PUERTO RICO FINANCIAL SERVICES FORUM

A RISK MANAGEMENT & BANKING CONSULTANCY

Risk-Based Banking: A U.S. Perspective

When banking foreign clients, what are the key differences in expectations under BSA/AML, OFAC, and FATF standards—and how can U.S. institutions balance risk mitigation with maintaining international relationships?

Jurisdiction	Primary AML/CFT law or regulation (latest key)	Where the RBA is explicit	Supervisory / Guidance Source
United States	31 U.S.C. 5318(h); 31 CFR §1020.210 (banks)	AML programs implemented on a **risk-based** basis	FFIEC BSA/AML Manual emphasizes risk-based CDD/ongoing due diligence
Region-wide baseline	FATF Recommendation 1 / INR.1 (global standard)	Countries and FIs must assess ML/TF risks and **apply an RBA**	FATF sector RBA guidance (e.g., banking)
Mexico	CNBV PLD/FT framework (sectoral "Disposiciones"), multiple; CNBV RBA methodology guides	"Enfoque Basado en Riesgos" for obliged entities and supervisors	CNBV EBR methodology & tutorials
Brazil	Bacen AML/CFT framework (incl. Res. 134/2021)	Requires risk-based policies/controls	Central Bank's AML page (aligns to FATF/RBA)
Argentina	UIF Resolution 30/2017 (cross-sector)	Establishes **RBA** for LA/FT risk management	UIF implementation guide
Colombia	SAGRILAFT – Circular Externa 100-000016/2020 (Supersociedades)	Explicit **enfoque basado en riesgo** for obliged companies	Circular/briefs explaining RBA principle
Chile	Law 21.521 (2023) modernization + UAF circular/guidance	UAF supervision **with an RBA**	UAF policy/circular referencing RBA
Peru	SBS AML/FT norms (PLAFT), multiple; recent SBS Res. 1754-2024 (example)	Requires identification/evaluation of LA/FT risks = **RBA**	SBS bulletins and sectoral rules
Ecuador	UAFE Resolutions (e.g., UAFE-DG-2023-0689; 2025-0002)	Defines and requires **Enfoque Basado en Riesgos**	UAFE resolutions and OAS brief
Bolivia	ASFI norms & guidance; sector risk management	RBA embedded in risk-management guidance/supervision	GAFILAT MER 2023; ASFI docs
Paraguay	SEPRELAD Regs (e.g., 71/2019; 299/2021; 50/2019)	"Reglamento … **con Enfoque Basado en Riesgos**"	SEPRELAD sectoral resolutions
Uruguay	Law 19.574 (2017) + Decree 379/2018	Customer DD and monitoring **based on risk**	Official decree text and practitioner summaries
Venezuela	SUDEBAN Res. 010.25 (2025) replacing 083.18	Administration/supervision of LC/FT/FPADM risks on **RBA**	Official/firm summaries of the new rule
Panama	Law 23/2015 + SBP Agreement 10-2015	Law defines **RBA**; banks must keep **risk-based**CDD	National risk strategy & SBP agreement
Costa Rica	CONASSIF/SUGEF 12-21 (consolidated AML rule)	RBA required across regulated sectors	ICD UIF RBA guide; supervisory notes
Guatemala	Banking supervisor (SIB) – **Supervisión Basada en Riesgos**; draft law 6593	Supervisory RBS and proposed statutory **RBA**	SIB RBS page; 6593 draft bill
Honduras	CNBS risk-based supervision framework; sector norms	Law and CNBS require **enfoque basado en riesgo**	CNBS MISBR and supervision page
El Salvador	SSF NRP-08 / technical norms	Calls for a framework **con enfoque basado en riesgo**	Norms for risk management (banks)
Nicaragua	UAF Law 977 & SIBOIF PLD/FT norms (updated 2024)	Supervisory inspections **con enfoque basado en riesgo**	UAF/SIBOIF PLD/FT page & norms
Belize	AML/CFT/CPF Guidelines (Dec 2023); earlier CBZ guidance	FIs must **document a risk-based approach**	2024 MER notes RBA supervision
Dominican Republic	Law 155-17 and sectoral norms	Obliged entities must **adopt programs basados en riesgo**	SB + UAF/BC DR guidance booklets
Jamaica	POCA & regs; BOJ/FSC AML Guidelines	Guidance embeds **risk-based measures** and NRA link	BOJ/FSC guidance
Trinidad & Tobago	AML/CFT Regs; FIU & Central Bank guidance	FIU/CBTT issue **RBA**guidance (2025)	FIU RBA page; new GN005 (Nov 2025)
Bahamas	FTRA & Central Bank AML Guidelines	CBOB risk-assessment notes; shift to **risk-based**supervision	CBOB RBA guidance & press; NRA summary
Barbados	MLFTA + Central Bank/FIU Guidelines	Licensees must **document a risk-based approach**	CBB AML/CFT Guideline; FIU RBA guide
Cayman Islands	Anti-Money Laundering Regulations (2025 Revision)	**Part 3 - Assessing Risk and Applying an RBA**	CIMA Guidance Notes (RBA section)
Bermuda	POCA + AML/ATF Regulations 2008	Regulations and guidance embed **RBA**	BMA general guidance; NRA
BVI	AML Regulations + AML/TF Code of Practice	Code "adopts a **risk-based approach**"	2022 amendment Code; regulator guidance

