

ERRAZ

COMPLIANCE ■■■



We Speak the Language of Compliance

Delivering solutions **small** and **large**,
from **augmentation** to **design**,
we are your compliance **experts**
executing with **agility** and **speed**

So you can focus on **what matters**.

Who we are

A dedicated team of AML officers with careers and experience laser-focused on compliance, giving us the expertise and ability to **execute any phase** of programs and procedures globally

From **increased case processing**, to designing **training programs and remediation**, our team **deeply** understands **global requirements** and lives at the forefront of **changing regulations**.

Our 14-strong team brings together global experience at leading financial institutions

J.P.Morgan



Our Leadership



Carlos Zúñiga, CAMS President

Carlos started Erraz Compliance in New York in 2015 beginning a relationship with Erraz's marquee client and one of the world's largest diversified financial services groups - MUFG. Between 2014 and 2020, Carlos gained a broad range of AML experience at leading financial institutions including Deutsche Bank, UBS, and Citibank, spearheading domestic and international projects around consent orders. His unique experience inspired him to set out on his own with Erraz.

Carlos holds two bachelors of science degrees in Finance and Economics from the University of South Florida. In addition to his duties at Erraz, he is an advisor for several e-commerce startups and Hotel Miami SM. He has extensive international experience, having lived in Asia, Europe, South America, and North America.

Our Leadership



Juan Esteban Sanchez Caballero Vice President

Juan Esteban joined Erraz Compliance in 2020, adding over 10 years of experience in the financial industry - domestic and internationally. He started his AML career at CitiGroup. In 2015 he worked for JPMorgan as Senior KYC Analyst, and in 2017 joined the JPMorgan front office as a Client Service Associate [CSA] responsible for all service needs of ultra-high-net-worth private banking clients from Latin America. In 2018 he worked for UBS in the International Division, assisting several brokers.

Juan Esteban Holds an Associates in Business Administration from ITM.

Highly motivated person; his leadership is oriented to a high standard of client service and excellence in operational delivery. He is dedicated to the training and formation of the Erraz new resources. In his spare time, Juan Esteban enjoys road bicycling.

Our Leadership



Felix Adeyeye, Vice President

Felix joined Erraz in 2020. He started his AML career with JP Morgan Chase in 2015. In full time and consulting roles, Felix has worked in engagements with BanCorp America and MEGA Bank for K2 Investigations; Intesa Sanpaolo, Shinhan Bank America, Bank of Nova Scotia, and Provident Bank for Navigant (Now Guildhouse); Bank of China for Exiger; CitiBank, Latin America and US Bank America – Western Union for Promontory Financial Group.

Felix is an accomplished professional with an impressive record of managing projects and leading full life-cycle investigations related to the U.S. Bank Secrecy Act.

Visionary leader with a keen ability to develop and implement project and action plans that effectively address key objectives and goals. Collaborative communicator, continually focused on enhancing relationships to promote cohesive, comprehensive business results and engaging key stakeholders.

Felix holds an Associates in Sciences from the College of the Redwoods, a Bachelor's in Science in Mathematics and a Bachelor's in Science in Physics from Otterbein University.

Our Leadership



Ken Lo, Managing Director

Ken has an extensive career in Finance and Capital Markets, having led and managed large-scale programs across several leading financial institutions across the globe.

Most recently he helped stand up the new Control Office within the First Line at MUFG. Prior to that, he led the implementation of the Global Markets Finance Transformation Program at HSBC for Americas.

Ken is a qualified accountant (ACMA) and studied Business Economics at the University of London.

In his spare time, Ken helps small businesses transition to employee ownership by performing financial analysis for a non-profit organization. He is also in the process of co-founding an Edtech start up. Ken is also a keen runner and cyclist, having run several marathons and competed in a number of triathlons.

Capabilities Overview

1

1st Line of Defense

Execution of services for essential daily operations. Our staff can scale quickly to augment or remediate any size of task

2

2nd Line of Defense

Solutions for overseeing a holistic compliance program. This is where our subject matter expertise stands out.

3

Holistic Solutions

Continuous evaluation and advice on making your program stronger – what truly sets us apart



1st Line of Defense

1

KYC

Mandatory process of identifying and verifying the identity of the client when opening accounts, event driven requirements, and periodic reviews.

Quality Control

Filtering and review of KYC and AML team output, ensuring that errors and omissions are stopped before spreading further through your business.

2nd Line of Defense

2

AML Officer Staffing

Banks, credit unions and other financial institutions are required to appoint Anti-Money Laundering (AML) Compliance Officers to oversee internal anti money laundering policies and remain compliant with important regulations.

Policy and Procedures Writing

In response to consent orders and as a part of a program reviews, policies and procedures needed to be developed and updated to fit your institution's risk profile and staff capabilities.

Transaction Monitoring

Monitoring of customer transactions (transfers, deposits, withdrawals), including assessing historical/current customer information and interactions to provide a complete picture of customer activity.

2nd Line of Defense

Other Capabilities

- Sanctions and Embargoes
- Financial Investigation Unit
- Anti-Fraud Bribery & Corruption
- Quality Assurance

Enhanced DD Review

KYC (Know Your Customer) process that enables the review of high-risk individuals and companies.

