AML BASE LLC

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Customer Segmentation Framework

U.S. Tier-1 Bank Standard — Business-Line Taxonomy, Segment Profiles & Transaction-Monitoring Peer Groups

SCOPE Retail · Business Banking · Commercial · Corporate & Investment Banking
Private Banking/Wealth · Correspondent & FI · Public Sector/Institutional

BASIS FFIEC BSA/AML Manual · FinCEN CDD Rule · Risk-Based Approach (RBA)
Peer-Group / Transaction-Monitoring Segmentation Practice

PURPOSE CAMS / CFE / CGSS / CCAS exam preparation & internal AML training use

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1. Purpose & Why Banks Segment Customers

Customer segmentation is the practice of grouping customers into defined categories based on shared characteristics — business line, legal form, industry, size, geography, and expected activity — so that due diligence intensity, product suitability, relationship coverage, and transaction monitoring calibration can each be applied consistently within a group rather than customer-by-customer. This framework complements, but is distinct from, the Customer Risk Assessment (CRA) methodology: segmentation groups customers by *who they are and what they do*; the CRA rates *how risky* a given customer within that segment is.

1.1 The Four Business Purposes of Segmentation

Risk-Based CDD/EDD Tailoring

FinCEN's CDD Rule and the FFIEC BSA/AML Examination Manual expect due-diligence intensity to be proportionate to customer type. Segmentation defines the baseline documentation set and EDD triggers before an individual CRA score is even calculated — a correspondent bank and a retail checking customer are never on the same due-diligence track.

Transaction Monitoring Peer-Group Calibration

Segments become the statistical *peer groups* against which transaction monitoring scenarios are tuned. A $75,000 monthly wire volume is unremarkable for a middle-market commercial account and a same-day alert for a mass-market retail account; segmentation is what makes that distinction possible at scale (see Section 5).

Product & Service Suitability

Segments define which products a Relationship Manager is authorized to offer and at what pricing tier — e.g., discretionary investment management is offered to Private Banking segments, not Mass Market Retail.

Relationship Coverage & Organizational Structure

Segments map directly to how a bank organizes its lines of business (LOBs) and assigns relationship ownership — Retail Branch, Business Banking, Commercial Banking, Corporate & Investment Banking, Private Banking, Correspondent/FI, and Public Sector coverage teams each own a defined set of segments.

1.2 Regulatory & Industry Reference Points

Reference	Relevance to Segmentation
FFIEC BSA/AML Examination Manual	Explicitly organizes examiner expectations by customer type (private banking, correspondent banking, MSBs, NPOs, etc.) — the primary source for the business-line taxonomy in Section 3.
FinCEN CDD Final Rule (31 CFR 1010.230)	Requires a risk profile developed at onboarding that is inherently segment-informed (industry, product usage, geography).
BSA/AML Risk-Based Approach (RBA)	The foundational principle that controls should scale with segment/customer risk rather than apply uniformly.
Transaction Monitoring Peer-Group Methodology (industry practice)	Widely used approach (validated by independent model-validation functions) of scenario threshold-setting by segment, refined through above-the-line/below-the-line testing.

Disclaimer: *This framework synthesizes publicly documented regulatory expectations and widely-published industry segmentation practice to illustrate how a Tier-1 U.S. bank typically organizes its customer base. It is a generic training and reference tool prepared by AML Base LLC for CAMS/CFE/CGSS/CCAS exam preparation and internal training use, not a reproduction of any specific institution's proprietary segmentation model.*

2. Segmentation Dimensions Framework

A customer is segmented along multiple independent dimensions simultaneously; the combination — not any single dimension alone — determines the applicable business line and, downstream, the CRA template and TM peer group. The seven dimensions below are the standard building blocks.

1. Business Line / Line of Business (LOB)

The primary organizational and coverage dimension — Retail, Business Banking, Commercial, Corporate & Investment Banking, Private Banking/Wealth, Correspondent/FI, Public Sector.

2. Legal Form / Customer Type

Individual, sole proprietorship, LLC/LLP/partnership, corporation, trust/foundation, government entity, NPO, financial institution.

3. Industry / NAICS Classification

For business customers, the North American Industry Classification System code driving product needs and inherent industry risk.

4. Size Tier (Revenue / AUM / Deposits)

Quantitative thresholds — annual revenue for commercial customers, investable assets for wealth customers, deposit balance for retail — that place a customer within a business line's sub-segment.

5. Geography

Domestic vs. cross-border footprint; state/region for domestic customers; country of incorporation/operation for international customers.

