

Interagency Minority Depository Institutions National Conference

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Suspicious Activity Reporting

- Financial institutions are required to report suspicious activity within 30 calendar days after the date of detection
- A financial institution may take 60 days to file a Suspicious Activity Report if the suspect's identity is unknown

Suspicious Activity Reporting

- Who should investigate suspicious activity?
- Prevailing practice is a centralized investigative unit
 - Helps ensure confidentiality of information
 - Helps ensure uniformity and consistency
 - Helps identify larger-scale problems across the organization

Suspicious Activity Reporting

- An effective suspicious activity investigative process includes:
 - Clearly defined roles, responsibilities and escalation procedures
 - Performing sufficient due diligence on the customer, suspect or transaction
 - Maintaining adequate case file and documentation
 - Utilizing a case management tool that facilitates identifying unusual patterns across the organization and assists with record keeping requirements

Anti-Money Laundering Training

- Purpose of AML training is to ensure that appropriate employees are trained on applicable aspects of the Bank Secrecy Act as well as other applicable laws and regulations
- AML training should be sufficiently tailored to the particular roles and responsibilities of employees, senior management and the board of directors

Anti-Money Laundering Training

- AML training program should be based on an annual training needs analysis
- The AML training needs analysis can assist management in establishing AML training priorities for the year and align resources with those priorities

Anti-Money Laundering Training

- **Scope of AML training should cover at a minimum:**
 - Summary of key AML laws and regulatory requirements
 - Summary of how AML requirements impact the financial institution
 - Roles and responsibilities of those in attendance
 - Suspicious activity reporting and red flags
 - Case studies
 - Employee accountability for non-compliance

Independent Testing of the AML Program

- Must be performed by individuals who are not responsible for the execution or monitoring of the AML program
- Individuals performing the independent testing must have more than basic auditing skills including a knowledge of applicable legal and regulatory AML requirements and how they apply to the organization

Independent Testing of the AML Program

- A comprehensive independent testing program should cover at a minimum:
 - Governance and oversight of the AML program
 - Written AML policies and procedures
 - AML risk assessment methodology
 - “Know Your Customer” policy
 - Employee training and education
 - Suspicious activity identification, escalation and reporting
 - Transaction monitoring technology
 - Recordkeeping and retention

BSA/AML Examination Process

- **Scoping and Planning**
- **BSA/AML Compliance Program**
- **Developing Conclusions and Finalizing the Examination**

Types of BSA/AML Violations

- Ineffective program or program components
- Systemic and recurring noncompliance
- Isolated and technical noncompliance

BSA/AML Program Violations

- Failure in overall compliance program
- Failure in program components
 - Internal controls
 - Independent audit
 - BSA Compliance Officer
 - Training
 - Customer Identification Program

Systemic and Recurring BSA/AML Violations

- Ineffective of controls, documentation, or reporting
- May be affected by:
 - Pervasive nature of noncompliance
 - Number of accounts/transactions
 - Criticality of information unavailable or unrecorded
 - Prominence of apparent violation throughout organization
 - Program elements not providing effective reporting

Isolated and Technical BSA/AML Violations

- Limited instances of noncompliance
- Otherwise adequate policies, procedures, and processes
- Management willing and able to correct

FDIC Enforcement Actions

● *Informal Actions:*

- Bank Board Resolution (BBR)
- Memorandum of Understanding (MOU)

● *Formal Actions:*

- Order to Cease and Desist (C&D)
- Civil Money Penalty (CMP)

When Corrective Action is Needed

- Identification of compliance weaknesses
 - Self-identified
 - Audit
 - Other internal review
 - Supervisory findings
 - Observations
 - Examination direction
 - Supervisory action (formal or informal)
- Determine underlying cause of deficiencies

Planning Corrective Action

- **Assess level and nature of control deficiencies**
 - Determination whether additional review is required
- **Tailor action to address identified deficiencies and affected operations**
 - Incorporate internal and external findings and/or guidance
 - Clear action steps

Implementing Corrective Action

- Ownership and oversight of corrective action process
- Role of Board of Directors and senior management
- Dedication of resources
- Appropriate use of third parties
- Targets and benchmarks
- Validation

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Questions?

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