

Directo-A-Mexico Risk Assessment

Community Savings Bank

Risk Assessment

- **Risk Factors**
- **Inherent Risk** (the level of risk before controls are applied)
- **Risk Mitigation** (internal preventative, detective, automated, and manual controls)
- **Residual Risk** (reducing the risk exposure to the level that is within the bank's risk tolerance)

Risk Factors

- Purpose/Intent of the program
- Regulatory Risk
- Administrative Safeguards (Control Measures)
- Logical Safeguards (Technical Controls)
- Physical Safeguards/ Physical Controls

Risk Factors

- Purpose/ Intent of the program
 - Provide an additional customer service at Community Savings Bank
 - Encourage Banking
 - Create financial assurances between Mexico and United States
 - Relationship building
 - Price
 - Convenience
 - Safety/ Security

Risk Factors

- Regulatory Risk
 - Bank Secrecy Act (BSA)
 - Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act
 - Anti-Money Laundering (AML) Practices
 - Office of Foreign Asset Controls (OFAC)
 - Electronic Fund Transfers Act (EFTA)
 - Expedited Funds Availability Act (EFAA)
 - Fair and Accurate Credit Transactions Act (FACTA)
 - National Automated Clearing House Association (NACHA)

Risk Factors

- Administrative Safeguards (Control Measures)
 - Classification of data handled by the Bank
 - Documentation of procedures, standards, and recommended practices
 - Identification of personnel who are authorized to access systems
 - Assurance that appropriate authorization controls are implemented
 - Security awareness training and education for all personnel

Risk Factors

- **Logical Safeguards (Technical Controls)**
 - Ensure access by only authorized users and session termination when finished
 - Enforce secure password management
 - Manage tracking of development, maintenance, and changes to application software and information systems
 - Manage access to the network
 - Ensure event logging
 - Monitor usage

Risk Factors

- **Physical Safeguards/ Physical Controls**
 - Allow access by only authorized individuals through the use of physical means
 - Ensure the prevention, detection, early warning of and recovery from emergency disruptions
 - Govern the receipt and removal of hardware and electronic media

Inherent Risk

- Directo-A-Mexico capabilities
- Anticipated usage
- Customer base (predominantly Hispanic individuals)
- Geographic factors
- Manual monitoring trends

Inherent Risk

- Directo-A-Mexico capabilities
 - Payments can only be sent from the United States to Mexico
 - The payment is initiated in U.S. dollars and converted into Mexican pesos using a highly competitive foreign exchange rate
 - A bank account is required for both the individual sending the payment and the beneficiary receiving the payment
 - Ease in receiving the funds for the beneficiary in Mexico can be accessed:
 - Through any ATM
 - Paying with a debit card through Point of Sale Terminals in stores
 - Through a Bank branch

Inherent Risk

- Anticipated usage
 - Personal purpose
 - Quantity (#) of transactions over a designated period of time
 - Amount (\$) of the transactions

Inherent Risk

- Customer base (predominantly Hispanic)
 - Non-resident aliens
 - Resident aliens
 - US Citizens

Inherent Risk

- Geographic factors
 - Mexico
 - Chicago, Illinois

Inherent Risk

- Monitoring trends
 - Large transfers of funds
 - Frequent cash deposits
 - Deposits followed by transfers in similar amounts

Risk Mitigation

- Existing customer relationships only
- Consumer customers only (no business relationships)
- Physical (in-person) authorizations only
- Employee Restricted Access (only New Account Associates)
- Segregation of duties
- Directo-A-Mexico transfer monitoring
- Training
- The Federal Reserve Banks and Banco de México control and regulate the infrastructure and operation of Directo a México
- Transparency for all participants (i.e. transaction and the parties involved)

Residual Risk

- Identify and understand the dangers continuing to exist, even if all theoretically possible safety measures would be applied
- The assessment of adequate risk controls is based primarily on:
 - The general observations of management
 - Inquiries regarding risk responses
 - Past experiences
 - Results of testing performed in prior periods
 - Other factors (to be determined as the items are identified)
- Maintaining compliance with the processes and procedures
- Accountability of the individuals designated to review the controls

Thank you!

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