HEIGHTENED REGULATORY EXPECTATIONS: SETTING NEW STANDARDS FOR AGENT OVERSIGHT THROUGHOUT THE AGENT’S LIFECYCLE
MSB Inherent Risk Profile

1. Non Recurring Transactions (perceived anonymity)
2. Agents, Not Branches; FLAs not FTE
3. No Customer Accounts (traditionally cash intensive)
4. Geographies
Derived from multiple sources, they include:

- Black Letter of Law
- Regulation
- Guidance
- Exam Manuals
- Enforcement Actions
U.S. Fines and Enforcement Trends

Total Fines by Year

Agency Fine Count by Year

Source: Center for Global Development
Culture of Compliance

Prevent
Detect
Deter
Report

This is everyone’s responsibility, including agents and FLAs

Importance of every employee’s commitment and duty to escalate
Western Union: U.S. Settlement Agreements

January of 2017 - Western Union reached agreements with the DOJ, the FTC, FinCEN and several U.S. State Attorney General offices

The conduct in question mainly occurred from 2004-2012

Investigations focused on the oversight of agents and anti-fraud program, as well as anti-money laundering controls

Western Union shares the goal of working to protect consumers and to maintain the integrity of our global money transfer network

Western Union is committed to enhancing our compliance programs to deter and prevent illicit activity
Compliance Risks Derive from Two Primary Sources

1. **Agents / 3rd Parties**
   - “Know Your Agent” (KYA) risk and controls

2. **Customers**
   - “Know Your Customer” (KYC) risk and controls

Compliance Control Components of KYA and KYC include:

1. **WHO ARE YOU?**
   - **IDENTIFICATION:** Due diligence to establish the identity of our customers and agents can occur prior to, or during the customer, agent and transaction lifecycles (Originator & Receiver Demographic Information Collection and Verification; Data Integrity; Due Diligence; Enhanced Due Diligence)

2. **WHAT ARE YOU DOING?**
   - **MONITORING:** Continuous and/or periodic monitoring may occur before, during, or after consummation of a transaction (Originator & Receiver Limits; Sanctions & Proprietary List Screening; Behavioral Suspension and Queueing; Exception Reports; Risk Modeling; Risk Assessment; Consumer Fraud; Objective and/or Subjective Regulatory Reporting; AD Oversight; AD Transaction Governors; AD Victim Fraud; Enhanced Due Diligence)

3. **WHAT IS WU DOING ABOUT IT?**
   - **RISK RESOLUTION:** Actions taken up to and including termination (Outreach; Block/Freeze Transactions; Interdict/Stop Transactions; Entity Clearing/False Hit Clearing; Customer/Transactor Reinstatement;Suspension/Termination; AD/Intermediary Reactivation)
Provide clear concise fraud warning forms electronic, websites, and mobile
Provide online fraud complaint form and toll free number globally
Refund transactions where agents have not followed relevant policies and procedures even when money has been paid out
Agents – These Obligations apply Globally

- FinCEN and FTC have made clear that sub-agents are included in due diligence
- At onboarding and renewals, Agent’s P&Ps include fraud prevention
- Terminate/suspend locations where FLA has been complicit
- At elevated fraud locations identify all receivers and scan or copy photo IDs
- Interdiction screening for agents and beneficial owners
- In elevated fraud countries providing fraud complaints monthly to agents
- Additional training to agents

Agent Oversight  Consumer and Transaction Monitoring  Governance  Reporting
27 24 12 16

27% of obligations focus on agent oversight, 24% on consumer and transaction monitoring, 12% on governance, and 16% on reporting.
### Agent Fraud Monitoring

<table>
<thead>
<tr>
<th>Suspension &amp; Termination Criteria</th>
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<tbody>
<tr>
<td>Immediately suspend Elevated Fraud Risk Agent locations</td>
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<tr>
<td>Suspend Agent locations when investigation cannot be completed within 14 days</td>
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<tr>
<td>Suspend or terminate if Agent location is not following WU procedures</td>
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<tr>
<td>Terminate if findings indicate Agent complicity in fraud</td>
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Global Minimum Standards for Agents

**Focused on Global Standards**

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<tr>
<th>Action</th>
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<tr>
<td>Ensure Agents globally adhere to U.S. regulatory and AML standards</td>
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<tr>
<td>Implement Agent risk-based KYA program aligned with the Global AML/CFT policy</td>
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<tr>
<td>Take corrective action against Agents who pose a risk of money laundering or the financing of terrorism</td>
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<tr>
<td>Written notice to agent locations when location violates law or policy and procedures</td>
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### Compliance Program Metrics Including Anti-Fraud

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percent Change (2010 to 2016)</th>
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<tbody>
<tr>
<td>Compliance Department-Wide Budget</td>
<td>226% increase</td>
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<tr>
<td>Compliance Department-Wide Personnel</td>
<td>266% increase</td>
</tr>
<tr>
<td>CCB Program Contacts</td>
<td>589% increase</td>
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<tr>
<td>Number Fraudulent Transactions Prevented*</td>
<td>794% increase</td>
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<tr>
<td>Dollar Value of Fraudulent Transfers Prevented*</td>
<td>450% increase</td>
</tr>
<tr>
<td>Global Paid Consumer Fraud Principal</td>
<td>-61% decrease</td>
</tr>
<tr>
<td>Paid Consumer Fraud Principal for Countries Referenced in Draft Complaint**</td>
<td>-84% decrease</td>
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* Data based on fraud prevented through RTRA, CCB and Fraud Hotline.
** Includes Mexico, United Kingdom, Spain, Peru, Canada, Nigeria and Jamaica.
PREVENT ➔ DETECT ➔ DETER ➔ REPORT

“Western Union is a link in the chain of the financial system.”
Q&A
Cherie Axelrod joined Western Union in 2012 and is the Deputy Chief Compliance Officer. She is also the U.S. Settlements Lead and was ultimately responsible for the successful completion of the Southwest Border settlement agreement. Prior to joining Western Union, Cherie was the divisional CFO for the Consumer & Small Business division of Qwest.

In addition to her financial expertise, Cherie has extensive program management, internal audit, regulatory, and operational experience. Prior to joining Qwest, Cherie worked for GTE Hawaiian Tel, in the international division, as a pricing analyst supporting multimillion dollar infrastructure programs, throughout the far east and pacific islands.

Cherie has an MBA from Chaminade University, and a BS in Industrial Management / Industrial Engineering from Purdue University.
Amy is the Director for the Denver based Global AML Investigations and SAR Reporting team and Global Due Diligence team within Western Union’s global compliance organization.

Amy joined Western Union in October of 2012. Prior to taking her role as Director in 2014, Amy managed the Consumer Fraud and Investigations Team within Global Security Global Investigations at WU, where she earned her certification as a Certified Fraud Examiner (CFE).

Prior to joining Western Union, Amy was in law enforcement for 17 years, working in various assignments within local police departments such as; Patrol, Investigations, and was a Hostage Negotiator for the SWAT team. The last ten years of her law enforcement career she investigated complex financial crime cases. Amy was awarded Law Enforcement Officer of the Year from International Association of Financial Crime Investigators in 2011. Amy graduated Summa Cum Laude with a Bachelor’s degree in Business Administration from the University of Denver.