6. Delivery Channel

Branch/in-person, digital/online, RM-covered relationship, or introduced/referred — shapes onboarding and servicing model.

7. Product Usage Profile

The actual mix of products used (deposit-only vs. credit vs. treasury/cash-management vs. investment/fiduciary) — often the trigger for migrating a customer to a different segment (Section 6).

2.1 How the Dimensions Combine

Example: an LLC (legal form) generating $8M in annual revenue (size tier) in the precious-metals trade (NAICS/industry) with domestic-only operations (geography) covered by a Commercial Banking RM (business line/channel) using deposit, lending, and treasury products (product usage) segments as **Middle Market Commercial — High-Risk Industry**. That segment placement, in turn, determines which CRA template applies (Annex B, Section B.1 Entity Type & Ownership Risk) and which TM peer-group thresholds govern its transaction monitoring (Section 5).

3. Business-Line Segmentation Taxonomy

The table below is the master taxonomy referenced throughout this framework and cross-referenced to the Customer Risk Assessment (CRA) Template's segment-specific annexes. Every customer maps to exactly one primary business line and one sub-segment at any point in time; migration between sub-segments (and occasionally business lines) is addressed in Section 6.

1. Consumer / Retail Banking

Sub-Segments	Primary Coverage Owner	Risk/Regulatory Emphasis
Mass Market Retail · Mass Affluent · Student / Youth · Senior / Retiree	Retail Branch / Digital Banking	Volume-driven; fraud and mule-account risk dominate over classic ML risk.

2. Business Banking (Small Business / SME)

Sub-Segments	Primary Coverage Owner	Risk/Regulatory Emphasis
Micro-Business / Sole Proprietor · Small Business (SME)	Business Banking Officer	Cash-intensity and NAICS industry risk; beneficial-ownership certification threshold applies.

3. Commercial Banking

Sub-Segments	Primary Coverage Owner	Risk/Regulatory Emphasis
Middle Market Commercial · Large Corporate / Commercial	Commercial Banking RM	TBML exposure via trade finance; cross-border supply-chain and sanctions-sector risk.

4. Corporate & Investment Banking (CIB)

Sub-Segments	Primary Coverage Owner	Risk/Regulatory Emphasis
Multinational Corporate (MNC) · Financial Sponsors / Private Equity	CIB Coverage Team	Complex global structures, intercompany flows, offshore fund domiciles.

5. Private Banking & Wealth Management

Sub-Segments	Primary Coverage Owner	Risk/Regulatory Emphasis
Affluent / Emerging Wealth · High-Net-Worth (HNW) · Ultra-High-Net-Worth (UHNW) / Family Office	Private Banker / Wealth RM	Statutory §312 EDD for non-U.S. persons; SOW/SOF documentation; PEP/RCA exposure.

6. Correspondent & Financial Institutions Banking

Sub-Segments	Primary Coverage Owner	Risk/Regulatory Emphasis
Respondent Bank · Non-Bank Financial Institution (NBFI) · Money Services Business (MSB) · Fintech / BaaS Partner / VASP	Correspondent Banking / FI Coverage	Highest statutory EDD tier; §313 shell-bank prohibition; nested-account and Travel Rule risk.

7. Public Sector & Institutional

Sub-Segments	Primary Coverage Owner	Risk/Regulatory Emphasis
Government / Municipal Entity · Non-Profit Organization (NPO/NGO) · Embassy / Foreign Mission	Public Sector / Institutional Banking	FATF R.8 NPO terrorist-financing vulnerability; diplomatic-immunity considerations.

4. Detailed Segment Profiles

Each profile below states the criteria typically used to place a customer in that segment, the products/services associated with it, the documentation emphasis, key AML/KYC considerations, an illustrative transaction-monitoring peer-group benchmark, and the relationship-ownership model. Dollar and count benchmarks are illustrative midpoints for training purposes — actual thresholds are institution- and model-specific and are validated independently.

4.1 Consumer / Retail Banking Segments

The highest-volume, lowest-average-risk business line; segmentation here is driven primarily by asset/deposit tier and life stage rather than industry or ownership complexity.

4.1.1 Mass Market Retail

Segmentation Criteria / Threshold	Personal checking/savings customer; no complex products; deposit relationship typically <$100,000.
Typical Products & Services	Checking, savings, debit card, small consumer loans, credit cards.
KYC / Documentation Emphasis	CIP (SSN/ITIN + government-issued ID); non-documentary verification acceptable.
Key AML/KYC Considerations	Structuring, low-value consumer fraud, mule-account recruitment risk on newly opened digital accounts.
TM Peer-Group Benchmark	Credit <$10,000/mo · Debit <$10,000/mo · Txn count <15/mo · Wire activity: rare/none.
Relationship Ownership	Retail Branch / Digital Banking.

