



**Bank Secrecy Act/
Anti-Money Laundering
(BSA/AML)**

2018 Directors' College

Session Objectives

- **Reminders for Maintaining an Adequate BSA/AML Program**
- **Highlight current BSA/AML “hot topics”**
- **Share some director-specific Suspicious Activity Report (SAR) reminders**

Maintaining Effective BSA/AML Program

➤ Risk Assessment

➤ Compliance Program

- Internal Controls
- Independent Testing
- BSA Officer/Personnel
- Training

Observed Community Bank BSA/AML Weaknesses & Issues

- **The BSA program has not kept pace with the bank's growth and/or risk profile**
- **Insufficient resources dedicated to BSA compliance**
- **Turnover of BSA personnel**
- **Difficulty in finding and retaining qualified BSA/AML Officers and support staff**
- **Failure to identify, monitor, and/or report suspicious activity**

Observed Community Bank BSA/AML Weaknesses & Issues

- **Inadequate identification of and/or due diligence on customers that present elevated BSA/AML risk**
- **Inadequate BSA training**
- **Inadequate BSA/AML oversight of new products, services, and relationships – particularly those that present elevated BSA/AML risks**
- **Independent testing scope or experience of auditors not sufficient for bank's risk profile**

Current BSA/AML “Hot Topics”

- **Customer Due Diligence Final Rule**
 - Applicability Date: May 11, 2018

- **Banking Marijuana-Related Businesses**

Customer Due Diligence (CDD)

- **Final Rule - CDD Requirements for Financial Institutions Issued on May 11, 2016**
 - Covered institutions required to comply by May 11, 2018
 - Rule includes CDD requirements
 - Rule includes requirements for collection of beneficial ownership information
 - FinCEN issued FAQs on July 19, 2016 and April 3, 2018 (FIN-2016-G003 & FIN-2018-G001)

Customer Due Diligence (CDD)

There are four key elements of Customer Due Diligence:

I. Customer Identification and Verification



Current CIP

II. Beneficial ownership identification and verification

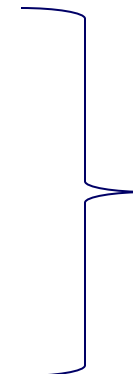


NEW!
31 CFR
1010.230

Appropriate risk-based procedures for conducting ongoing customer due diligence, to include, but not be limited to:

III. Understanding the nature and purpose of customer relationships to develop a customer risk profile; and

IV. Conducting ongoing monitoring to identify and report suspicious transactions and, on a risk-basis, to maintain and update customer information



**Amends BSA
“5th Pillar”**

Viewed as restating
existing expectations
[31 CFR 1020.210]

Beneficial Ownership Identification and Verification

- **Required to establish written procedures**
- **Must identify and verify all beneficial owners of legal entity customers**
 - An individual that owns 25% or more either directly or indirectly
 - A single individual who controls, manages, or directs

CDD Resources

- **FIL-26-2018 5/11/2018**
 - Customer Due Diligence and Beneficial Ownership Examination Procedures

- **FIN-2018-G001 4/3/2018**
 - FAQs Regarding Customer Due Diligence Requirements for Financial Institutions

- **FIN-2016-G003 7/19/2016**
 - FAQs Regarding Customer Due Diligence Requirements for Financial Institutions

- **2014 FFIEC BSA/AML Examination Manual**
 - Appendix K: Customer Risk vs. Due Diligence & Suspicious Activity Monitoring

Marijuana-Related Businesses

- **FinCEN issued guidance for banks on February 14, 2014 (FIN-2014-G001):**
 - Minimum Customer Due Diligence Expectations
 - Suspicious Activity Report and Other Reporting Requirements
- **Banks with questions not addressed within the FinCEN guidance should contact FinCEN's Resource Center at:**
 - 1-800-767-2825 or
 - FRC@fincen.gov

Board Notification of SAR Filings

- **Banks required to notify the board, or committee thereof, of Suspicious Activity Report filings**
- **Regulations do not mandate particular notification format**
- **Banks may provide to the board:**
 - Copies of SARs
 - Redacted SARs
 - SAR summaries
 - Tables of SARs filed for specific violation types

SAR Confidentiality

- **Maintain confidentiality of SAR itself**
- **Maintain confidentiality of information that would reveal existence (or non-existence) of a SAR**

SAR Confidentiality - Resources

- **SAR Confidentiality Reminder for Internal and External Counsel of Financial Institutions**

[FIN-2012-A002 issued March 2, 2012]

- **Maintaining the Confidentiality of SARs**

[FIN-2010-A014 issued November 23, 2010]

- **SAR Supporting Documentation**

[FIN-2007-G003 issued June 13, 2007]

Questions?

