (see figure 19).

There was quite a distribution in responses to our next question regarding how many records they're filtering when the FinCEN 314(a) list is updated. Most of our respondents are filtering 1,001 to 10,000 records when the list is updated, just achieving the majority percentage(34%, see figure 20). However, the next largest group filters up to 100,000 records (33%).

An expected 100% report less than a 1% match rate, and the majority of that at 92% is less than 0.10% (see figure 21).

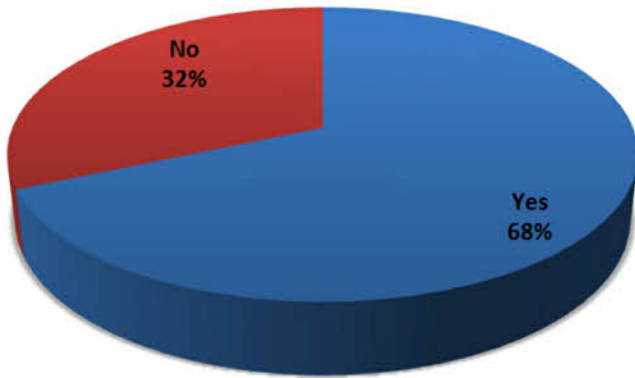**Figure 19: Do you conduct false positive management on 314(a) (FinCEN requests)?**

Figure 20: When the FinCEN 314(a) list is updated, how many records (customer name, transaction beneficiary, related accounts, etc.) are filtered?
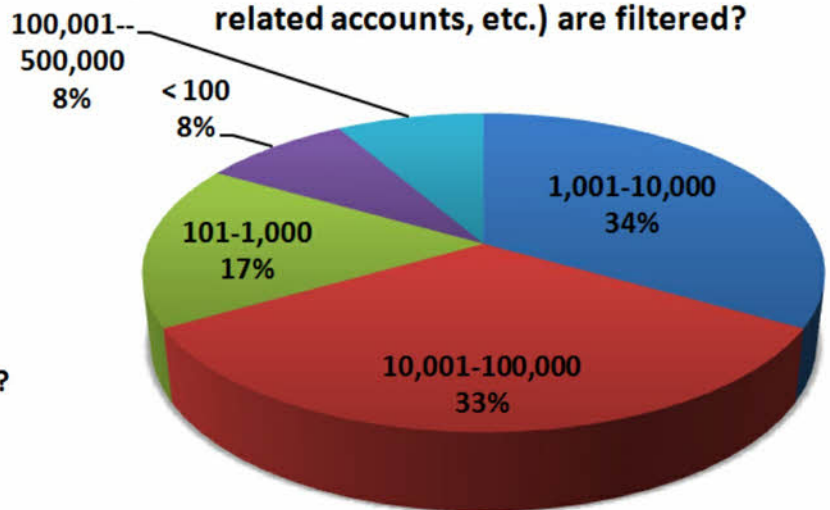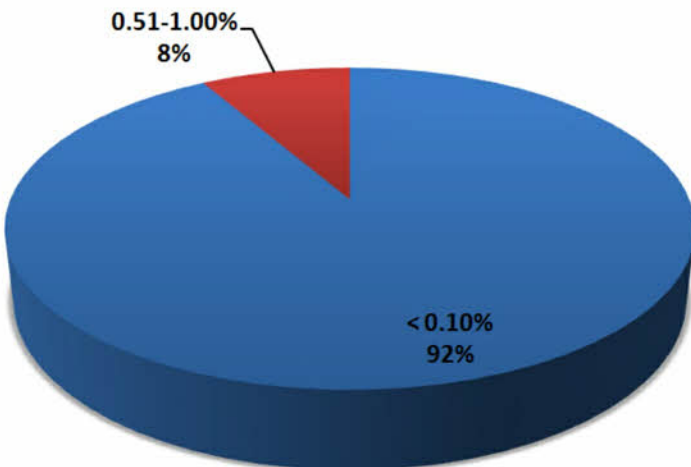

Figure 21: What is your 314(a) match rate?

314(a) Continued:

Three quarters of our respondents said that they receive only 1 alert/case per month for 314(a) (see figure 22). Meanwhile, a resounding 100% said that they receive anywhere from 1-25 matches a month (see figure 23).