4.1.2 Mass Affluent

Segmentation Criteria / Threshold	Investable assets or deposit relationship approximately $100,000–$1,000,000; multi-product relationship spanning deposits and investments.
Typical Products & Services	Premium/relationship checking, brokerage or investment accounts, jumbo CDs, preferred-rate mortgage.
KYC / Documentation Emphasis	CIP plus a basic source-of-funds narrative for unusually large deposits.
Key AML/KYC Considerations	Layering via multiple linked accounts; early-stage EDD trigger if source of funds is unclear relative to occupation.
TM Peer-Group Benchmark	Credit $10,000–$50,000/mo · Debit $10,000–$50,000/mo · Txn count 15–25/mo · Wire activity: occasional domestic.
Relationship Ownership	Retail / Premier Banking Relationship Manager.

4.1.3 Student / Youth

Segmentation Criteria / Threshold	Age-based (typically 16–24); enrolled student status, or a custodial (UTMA/UGMA) account.
Typical Products & Services	Basic checking/savings, student credit card, campus-linked debit card.
KYC / Documentation Emphasis	CIP; parent/guardian identification and co-signer verification for minors.
Key AML/KYC Considerations	Social-media-driven mule-account recruitment risk; otherwise low inherent ML risk given transaction scale.
TM Peer-Group Benchmark	Credit <$5,000/mo · Debit <$5,000/mo · Txn count <10/mo · Wire activity: not typical.
Relationship Ownership	Retail Branch / Campus Banking Program.

4.1.4 Senior / Retiree

Segmentation Criteria / Threshold	Age-based (typically 62+); income primarily Social Security, pension, or retirement account distributions.
Typical Products & Services	Checking, savings, certificates of deposit, fixed annuities, basic trust/POD (payable-on-death) accounts.
KYC / Documentation Emphasis	CIP; power-of-attorney or fiduciary documentation where a third party has account authority.
Key AML/KYC Considerations	Elder financial exploitation risk — unusual large withdrawals, new joint-owner additions, or POA changes warrant review.
TM Peer-Group Benchmark	Credit <$10,000/mo · Debit <$10,000/mo · Txn count <15/mo · Wire activity: rare.
Relationship Ownership	Retail Branch.

4.2 Business Banking (Small Business / SME) Segments

Entry-level business segments distinguished primarily by annual revenue and legal formality; beneficial-ownership certification becomes mandatory once a customer is a registered legal entity rather than a sole proprietorship.

4.2.1 Micro-Business / Sole Proprietor

Segmentation Criteria / Threshold	Annual revenue <$250,000; typically a single owner operating under a DBA (trade name) registration.
Typical Products & Services	Basic business checking, merchant card-processing services, small business line of credit.
KYC / Documentation Emphasis	CIP for the individual owner plus DBA/business license; SSN or EIN used as tax ID.
Key AML/KYC Considerations	Highest cash-intensity risk within business banking; frequent commingling of personal and business funds.
TM Peer-Group Benchmark	Credit $5,000–$25,000/mo · Debit $5,000–$25,000/mo · Txn count 15–30/mo · Wire activity: rare.
Relationship Ownership	Business Banking Officer.

4.2.2 Small Business (SME)

Segmentation Criteria / Threshold	Annual revenue $250,000–$5,000,000; registered legal entity (LLC, corporation, or partnership).
Typical Products & Services	Business checking, SBA or term loans, merchant services, payroll/ACH origination.
KYC / Documentation Emphasis	Beneficial Ownership Certification (25%+ owners and control prong), formation documents, EIN confirmation.
Key AML/KYC Considerations	NAICS-based industry risk; cash-intensity varies materially by sector (Section 7.11 of the CRA Template).
TM Peer-Group Benchmark	Credit $25,000–$100,000/mo · Debit $25,000–$100,000/mo · Txn count 25–50/mo · Wire activity: occasional domestic.
Relationship Ownership	Business Banking Relationship Manager.

4.3 Commercial Banking Segments

Mid-to-large operating companies where trade finance, treasury management, and cross-border supply chains introduce trade-based money laundering (TBML) as the dominant risk theme.