PEP Review & Remediation

Managing your client relationships with politically exposed persons (PEPs) is a high-priority issue for any compliance officer responsible for this high-risk area of the business.

SARs Report Writing

SARs (suspicious activity reports) used to make financial authorities aware of transaction behavior that seems out of the ordinary, that might be a precursor to a crime, or that might threaten the safety of the public.

2

Holistic Solutions

Our ability to simultaneously execute deliverables and proactively evaluate your business through the lens of career compliance officers makes us a true partner

Program Review and Advisory

Erraz evaluates and proactively suggests ways to make your program work better. From fine-tuning procedures, to creating entire departments for new areas, we act as your compliance experts.

Staff Training

Whether implementing our suggestions or urgently creating a taskforce, we can train your staff around the world to work efficiently.

3

Erraz Sustainability Services

Analysts Training Services

- Identification of training needs for new onboarding analysts
- Development of a 1 month training program during which analysts will begin to complete cases with supervision from veteran Erraz analysts starting in week 2
- Coordination and scheduling of analyst training with subject matter experts
- Creation of comprehensive training content as per the training program

Erraz Sustainability Services

ESG Assessment Creation

We develop custom ESG assessment methodologies to provide an understanding of the sustainability of each client

Our 4-step process

1. Identify and Research the topics most relevant within ESG to MUFG
2. Assess data currently available within MUFG and through external databases on the specific topics
3. Define KPIs to effectively compare the sustainability of different clients
4. Develop a methodology with which to evaluate individual clients on

Option to conduct assessments and/ or train existing MUFG staff on implementing these assessments

Erraz Software Consulting Services

- Understanding the process of software development
- Identification of the right technology to apply
- Software risk management and current-use software assessment
- Provide expertise in client-developer communication to facilitate integrating ideas
- Advise in software acquisition and research
- Company website creation or revision

Case study: Consent Order

Client

- Largest US-based multinational investment bank.

Project scope

- The Federal Reserve issued a consent order against the bank stemming from what the central bank identified as weak anti-money laundering controls in January 2013 [lifted in May 2019]
- The order directed the bank to strengthen its board oversight of anti-money laundering compliance and to improve its management of compliance-related risks.
- The bank needed to address several inadequacies in internal control systems, independent testing, transaction monitoring systems, due diligence processes, risk management, and quality assurance programs.
- There were significant shortcomings in SAR decision-making processes and an ineffective method for ensuring that referrals and alerts were properly documented, tracked, and resolved.

Challenges

- Complexity of products offered and global clientele – relationships were based in the US, but clients included globally traded entities with presence in many countries.
 - The size of the portfolio of clients that needed to be remediated – a vast majority of clients needed to be remediated and brought up to new standards; 800+ clients using high risk products required product due diligence.
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Case study: Consent order

Solutions

- Advised bank management on industry standards based on previous consent order experience at Capital One and Citigroup.
- Lead initiation and completion of two KYC profiles per week, above the 1.5 team average.
- Due to the complexity of regulatory requirements and the size of clients, each profile was handled as a project that could take up to 6 months from initiation to submission.
- Team focused on investment banking products offered to publicly traded companies, large & medium private companies, and NBFIs.
- Selected from a pool of over 200 candidates to be part of a 4-person team assigned to resolve a backlog of requirements for 800+ clients for the Treasury Services sales team; the backlog was resolved 1 month ahead of schedule.
- Assisted the bank in strengthening its oversight of anti-money laundering compliance and improving its due diligence procedures.

Results and benefits

- The portfolio was uplifted to new global standards under a tight deadline.
- The consent order was successfully listed at the end of 2019.

Case study: Mexico Remediation

Client

- Central European multinational investment bank.

Project scope

- The Bank's Mexico office mandated by BaFin [German Regulator] to remediate and uplift all client files [mainly trusts] given majority of clients were high risk types and had no information about SOQ/SOF, CIP, EDD.
- The Bank was in the process of selling the office – the transaction could not be completed prior to uplift, making the task particularly mission-critical.
- PWC was hired for this task and Erraz was hired by PWC as an external consultant to lead the Policy and Procedure oversight as the KYC/AML Policy SME [Subject Matter Expert].

Challenges

- Limited in-house experience in compliance matters at the Bank's Mexico team.
 - Little familiarity with new standards across working groups and management.
 - Lack of mechanisms to increase motivation for Mexico team to comply with new standards.
 - AFC Team in Mexico was outsourced.
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Case study: Mexico Remediation

Solutions

- In charge of remediation project's policies and procedures uplift to new global standard.
- Oversight of 35 analysts and Team Leads weekly guidance, trainings, and updates.
- Audited the project in preparation for KPMG (BaFin's watchdog) audit process.
- Liaison between the Compliance and Front Office Teams between NYC and CDMX offices (RMs, ABC, S&E, and AFC).
- Created the Mexican Managed Exit procedure based of the Global Managed Exit procedure which was not compatible with the Mexican office.
- Liaison between business division, Anti-Fraud Crimes in NY (Anti-Fraud Bribery and Corruption, and Sanctions & Embargoes), and AFC MX for escalations, policy, and procedures.
- Daily meetings to provide intelligence on AFC related issues to executive management across different departments involved in the project.
- Identified meaningful issues within the process and corrected them in order to expedite and accelerate completion of the project under tight deadlines from BaFin.
- Performed overall audit to provide risk assessments of trust relationships and level of risk in the client portfolio.