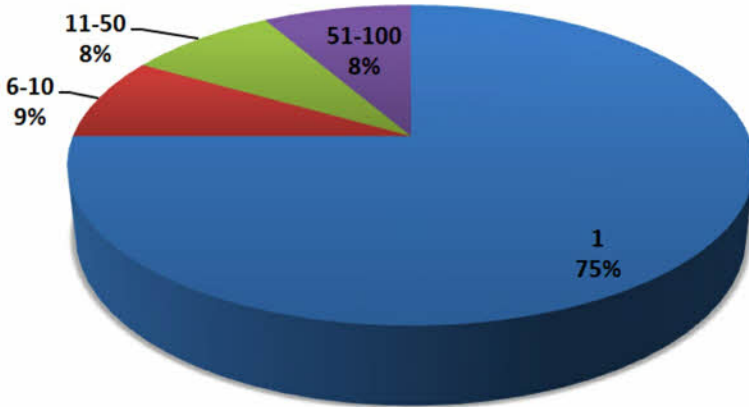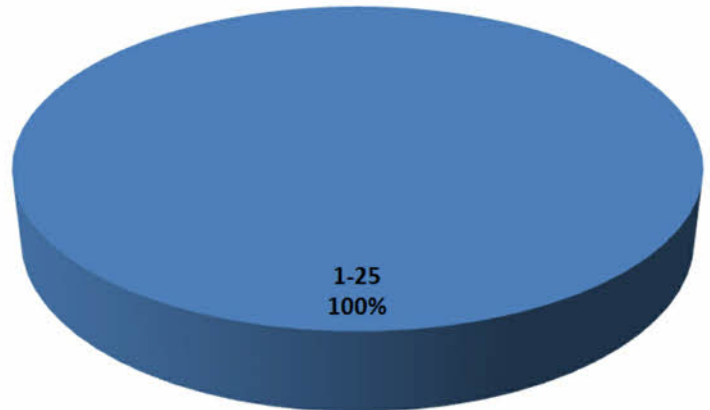**Figure 22: How many 314(a) alerts/cases are generated monthly?**

- 11-50 — 8%
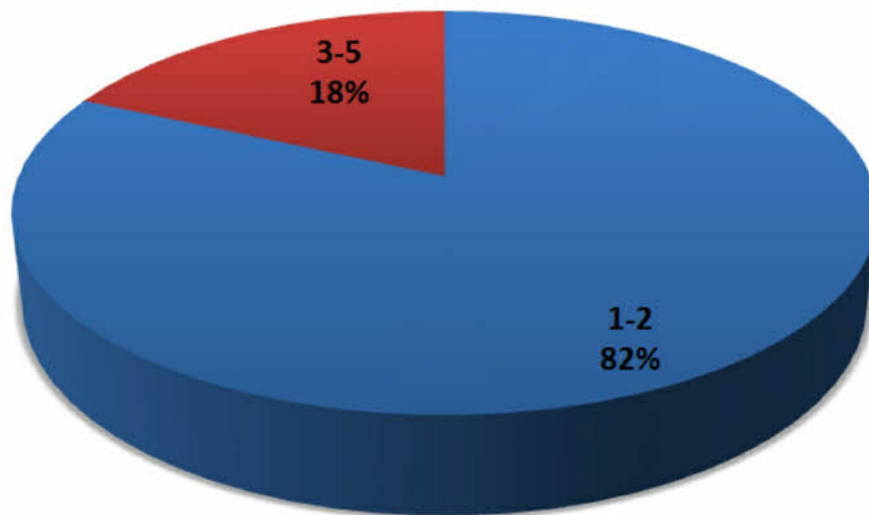- 6-10 — 9%
- 51-100 — 8%
- 1 — 75%

Figure 23: How many 314(a) positive matches do you get monthly?

- 1-25 — 100%

Finally, 82% of those participating in 314(a) false positive management are utilizing 1-2 full-time case analysts to process the alerts/cases (see figure 24).

Figure 24: How many full-time case analysts do you have to process the alerts/cases?

- 3-5 — 18%
- 1-2 — 82%

Conclusion:

Overall, the greatest number of our respondents conduct false positive management on an OFAC program/system, followed by a BSA program/system and finally a 314(a) program/system (86%, 81%, and 68% respectively, see figure 25), which we were happy to see. The program we see the least false positive management is 314(a) at 32% (see figure 25).

According to figure 26, you'll see that the number of OFAC transactions are primarily within the 101-10,000 range, and BSA ranges from 1-10,000, while the number of records for 314(a) is a much larger range of 10,000 to 500,000.

