

Appendix K: Customer Risk Versus Due Diligence and Suspicious Activity Monitoring

FOR ILLUSTRATION ONLY

Customer Risk versus Due Diligence and Suspicious Activity Monitoring

Certain customer relationships may pose a higher risk than others. This chart provides an example of how a bank may stratify the risk profile of its customers (see legend and risk levels). Because the nature of the customer is only one variable in assessing risk, this simplified chart is for illustration purposes only. The chart also illustrates the progressive methods of due diligence and suspicious activity monitoring systems that banks may deploy as the risk level rises. (See Observed Methods, below.)

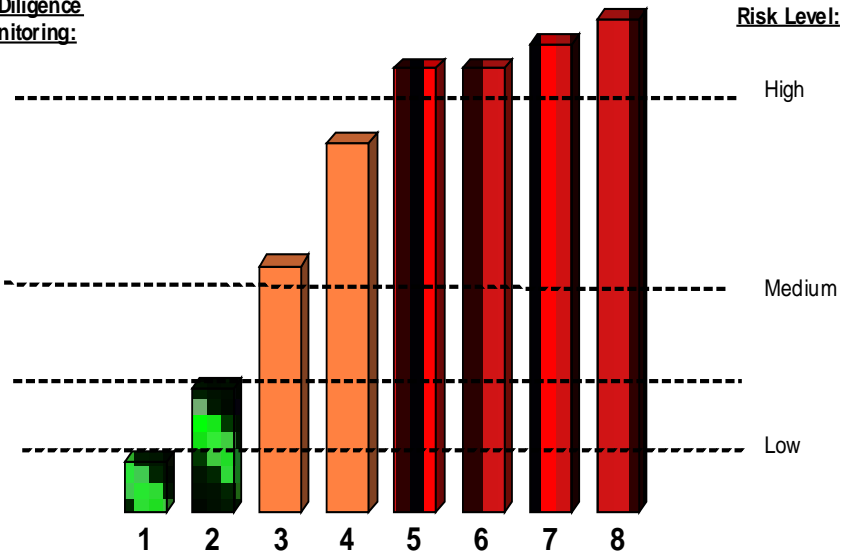
Observed Methods of Due Diligence and Suspicious Activity Monitoring:

Customized transaction profile with tailored monitoring against transaction profile

Source of wealth statement, financial statement

Unique profile specific to products and services used by customer

Basic profile, generic threshold monitoring



Legend: Types of Customers / Accounts

- | | |
|---|--|
| 1 Resident Consumer Account (DDA, Savings, Time, CD) | 5 Nonresident Alien Offshore Investor |
| 2 Nonresident Alien Consumer Account (DDA, Savings, Time, CD) | 6 High Net Worth Individuals (Private Banking) |
| 3 Small Commercial and Franchise Businesses | 7 Multiple Tiered Accts (Money Managers, Financial Advisors, "Payable Through" Accounts) |
| 4 Consumer Wealth Creation (at a threshold appropriate to the bank's risk appetite) | 8 Offshore and Shell Companies |