Results and Benefits

- Portfolio was uplifted to new Global Standard under tight deadlines.
- Mexican and German regulators; National Banking and Securities Commission, the Federal Antitrust Commission and the Federal Financial Supervisory Authority (BaFin) approved the sale.
- The sale was disclosed in November 2020 and subsequently acquired.

Case Study: PEP Framework

Client

- New York branch of large state-owned commercial bank.

Project scope

- Developed, managed and maintained a bank-wide operational model and procedures to allow for the uniform and efficient processing of client relationships involving Politically Exposed Persons (PEPs) across business units:
 - Identification of PEPs including family members and close associates.
 - Assessment of risk attributes contributing to PEP classification.
 - Memorialization / recording of PEP relationship summaries in bank systems.
 - Requisite internal approvals for onboarding / retaining client relationships with PEPs.
 - Management of PEP relationships on a periodic cycle, including PEP status declassifications / decategorizations.

Challenges

- No pre-existing, comprehensive framework for identifying, assessing, and managing client relationships with PEPs or connections.
- Support staff, client relationship managers, and Financial Crime Compliance Officers had limited experience/training in identifying and assessing the risk associated with PEP clients.
- No adequate KYC systems for recording data related to PEP identification, PEP risk assessments, PEP client relationship approvals throughout the customer lifecycle.

Case Study: PEP Framework

Solutions

- Definition of PEP – a crucial working tool – was formally adopted by the bank, inducing categories of PEP positions and personal/professional relationships (for individuals connected to PEPs) in scope with bank's existing formally adopted definition.
- Created an e-mail inbox and an intake form to handle all the PEP identification escalations.
- Established ring-fenced team of trained specialists to handle due diligence processing of all PEP reviews end-to-end from identification to KYC approval.
- Embedded a detailed framework to allow the bank to track its portfolio of customer relationships involving PEPs.
- Facilitated declassification / decategorization of customer relationships for when PEP exposure rolled off to alleviate the need to retain and update PEP records unnecessarily.
- Embedded an operational framework through which customer relationships involving PEPs or individuals connected to PEPs were reviewed by the ring-fenced team and formally approved by the business owners and Financial Crime Compliance yearly in order to manage/mitigate the concentration of PEPs from jurisdictions with known/emerging financial crime risks.

Results and Benefits

- Created a documented and repeatable framework and process through which the bank (which was under a regulatory consent order) could demonstrate to regulators how the risk exposure to PEPs and individuals connected to PEPs was mitigated.

How We Are Different



Singular Focus

Compliance is our DNA- Erraz is unencumbered by other lines of business and too many offerings. We view our business from the human and institutional lens of our focused industry experience



Unrivaled Quality

We only hire seasoned experts focused on compliance with no "generalists" - in fact, we've unseated well-known incumbents with our superior subject matter expertise



Holistic Approach

No matter what stage your compliance program is in, our ability to combine execution with advice means we become your compliance partner. From optimizing existing programs to building from scratch, we create truly lasting results



Scalable Solutions

Agility and breadth are core to our work, meaning we can provide urgent consent order support and pivot to deliver cross-institutional subject matter experts in the blink of an eye

Why Clients Choose Us

Staff Augmentation

Erraz initially onboarded to provide 1st line of defense services on foreign financial institution population of clients within the scope of an OCC consent order. Erraz's client is part of the Wolfsberg Group.



Expansion of Role

Erraz's resources at client transferred to manage other teams, including remediation for domestic clients and global standards uplift based on outstanding performance

Contract extended for 6 months – Erraz resources expanded from 6 to 14

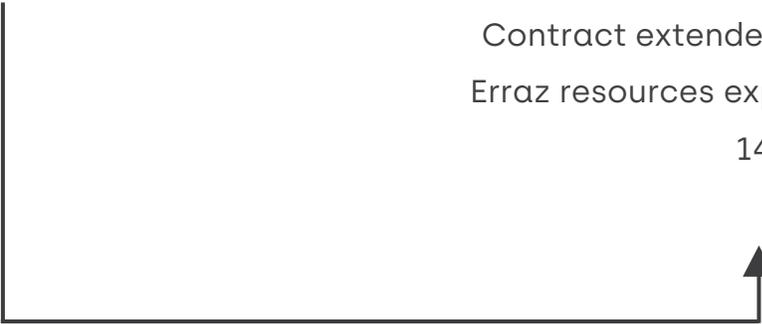
Solidifying Presence

Became client's preferred choice over a "big four" firm servicing the contract in tandem



Long Term Partnership

Contract extended to cover multiple 1st and 2nd line of defense engagements, for an extra 16 months forming a true partner relationship



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Contact

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