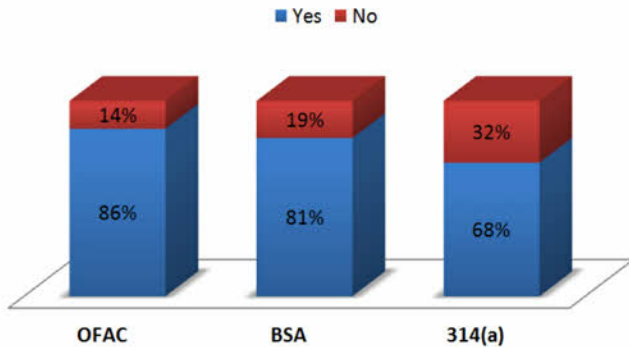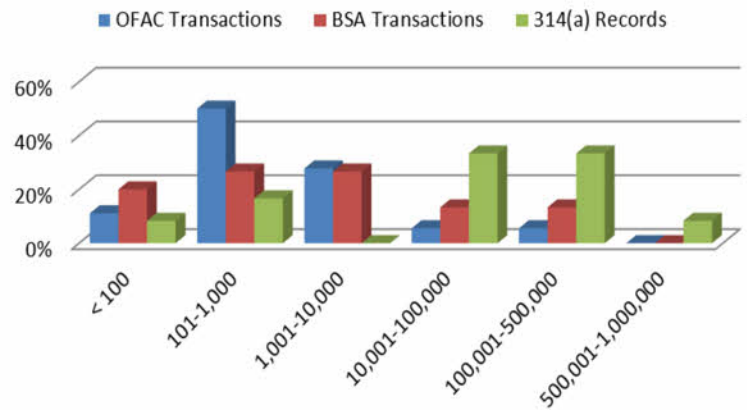### Figure 25: Percent respondents conduct false positive management on AML programs

■ Yes ■ No

Program	Yes	No
OFAC	86%	14%
BSA	81%	19%
314(a)	68%	32%

Figure 26: Number of transacations/records filtered

■ OFAC Transactions ■ BSA Transactions ■ 314(a) Records

(bar chart with categories: < 100, 101-1,000, 1,001-10,000, 10,001-100,000, 100,001-500,000, 500,001-1,000,000)

Overall, the largest percentage of alerts/cases are generated within an institution's BSA program/system, followed by OFAC and then 314(a) (see figure 27). As expected, our respondents are reporting the most positives based on the alerts/cases of their BSA program/system (see figure 28). Despite the fact that OFAC is the number one program/system that our respondents conduct false positive management on, BSA dominates the number of alerts/cases generated, false positives reported and understandably utilizes the largest group of full-time case analysts (see figure 29). We're surprised with the number of case analysts utilized on each program, typically less than 5; compared to the workload of alerts/cases generated monthly, which can be up to 25,000.

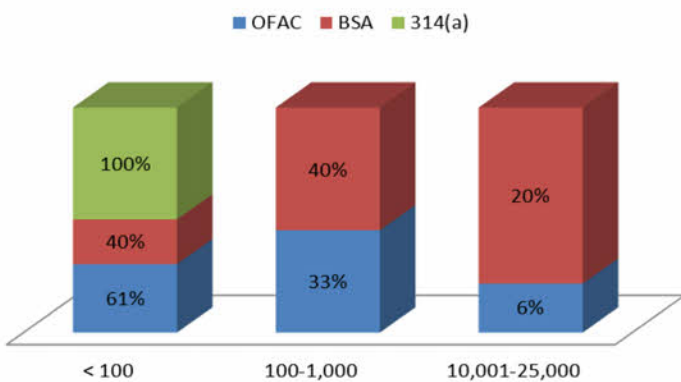### Figure 27: Number of alerts/cases generated monthly

■ OFAC ■ BSA ■ 314(a)

Range	OFAC	BSA	314(a)
< 100	61%	40%	100%
100-1,000	33%	40%	
10,001-25,000	6%	20%	

Figure 28: Number of positives reported monthly

■ OFAC ■ BSA ■ 314(a)

Range	OFAC	BSA	314(a)
1-25	100%	87%	100%
26-100		7%	
101-250			0%
251-500			0%
501-750		7%	

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For the detailed report of our False Positive Management survey, please email newsletter@arcriskandcompliance.com to request a copy.

Figure 29: Number of full-time analysts utilized on each program

■ OFAC ■ BSA ■ 314a

Range	OFAC	BSA	314a
1-2	82%	47%	83%
3-5	18%	33%	17%
6-15		13%	
16-30		7%	