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Key Differences in Expectation when Banking *Foreign* Clients			
Risk Area	**BSA/AML**	**OFAC**	**FATF**
Customer Due Diligence (CDD)	Requires **full CDD and beneficial ownership verification for foreign clients**; higher scrutiny for politically exposed persons (PEPs) and foreign financial institutions.	Requires screening foreign clients against sanctions lists (OFAC SDNs, blocked entities, 50% rule).	FATF recommends *risk-based* CDD aligned with jurisdictional risk and client profile.
Country Risk Assessment	Must classify foreign customers based on jurisdictional risk (FinCEN advisories, FATF gray/blacklist).	Sanctioned or embargoed countries are outright prohibited (e.g., Iran, North Korea, Syria).	FATF issues public statements identifying high-risk and non-cooperative jurisdictions.
Transaction Monitoring	**Expected to detect unusual cross-border flows, nested correspondent accounts, and pass-through transactions.**	Must block or reject any transaction involving sanctioned entities or countries.	**FATF calls for "ongoing monitoring" of higher-risk cross-border activity.**
Reporting Requirements	Mandatory Suspicious Activity Reports (SARs) and Currency Transaction Reports (CTRs).	Immediate blocking/rejection and reporting to OFAC within 10 business days.	FATF does not mandate reports directly, but national laws based on FATF standards usually do.
Regulatory Scope	Statutory; enforced by FinCEN, OCC, FDIC, Federal Reserve.	Sanctions law; enforced by OFAC and DOJ (civil & criminal).	**Non-binding global guidance; enforced indirectly through peer pressure and national adoption.**

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1. Conduct **dynamic risk assessments** to identify and stratify higher-risk customers, products, and transactions, allocating resources accordingly
2. Incorporate and address **national AML/CFT priorities published by FinCEN**, which include corruption, cybercrime, terrorist financing, fraud, organized crime, drug and human trafficking, and proliferation financing (*what controls have you designed? Do you have TMS alerts for these?)*
3. Maintain **robust customer due diligence (CDD), including enhanced due diligence (EDD)** for high-risk clients such as politically exposed persons (PEPs) and those with foreign or high-risk affiliations
4. Regularly update **customer and institution-wide risk profiles** using data analytics and consider factors such as geographic location, transaction patterns, and source of funds

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5. Integrate **technology solutions like big data analytics** and machine learning for ongoing risk assessments, transaction monitoring, pattern detection, and alerts on suspicious activities
6. Customize **risk management systems** for the institution’s customer base, products, and geographic footprint, avoiding a one-size-fits-all approach.
7. Ensure **rapid response and remediation capabilities** for detected suspicious or unusual activity, including timely reporting of suspicious activity reports (SARs).

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How are banks adapting their OFAC screening and escalation processes to remain efficient without compromising compliance?

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- **Adoption of Risk-based, centralized screening governance**.
  - Recent regulatory guidance in the U.S and EU expect banks to moving from product-level screening to a centralized watchlist / policy engine with risk-based thresholds and documented governance so decisions are consistent and auditable.
- **Adoption of AI/ML (including Large Language Models - LLMs)** to reduce false positives and surface hidden relationships. Consider adding entity-resolution, fuzzy logic matching, and machine-learning scoring layers on top of classic deterministic name-matching.
- Recent studies and pilots show large reductions in false positives and better recall when modern ML/LLM techniques are applied—while keeping humans in the loop.
- **Automation + tiered escalation (analyst augmentation).** Routine, low-risk alerts are auto-cleared or routed to low-touch workflows; mid/high-risk hits trigger richer investigation packs and human review. Case-management systems automate record keeping, evidence capture, and regulatory reporting

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- **And for some quick tips:**
  - Draft a short-tiered escalation decision tree your compliance team can use as an operational SOP.
  - Create a test plan template (manipulated testcases + sampling rules) for system validation.

Thank you!

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