

AML Transaction Monitoring Case Study

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This case study demonstrates my approach to identifying potential AML red flags, analyzing customer transaction patterns, and determining appropriate escalation or clarification actions in a simulated retail banking scenario.

Context

While studying Anti-Money Laundering concepts and transaction monitoring patterns, I practiced analyzing a simulated retail banking scenario. Such alerts are commonly generated by automated transaction monitoring systems used by financial institutions. The goal was to identify potential red flags, evaluate the customer profile, and determine whether the activity should be closed, clarified, or escalated.

Customer Profile

- Age: 23
- Occupation: Student
- Declared monthly income: approximately \$2,200 (part-time employment)
- Account age: 14 months
- Previous activity: small deposits and regular debit transactions related to daily expenses

Overall, the historical activity of the account appeared consistent with a low-income student profile.

Transaction Activity Triggering Review

During a one-week period, the following transactions were observed:

- Cash deposit: **\$9,800**
 - Cash deposit: **\$9,700**
 - Cash deposit: **\$9,900**
- Total deposited: **\$29,400**

Two days later:

- **International wire transfer: \$28,900**

Destination: overseas beneficiary account.

Prior to this period, no similar transaction pattern had been observed on the account.

Observed Risk Indicators

Several indicators required closer review:

1. Structuring pattern

The deposits occurred in amounts just below the \$10,000 reporting threshold and within a short timeframe.

2. Rapid movement of funds

Most of the deposited amount was transferred out shortly after being credited to the account.

3. Inconsistency with customer profile

The size and pattern of transactions appeared inconsistent with the customer's declared income and historical account behavior.

4. Sudden behavioral change

The account had previously shown stable, low-value transactions typical of a student profile.

Analytical Considerations

Although the transaction pattern raised several red flags, it was also important to consider possible legitimate explanations.

For example, the funds could potentially originate from:

- family financial support
- temporary custody of funds for another person
- proceeds from a personal asset sale

Because this activity occurred only once and no prior suspicious pattern had been recorded, a cautious approach was required before escalation.

Analyst Assessment

Based on the observed indicators, the activity appears unusual but not yet suspicious. The presence of structuring patterns and rapid fund movement requires clarification before determining whether escalation to an investigation or regulatory reporting is necessary.

Recommended Action

Request for Information (RFI)

Additional clarification would be requested from the customer regarding:

- source of funds for the cash deposits
- purpose of the international transfer
- relationship with the wire transfer beneficiary

Supporting documentation such as proof of funds or transaction context would help determine whether the activity could be reasonably explained.

Conclusion

At this stage, the activity presents **unusual transaction indicators but not yet confirmed suspicion**.

The appropriate course of action would be to seek additional information and reassess the case once supporting documentation is reviewed.

If the explanation or documentation proved inconsistent or insufficient, escalation for further investigation would then be considered.