4.3.1 Middle Market Commercial

Segmentation Criteria / Threshold	Annual revenue $5,000,000–$500,000,000.
Typical Products & Services	Commercial lending/lines of credit, treasury management, commercial card, foreign exchange.
KYC / Documentation Emphasis	Full Beneficial Ownership Certification, reviewed or audited financial statements, organizational/ownership chart.
Key AML/KYC Considerations	TBML exposure through trade finance instruments; cross-border supply-chain counterparty risk.
TM Peer-Group Benchmark	Credit $100,000–$1,000,000/mo · Debit $100,000–$1,000,000/mo · Txn count 50–150/mo · Wire activity: regular domestic/international.
Relationship Ownership	Commercial Banking Relationship Manager.

4.3.2 Large Corporate / Commercial

Segmentation Criteria / Threshold	Annual revenue >$500,000,000; may be privately held or publicly traded.
Typical Products & Services	Syndicated lending, cash management, capital-markets access, trade finance.
KYC / Documentation Emphasis	Full ownership chain to the ultimate beneficial owner (or public-company exemption with verified listing status), audited financial statements.
Key AML/KYC Considerations	TBML; sanctions-sensitive sector exposure (dual-use goods, energy, defense); complex multi-entity group structures.
TM Peer-Group Benchmark	Credit >$1,000,000/mo · Debit >$1,000,000/mo · Txn count >150/mo · Wire activity: frequent international.
Relationship Ownership	Commercial / Corporate Banking Relationship Manager.

4.4 Corporate & Investment Banking (CIB) Segments

Global and institutional-investor-facing segments where KYC complexity is driven by multi-entity corporate structures and fund/GP-LP arrangements rather than by transaction cash-intensity.

4.4.1 Multinational Corporate (MNC)

Segmentation Criteria / Threshold	Operations spanning three or more countries; typically >$1 billion in consolidated revenue.
Typical Products & Services	Global cash management, multi-currency accounts, cross-border sweep/notional pooling, trade finance.
KYC / Documentation Emphasis	Global KYC standard applied consistently across all booking entities; parent and subsidiary ownership mapping.
Key AML/KYC Considerations	Complex intercompany flows; sanctions-sector nexus at the subsidiary level; jurisdictional risk aggregation across the corporate family.
TM Peer-Group Benchmark	Credit >$5,000,000/mo · Debit >$5,000,000/mo · Txn count >300/mo · Wire activity: high-frequency, multi-currency.
Relationship Ownership	Corporate & Investment Banking Coverage Team.

4.4.2 Financial Sponsors / Private Equity

Segmentation Criteria / Threshold	Private equity or venture capital fund, fund administrator, or portfolio-company holding vehicle.
Typical Products & Services	Capital call / subscription credit lines, fund custody services, portfolio-company operating banking.
KYC / Documentation Emphasis	Fund structure mapping (General Partner / Limited Partner), beneficial ownership of the GP entity, source-of-capital documentation for LP commitments.
Key AML/KYC Considerations	Layered fund-of-funds structures; offshore fund domiciles (e.g., Cayman Islands, Luxembourg) requiring additional transparency review.
TM Peer-Group Benchmark	Credit >$1,000,000/mo, event-driven around capital calls · Debit >$1,000,000/mo · Txn count variable/lumpy · Wire activity: large value, infrequent.
Relationship Ownership	CIB / Financial Sponsors Coverage.

4.5 Private Banking & Wealth Management Segments

Segmentation by investable-asset tier; USA PATRIOT Act §312 imposes statutory enhanced due diligence across this entire business line for non-U.S. person accounts, regardless of sub-segment.

4.5.1 Affluent / Emerging Wealth

Segmentation Criteria / Threshold	Investable assets $250,000–$1,000,000 entering a formal advisory relationship.
Typical Products & Services	Managed investment accounts, financial planning services, preferred lending rates.
KYC / Documentation Emphasis	CIP plus a source-of-wealth narrative covering the relationship's initial funding.
Key AML/KYC Considerations	Early-stage EDD trigger where source of wealth is inconsistent with stated occupation.
TM Peer-Group Benchmark	Credit $10,000–$50,000/mo · Debit $10,000–$50,000/mo · Txn count 15–25/mo · Wire activity: occasional.
Relationship Ownership	Wealth Advisor / Financial Consultant.

4.5.2 High-Net-Worth (HNW)

Segmentation Criteria / Threshold	Investable assets approximately $1,000,000–$30,000,000 (threshold varies by institution's private-bank definition).
Typical Products & Services	Discretionary or non-discretionary investment management, private banking credit facilities, trust services.
KYC / Documentation Emphasis	Full source-of-wealth and source-of-funds documentation; mandatory §312 EDD if the customer is a non-U.S. person.
Key AML/KYC Considerations	Complex holding structures; PEP/RCA exposure; offshore trust usage.
TM Peer-Group Benchmark	Credit $50,000–$250,000/mo · Debit $50,000–$250,000/mo · Txn count 20–40/mo · Wire activity: regular domestic/international.
Relationship Ownership	Private Banker / Wealth Relationship Manager.

