RiskRator®

WEBINAR RECAP
OCTOBER 8, 2026

3 things we learned about risk assessment and transaction monitoring

They do different jobs, and each has to check the other. That was the through line of RiskRator's October 8 panel on what a bank-wide AML risk assessment does that transaction monitoring can't.

1 They are complementary, not interchangeable

The risk assessment is strategic: it shows the board and management where the bank's risk sits, so they can approve the program and direct resources. Monitoring is tactical: it looks for specific activity. Cody J. Smith called the assessment "the blueprint" for a risk-based program.

- **Not a customer risk score.** Customer scores and monitoring results roll up into it.
- **Where programs break.** Too granular to mean anything, or never consolidated into one bank-wide profile.
- **It should drive resources.** If every area gets the same effort, there is no risk-based approach.

2 The feedback loop is what examiners now test

Alerts, investigations and SARs should feed back into the assessment. If it says your risk is international but every SAR is domestic fraud, something is disconnected.

> **The case:** the OCC's May 2026 consent order against Community Federal Savings Bank. It added fintech partners without recalibrating monitoring, and auto-closed a high share of alerts: the feedback loop in reverse. The order requires an assessment "based on appropriate data and information."

- **You can outsource operations, not risk** (FATF Recommendation 17).
- **Under the proposed rule, the assessment becomes mandatory** and fully examinable.

3 Defensible beats complicated

Andrea Valentin's first examiner question: is the assessment logical? If management can't explain a rating, it isn't helping. Then: is it aligned to the bank's real activities, and is the data clean? "Garbage in, governance out."

- **Every threshold needs a story.** If your team can't explain why a threshold is set where it is, it isn't good enough.
- **Watch outliers and underliers.** Zero alerts or a flood of them are both reasons to dig in.

YOUR NEXT STEP

Run the two-question test on your highest-rated risk area

1. **Can you explain the rating in two sentences** that management could repeat to an examiner?
2. **Do your last four quarters of SARs back it up?** Compare the typologies you filed against the areas you rated highest.

If either answer is hard to write down, that is the gap an examiner will find first.

60% of respondents tune monitoring rules as their risk shifts. 25% do it annually; 13% rarely or never.

75% say clearing and investigating alerts is their heaviest manual load. 13% say the annual risk assessment.

Cody J. Smith, CPAML, Managing Director, CSMB International
Andrea Valentin, CFE, CAMS, CFCS, Chief Risk Officer, Maxwell State Bank
Jose Lamas, Co-founder, RiskRator (moderator)

Watch the full replay
riskrator.com/resources/webinars