

FDIC Advisory Committee on Community Banking

July 22, 2021

Supervision Update



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Cybersecurity



Cybersecurity Threats

- Ransomware
- Supply chain compromise
- Account takeover
- Business email compromise
- Sensitive data theft and sale
- Hosted website compromise
- Positioning, navigation, and timing vulnerability exploitation
- Energy or communication disruption
- Encryption breaking - quantum

Cybersecurity Controls

There are longstanding effective controls, and new controls to consider every day, both at the basic “cyber hygiene” level, and beyond.

- Multi-factor authentication
- Strong spam filters to prevent phishing emails from reaching end users
- User training on how to spot phishing emails
- Network traffic filters
- Software updating (patching)
- Limits on resource access, especially through expanded remote work technology recently implemented
- Regular antivirus/antimalware scans
- Implementation of unauthorized execution prevention

Source: 5/11/2021 **Joint CISA-FBI Cybersecurity Advisory on DarkSide Ransomware**
highlighted by FDICconnect email to all banks

Continuous Cybersecurity Improvement

What has been most significant to you in leading your bank to continuously improve?

- Internal audit findings
- Threat-led penetration testing
- Cybersecurity maturity assessments
- New cybersecurity control availability on the market
- Business continuity testing/exercises
- Incidents
- Other

What has been the most significant impediment to continuous improvement?

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The Anti-Money Laundering Act of 2020



AML Act § 6101: Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Priorities

The AML/CFT Priorities were issued by the Financial Crimes Enforcement Network (FinCEN) on June 30, 2021, and include:

- Corruption
- Cybercrime
- Terrorist Financing
- Fraud
- Transnational Criminal Organizations
- Drug Trafficking Organizations
- Human Trafficking and Smuggling
- Proliferation Financing

AML Act § 6101 – Rulemaking

- FinCEN will amend the AML Compliance Program Rule
 - Incorporating the AML/CFT Priorities and other updates
 - Planning to issue a rulemaking for notice and comment soon, as the AML Act requires a final rule 180 days after the issuance of the AML/CFT Priorities
- The FDIC plans to amend the Bank Secrecy Act (BSA) Compliance Program Rule
 - Conforming changes to FinCEN’s AML Compliance Program Rule
 - Ensuring consistency in the requirements

Corporate Transparency Act § 6403 Beneficial Ownership Requirements

- Reporting companies will be required to report beneficial ownership information to FinCEN.
- FinCEN will issue regulations implementing the beneficial ownership information reporting requirements by 1/1/22.
- FinCEN's customer due diligence (CDD) requirements will be revised within one year of the effective date of the reporting requirements.
- Banks are still required to identify and verify beneficial owners of legal entity customers until the CDD regulation is amended.

AML Act §6216 – Review of Regulations and Guidance

Formal review of the regulations implementing the BSA and related guidance to:

- ensure regulations and guidance continue to
 - protect the financial system from threats;
 - require certain reports or records that are highly useful in countering financial crime; and
- identify regulations and guidance that may be outdated, redundant, or otherwise do not promote a risk-based AML/CFT regime, or do not conform with international standards.