Meridian Trade Bank

MAJOR ENHANCEMENTS IN AML/CTF COMPLIANCE
AND OTHER RELEVANT DEVELOPMENTS
PROFILE OF THE BANK

Brief description of the bank
AS Meridian Trade Bank has been successfully operating for over 20 years and has a well-developed branch network in Latvia and Lithuania. Head office is located in Riga, the Bank has a branch in Liepaja, 15 service centres in Riga and other 9 in Latvia’s most economically active cities. The Bank has another branch and 2 service centres in Lithuania. The number of customers of MTB exceeds 39 thousand. MTB staff in Latvia and Lithuania counts more than 260 people. Strong liquidity ratio at 78 % (end of 2016). MTB is owned by five local private individuals, who acquired the Bank via management buy-out in 2014.

Major business lines
The bank offers a wide range of services, which are typical for a universal bank operating in the Baltic region, to small and medium sized corporate customers and natural persons:

- Deposit products;
- Lending, leasing;
- Payment cards;
- Brokerage services;
- E-commerce.

MTB aims at a stable and rational growth through low-risk operations based on further improvement of services provided to customers, who are based in the Baltic region.

FACTSHEET

MAJOR ENHANCEMENTS IN AML/CTF COMPLIANCE AND OTHER RELEVANT DEVELOPMENTS
KEY AML/CTF ACTIVITIES

- On-going work on strong corporate governance and AML/CFT programmes
- Developed and implemented ML risk management strategy
- Revised Client risk management process
- Implemented a new Client risk scoring system
- Updated DD and EDD procedures
- Implementation of AML/CFT monitoring and Client risk scoring systems from FICO Tonbeller SIRON®
- Implementation of new Sanctions screening system by Accuity
- Implementation of advanced AML training system
- Significantly increased the number and quality/experience of AML/CFT employees

RESHAPING OF THE BUSINESS MODEL

Reduction of dependency of transactional business line
- Re-shaped business model, approved new strategy, re-examined clients file (implementing de-risking) and strengthened control systems
- Implementation of risk-mitigating measures reduce transaction volume

Work on diversification of business lines according to the re-shaped business model
- Further development of corporate and retail services

for the Baltic market
- In 2016 net interest income increased by 7% and commission income by 37%
- In 2016 percentage of resident clients reached 91%

Diversification through Latvian and Lithuanian resident clients
Switching from international clients to resident clients.

The main customer groups of the Bank will be:
- Natural persons (LV and LT residents and EU residents)
- Small and medium sized Baltic region companies, including those involved in international trade, export-import cargo transportation, trade and transit services in the Baltic region or having their business counterparts or investments in the Baltic region

CORPORATE GOVERNANCE

Development of new policies and procedures
- Consistent establishment of new and wider-reaching policies and procedures designed to strengthen overall governance
- Significantly re-designed Client risk scoring system and enhanced procedure for measuring the client’s risk
- Re-building the Internal Control System in compliance with new regulatory requirements and the independent US audit recommendations
• Implementing high business ethics standards throughout the Bank, assessing compliance performance
• Established Quality Assurance programmes

**Increased transparency**
Improved quality of information collected from payments.

**Financial sanctions (UN, EU, OFAC) compliance policy**
• Implemented an Internal Control System, which ensures compliance with UN, EU, OFAC sanctions
• Sanctions screening tool provided by Accuity was implemented to strengthen the capacity of the bank to mitigate sanctions risk

**Designated Sanctions officer**
Since December 2016.

**Strengthened management and supervisory function**
• Increased awareness
• 8 new AML compliance employees
• Wider reporting, AML risk assessment system

**INTERNAL CONTROLS**

**Structural changes**
• Strong AML management team structure was created
• AML/CTF risk control functions are independent from the business functions

**Changes in compliance costs, staff**
• AML related expenses increased by 400 000 EUR comparing to 2015
• Increased the number of AML employees by 50%

**Changes in KYC/DD/EDD/PEP/ Financial Sanctions monitoring**
• New ML risk assessment methodology
• New automated Client risk scoring system
• New AML monitoring system
• New Sanctions screening system
• De-risking of the Client base

**TRAINING OF THE STAFF**

**Focused training provided in 2016**
• Training program covers all AML related areas
• For AML staff specific external trainings are ensured

**External training**
• International AML trainings, seminars, conferences for AML staff
• 2 CAMS certified specialists

**On-going testing and certification**
• The Bank will continue providing initial training for all new employees and intends to tailor initial training to meet specific needs
• Regular training program to all staff
• Specific external training for senior AML/CTF staff and management
• International training for senior responsible AML/CTF officers

INDEPENDENT TESTING

US consultants independent testing outcome
The Bank was examined in order to compare its practices to regulatory requirements set forth in the US Bank Secrecy Act/AML/OFAC regulations.

The testing was performed by US consultant Exiger LLC and Lewis Baach Kaufmann Middlemiss.

The main recommendations of the Remediation plan have been implemented.

Other external audits
• Next expected independent testing Q1 2018
• AML IT system’s audit once every 18 months – next Q2 2018

Main recommendations were related to:
• meaningful risk assessment;
• compliance performance;
• compliance culture;
• training process;
• AML monitoring system;
• AML case management system.

Internal audit function
• Has further strengthened its capacity/expertise to perform independent testing of AML/CFT processes through training
• Follow-up fulfilment of the previous recommendations

AUTOMATED SYSTEMS AND TOOLS

IT system’s changes
• Implemented new systems from FICO Tonbeller Siron® RAS, KYC and AML tools
• Implemented Accuity Sanctions, screening and PEP system

Core banking system
The Wall

AML/CTF monitoring system
FICO Tonbeller Siron®

Sanctions Screening system
Online 24/7, Accuity tool

Other databases
Dow Jones Factiva

Management of international financial sanctions
Has been improved by the tool from Accuity and FICO Tonbeller Siron®.