4.5.3 Ultra-High-Net-Worth (UHNW) / Family Office

Segmentation Criteria / Threshold	Investable assets >$30,000,000; frequently served through a single- or multi-family office structure.
Typical Products & Services	Bespoke lending (art, aircraft, real estate finance), multi-generational trust and estate planning, alternative investments.
KYC / Documentation Emphasis	Full family-tree and ultimate-beneficial-owner mapping across multiple related entities; generational source-of-wealth documentation.
Key AML/KYC Considerations	Highest complexity in the framework — multi-jurisdictional trusts, Private Investment Company (PIC) layering, PEP family-member exposure.
TM Peer-Group Benchmark	Credit >$250,000/mo, highly variable · Debit >$250,000/mo · Txn count variable · Wire activity: large-value, cross-border, infrequent.
Relationship Ownership	Senior Private Banker + Family Office Coverage Team.

4.6 Correspondent & Financial Institutions Banking Segments

The framework's highest statutory-EDD business line — governed by USA PATRIOT Act §312 and §313 regardless of sub-segment, with due diligence requirements detailed in Section 7.5–7.7 and 7.13 of the CRA Template.

4.6.1 Respondent Bank (Correspondent Banking)

Segmentation Criteria / Threshold	A foreign or domestic bank maintaining a correspondent account for USD clearing or settlement.
Typical Products & Services	USD clearing, nostro/vostro account services, FX settlement.
KYC / Documentation Emphasis	Wolfsberg CBDDQ, banking license and regulator confirmation, ownership chain, §313 shell-bank certification.
Key AML/KYC Considerations	Nested correspondent accounts; payable-through account arrangements; respondent's home-country FATF mutual-evaluation rating.
TM Peer-Group Benchmark	Credit/Debit driven by clearing volume, typically >$10,000,000/mo · Txn count very high · Wire activity: continuous.
Relationship Ownership	Correspondent Banking / FI Coverage.

4.6.2 Non-Bank Financial Institution (NBFI)

Segmentation Criteria / Threshold	Broker-dealer, registered investment adviser, insurance company, mutual fund, or similar regulated financial entity.
Typical Products & Services	Omnibus settlement accounts, custody services, cash management.
KYC / Documentation Emphasis	Regulatory registration confirmation (SEC/FINRA/state insurance regulator), reliance agreement where the bank relies on the NBFI's own CDD.
Key AML/KYC Considerations	Omnibus account look-through limitations; regulatory-oversight gaps for foreign-domiciled NBFIs.
TM Peer-Group Benchmark	Credit/Debit driven by client flows, typically >$1,000,000/mo · Txn count high · Wire activity: frequent.
Relationship Ownership	FI Coverage / Institutional Banking.

4.6.3 Money Services Business (MSB)

Segmentation Criteria / Threshold	FinCEN-registered money transmitter, check casher, or currency exchange.
Typical Products & Services	Business deposit account, bulk cash/currency handling services.
KYC / Documentation Emphasis	FinCEN MSB registration, applicable state money-transmitter license(s), AML program summary, agent-network list.
Key AML/KYC Considerations	Highest-risk banking-as-a-customer category; agent-network dispersion and remittance-corridor risk.
TM Peer-Group Benchmark	Credit/Debit typically >$500,000/mo · Txn count very high · Wire activity: frequent, international remittance-linked.
Relationship Ownership	MSB Banking Program / Dedicated Risk Unit.

4.6.4 Fintech / BaaS Partner / VASP

Segmentation Criteria / Threshold	A non-bank technology company accessing banking rails via a Banking-as-a-Service (BaaS) partnership, or a Virtual Asset Service Provider (VASP).
Typical Products & Services	BaaS program accounts, For-Benefit-Of (FBO)/omnibus accounts, settlement accounts.
KYC / Documentation Emphasis	Tri-party BaaS agreement defining KYC responsibility allocation, VASP MSB/state licensing, documented Travel Rule compliance capability.
Key AML/KYC Considerations	End-customer look-through gaps; unhosted-wallet counterparty exposure; rapid user-base scaling outpacing AML program maturity.
TM Peer-Group Benchmark	Credit/Debit highly variable, scales with program growth · Txn count very high volume / low value · Wire activity: frequent.
Relationship Ownership	Fintech Partnerships / Emerging Payments Risk Team.

