

# ***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!

Anthony Schoenleber  
Community Savings Bank  
773-794-5268

[aschoenleber@communitysavingsbank.com](mailto:aschoenleber@communitysavingsbank.com)