4.7 Public Sector & Institutional Segments

Government, charitable, and diplomatic entities where ML risk is generally lower than commercial segments, but terrorist-financing and misuse-of-office risks predominate.

4.7.1 Government / Municipal Entity

Segmentation Criteria / Threshold	A U.S. federal, state, or local government body, agency, or municipality.
Typical Products & Services	Public-funds deposit accounts, municipal bond-related accounts, payroll services.
KYC / Documentation Emphasis	Government charter or statutory authorization, authorized-signer resolution.
Key AML/KYC Considerations	Generally lower ML risk domestically; procurement fraud and bribery risk within vendor-payment flows.
TM Peer-Group Benchmark	Credit/Debit scales with budget cycle, often >$1,000,000/mo · Txn count high (payroll/vendor) · Wire activity: scheduled, predictable.
Relationship Ownership	Government / Public Sector Banking.

4.7.2 Non-Profit Organization (NPO/NGO)

Segmentation Criteria / Threshold	A 501(c)(3) or equivalent charitable, religious, or humanitarian organization.
Typical Products & Services	Operating and grant/program accounts, fundraising merchant services.
KYC / Documentation Emphasis	IRS determination letter (or foreign equivalent), most recent Form 990, officer/director list.
Key AML/KYC Considerations	FATF Recommendation 8 terrorist-financing vulnerability, particularly for organizations disbursing funds internationally or in conflict-affected regions.
TM Peer-Group Benchmark	Credit/Debit varies widely by program size · Txn count seasonal, spikes around fundraising · Wire activity: international if program-funded overseas.
Relationship Ownership	Institutional / Nonprofit Banking.

4.7.3 Embassy / Foreign Mission

Segmentation Criteria / Threshold	An accredited diplomatic mission, consulate, or foreign government representative office.
Typical Products & Services	Operating account for mission expenses, payroll for locally engaged staff.
KYC / Documentation Emphasis	U.S. Department of State Office of Foreign Missions accreditation confirmation; authorized-signer list limited to accredited diplomatic/consular staff.
Key AML/KYC Considerations	Represented country's sanctions/FATF status; risk of personal-benefit misuse by accredited individuals.
TM Peer-Group Benchmark	Credit/Debit modest and stable, typically <$500,000/mo · Txn count low–moderate · Wire activity: periodic, from foreign ministry.
Relationship Ownership	Embassy Banking / Public Sector Coverage.

5. Segmentation for Transaction Monitoring & Peer-Group Analysis

Beyond onboarding due diligence, a customer's segment assignment becomes the statistical **peer group** against which its ongoing transaction activity is monitored. This is one of the most heavily tested CAMS concepts: without segmentation, a transaction monitoring (TM) system has no basis for distinguishing normal from anomalous activity, because "normal" only has meaning relative to a comparable population of customers.

5.1 Why Peer Groups Matter

A single global threshold (e.g., "alert on any wire >$10,000") either drowns investigators in false positives from legitimate commercial activity or misses genuinely suspicious activity in lower-volume segments. Peer-group-based scenarios instead ask: *is this customer's activity unusual relative to other customers in its own segment?* A $40,000 incoming wire is unremarkable for a Middle Market Commercial account but highly unusual for a Mass Market Retail account — the same dollar amount, two very different risk signals.

5.2 Static vs. Dynamic Segmentation

Static Segmentation

The customer's segment is fixed at onboarding (business line, legal form, industry/NAICS) and changes only through a deliberate re-segmentation event (Section 6). Most CRA-driving segmentation is static.

Dynamic / Behavioral Segmentation

A secondary, model-driven peer grouping based on *observed* transaction behavior over a trailing window (e.g., 12 months), independent of the static business-line segment. Used to catch customers whose actual activity has drifted from their static segment's norm — often an early indicator that a re-segmentation review is warranted.

5.3 Threshold-Setting Methodology

- **Step 1 — Segment Definition:** confirm the static segment population is large enough and internally consistent enough to produce statistically meaningful thresholds (very small or highly heterogeneous segments are typically merged with an adjacent segment or handled manually).
- **Step 2 — Baseline Statistical Analysis:** calculate the distribution (mean, median, standard deviation, percentiles) of relevant variables — monthly credit/debit volume, transaction count, wire frequency, cash-to-total-activity ratio — within the segment.
- **Step 3 — Threshold Selection:** set scenario thresholds at a percentile (commonly the 95th–99th) of the segment's observed distribution, balancing alert volume against detection coverage.
- **Step 4 — Above-the-Line / Below-the-Line (ATL/BTL) Testing:** validate thresholds by sampling transactions just above the threshold (ATL, currently alerting) and just below it (BTL, currently not alerting) to confirm the cutoff meaningfully separates suspicious from benign activity.
- **Step 5 — Independent Model Validation:** an independent model-risk/validation function reviews segment definitions and thresholds for statistical soundness, typically on an annual cycle or upon material segment population change.
- **Step 6 — Ongoing Tuning:** thresholds are re-tuned periodically as segment population, product mix, or macroeconomic conditions shift; a sudden change in a segment's baseline activity (e.g., post-merger volume growth) triggers an off-cycle tuning review.

5.4 Illustrative Peer-Group Threshold Comparison

Segment	Monthly Credit Volume Alert Threshold	Wire Count Alert Threshold	Cash Ratio Alert Threshold
Mass Market Retail	> $15,000	> 2 international/mo	> 40% of activity
Small Business (SME)	> $150,000	> 5 international/mo	> 60% of activity
Middle Market Commercial	> $1,500,000	> 20 international/mo	> 25% of activity
Respondent Bank (Correspondent)	> $15,000,000	Statistical outlier vs. own baseline	N/A — nested-account screening instead

Figures above are illustrative training examples, not prescriptive thresholds — actual institution thresholds are derived from the Step 1–6 methodology and validated against the institution's own customer population.

6. Segment Migration, Upgrade/Downgrade Triggers & Governance

A customer's segment is not permanent. Growth, product adoption, ownership change, or a shift in activity pattern can move a customer into a different sub-segment or even a different business line entirely — which in turn changes the applicable CRA template, TM peer group, and relationship ownership.

6.1 Common Migration Paths

From Segment	To Segment	Typical Trigger
Mass Market Retail	Mass Affluent	Deposit/investable-asset balance crosses the mass-affluent threshold (e.g., $100,000).
Mass Affluent	High-Net-Worth (HNW)	Investable assets cross the private-banking entry threshold (e.g., $1,000,000), often following a liquidity event.
Micro-Business / Sole Proprietor	Small Business (SME)	Formal entity registration (LLC/Corp) and/or annual revenue crosses the SME threshold.
Small Business (SME)	Middle Market Commercial	Annual revenue crosses the middle-market threshold (e.g., $5,000,000).
Middle Market Commercial	Large Corporate / Commercial	Annual revenue crosses the large-corporate threshold (e.g., $500,000,000), or an IPO/public listing event.
HNW	UHNW / Family Office	Investable assets cross the UHNW threshold (e.g., $30,000,000) or the family establishes a formal family-office structure.
Any commercial segment	Correspondent & FI Banking	Customer obtains a banking or money-transmission license and begins offering financial services to its own customers (e.g., a fintech pivoting into a licensed MSB).

6.2 Re-Segmentation Governance

- **Ownership:** segmentation rules (thresholds, criteria, business-line definitions) are owned by a designated Segmentation/Customer Data Governance function, typically sitting within Enterprise Data Management or Risk, with AML Compliance as a required approver for any change affecting CRA or TM peer-group assignment.
- **Trigger-based re-segmentation:** a segment change is evaluated immediately upon any of the events in the table above, independent of the customer's scheduled CRA refresh date.
- **Periodic bulk re-segmentation:** in addition to event-driven changes, the full customer population is swept against current segmentation criteria on a periodic basis (commonly annually) to catch gradual drift (e.g., organic revenue growth) that no single trigger event captured.
- **Downgrade handling:** segment downgrades (e.g., Large Corporate to Middle Market following a divestiture) follow the same governance process as upgrades; a downgrade does not automatically reduce the CRR if other risk factors remain elevated — Compliance retains override authority.
- **System-of-record update:** once a re-segmentation is approved, the customer's segment code is updated in the KYC/CRM system of record, which cascades automatically to the applicable CRA template and TM peer-group assignment — manual override of the cascade requires documented Compliance sign-off.
- **Audit trail:** every segment change, its trigger, and its approver are retained for the duration of the record-retention period applicable to the underlying CDD file (generally 5 years post-relationship-closure).

7. Segmentation Data Model — Attributes Reference

The data fields below are the standard attributes a KYC/CRM system of record captures to drive automated segment assignment. Accurate, current values for these fields are what allow segmentation — and everything downstream of it (CRA template selection, TM peer group, product eligibility) — to update without manual intervention.

Attribute	Source	Drives Segmentation Of
Legal Form Code	CIP / formation documents	Business line eligibility (individual vs. entity segments)
NAICS Industry Code	Customer self-report, verified against business license	Commercial/Business Banking sub-segment; high-risk industry flag
Annual Revenue / Deposit Balance / Investable Assets	Financial statements, account balances, advisor-reported AUM	Size-tier sub-segment (Micro/SME/Middle Market/Large Corporate; Affluent/HNW/UHNW)
Country of Incorporation / Citizenship / Residency	Formation documents, government ID, CIP	Domestic vs. cross-border segmentation; §312 EDD applicability
Regulatory License / Registration Status	FinCEN MSB registry, SEC/FINRA, state regulators	Correspondent/FI sub-segment (MSB, NBFI, VASP)
Product Holding Flags	Core banking / product system	Product-usage-driven migration triggers (Section 6)
Beneficial Ownership Percentage(s)	Beneficial Ownership Certification Form	Ownership-complexity flag feeding both segmentation and CRA scoring
PEP Screening Result	PEP database screening	Private Banking/Wealth PEP sub-flag; triggers Section 7.10 CRA template
Relationship Tenure	Account opening date	New-relationship risk flag independent of size-based segment
Delivery Channel Code	Onboarding system	Digital/non-face-to-face segmentation flag

7.1 Data Quality Dependencies

Segmentation accuracy is only as good as the underlying data quality. The two most common failure modes are stale size-tier data (revenue/AUM figures not refreshed since onboarding, causing a customer to remain in an outgrown segment) and inconsistent NAICS coding (self-reported codes that do not match actual business activity, understating industry risk). Both are addressed through the periodic bulk re-segmentation sweep described in Section 6.2.

8. Glossary of Key Terminology

AML/CFT	Anti-Money Laundering / Countering the Financing of Terrorism.
ATL / BTL Testing	Above-the-Line / Below-the-Line testing — sampling transactions just above and just below a monitoring threshold to validate the threshold's effectiveness.
AUM	Assets Under Management — the primary size-tier metric for Wealth/Private Banking segmentation.
BaaS	Banking-as-a-Service — a partnership model in which a bank provides regulated banking infrastructure to a non-bank (typically fintech) partner.
Business Line / LOB	Line of Business — the primary organizational segmentation dimension (Retail, Commercial, Private Banking, etc.).
CDD	Customer Due Diligence.
CIP	Customer Identification Program.
CRA	Customer Risk Assessment — the risk-rating methodology and templates that apply once a customer's segment has been determined (see the companion CRA Template document).
CRR	Customer Risk Rating — the output of the CRA process (Low/Medium/High).
Dynamic / Behavioral Segmentation	A secondary, model-driven customer grouping based on observed transaction behavior rather than static onboarding attributes.
EDD	Enhanced Due Diligence.
FI	Financial Institution.
Legal Form	A customer's legal/organizational structure (individual, LLC, corporation, trust, government entity, etc.).
MSB	Money Services Business.
NAICS Code	North American Industry Classification System code, used to classify a business customer's industry.
NBFI	Non-Bank Financial Institution.
Peer Group	The population of customers within a given segment against which an individual customer's transaction activity is statistically compared for monitoring purposes.
PIC	Private Investment Company — a holding entity commonly used in UHNW/family-office structures.
RBA	Risk-Based Approach.
Re-Segmentation	The process of moving a customer from one segment to another following a trigger event or periodic review.
SME	Small and Medium-sized Enterprise.
Size Tier	A segmentation dimension based on quantitative thresholds — revenue, AUM, or deposit balance.
Static Segmentation	A customer's fixed segment assignment based on onboarding attributes (business line, legal form, industry), changed only through deliberate re-segmentation.
TBML	Trade-Based Money Laundering.
TM	Transaction Monitoring.
UBO	Ultimate Beneficial Owner.

UHNW	Ultra-High-Net-Worth.
VASP	Virtual Asset Service Provider.

9. Document Control

Document Title	Customer Segmentation Framework — U.S. AML/KYC & Business-Line Reference
	Customer Risk Assessment (CRA) Template — Tier-1 Bank Standard
	AML Base LLC — AML/CFT Certification Training
	Training & Reference Material — Not a proprietary institutional document
	CAMS / CFE / CGSS / CCAS exam preparation; internal AML training reference
	1.0

How to use alongside the CRA Template: *identify the customer's segment using Sections 2–4 of this document, then apply the corresponding CRA template segment (Section 7 of the CRA Template, or Annex A/B for individual and entity determinant-based scoring) to arrive at a final Customer Risk Rating.*