



BSA/AML Video Training Series

Senior Management & Directors



ICBA
Education

Overview of the Training

- 1 Key Principles
- 2 Role of Directors and Management
- 3 Challenge Points
- 4 Hot Topics

Five Pillars of a Healthy Bank BSA Program

- 1 Board Appointed BSA Officer
- 2 Written Policies and Procedures
- 3 Bank-wide Training
- 4 Independent Testing and Audit
- 5 Customer Due Diligence

BSA/AML Oversight

The Financial Crimes Enforcement Network (FinCEN) is a bureau of the U.S. Department of the Treasury.

- Congress has tasked FinCEN with oversight of BSA/AML

BSA Officer

The BSA officer is appointed by the board of directors.

- Responsible for managing BSA/AML compliance
- Knowledgeable and understands the regulations
- Has a sound grasp on your bank's products and services
- Has the time available to devote to the BSA/AML efforts
- Has a direct line of communication with the board of directors

Board and management must provide support for the BSA officer:

- Provide an adequate budget for BSA/AML management
- Create a positive bank culture where BSA/AML efforts are supported

Internal Controls

Established written policies and procedures to manage the bank's BSA/AML program.

- Address the risks inherent to your bank
- Elements will depend

Bank's size

Products

Services

Geographic locations served

Keeps the board and management informed:

- BSA/AML initiatives
- Deficiencies detected through audit or otherwise
- Corrective actions
- Upcoming changes

Training

Banks leave themselves exposed to potential money laundering risk if they do not have effective training programs in place.

- Training must be tailored to employees' specific responsibilities
- Directors must also receive appropriate training for their role
- Training must be provided at least annually

More frequently for specific changes or deficiencies detected

Independent Testing & Audit

Audits of your bank’s BSA/AML program ensure that it is operating soundly and complies with the BSA/AML laws and regulations.

- Testing must be completed by an independent party:

Bank’s internal auditor

External consultants or auditors

Other qualified third parties

- Audit cycles 12–18 months recommended

Scope and depth should reflect the bank’s risk profile

- Findings must be reported to the board or designated board committee
- Ensure all areas of weakness identified are resolved in a timely manner

Customer Due Diligence

Customer due diligence forms the basis of knowing who your bank customers are.

Written Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) policies and procedures:

Customer Identification Program (CIP)

Beneficial Ownership

Risk rating customer relationships

Ongoing monitoring

Breaking News: Corporate Transparency Act (CTA)—FinCEN recently issued a final rule which requires business entities to file their own Beneficial Ownership (BO) documentation with FinCEN directly and establishes guidelines for banks to access BO information within FinCEN’s system. This ruling takes effect January 1, 2024. There has been no implementing regulation established yet. Banks will continue BO business as usual until an implementing regulation is established. Watch FinCEN for implementation of a new or updated regulation. Your BSA officer will keep you informed on any new or updated regulations.

BSA/AML Program Requirements

All these areas are critical to your overall BSA/AML program:

- Customer Identification Program (CIP)
- Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD)
- Currency Transaction Reporting (CTR)
- Monetary Instrument Recording (MIR) or Monetary Instrument Log (MIL)
- Monitoring for structuring
- Suspicious Activity Reports (SAR)
- OFAC screening
- 314(a) and 314(b) information sharing
- Record keeping requirements

Challenge Points

- A non-committed culture of compliance
- Inadequate resources to support BSA compliance
- Weaknesses in the bank's monitoring and information technology systems
- Insufficient risk management practices

Building Compliance Culture

The attitude of leadership sets the tone for culture.

- Be active, involved, and knowledgeable
- Ask questions and ensure positive communication with BSA/AML stakeholders

Actions to support compliance culture:

- Appoint a well-trained and qualified BSA officer
- An adequate budget allocated to BSA/AML compliance
- Any additional resources the BSA officer may need

Monitoring

Monitoring processes should be sufficient to address the bank's specific BSA/AML risks.

AML software

Automated reports

Manual processes

A hybrid of all three

Examiners will inquire about the bank's model validation to ensure accuracy.

Risk Management

Periodic review to determine whether the processes, policies and procedures are sufficient to address your bank's BSA risk is an important part of the BSA/AML program.

- Continually assess the bank's operational exposures to risks

Customers

Products

Services

Geographical locations

- Evaluate whether mitigation measures are sufficient
- Quickly adjust processes and mitigations as risks change

Money Laundering

BSA/AML efforts are aimed at curtailing money laundering and related criminal activities.

- Real estate is the most common integration strategy for laundering money
- Suspicious activity should be investigated and reported

Common Regulatory Findings

- Inadequate BSA/AML risk assessment
- Inadequate written procedures
- Inadequate due diligence
- Inadequate identification high-risk customers and ongoing monitoring
- Inadequate documentation supporting unfiled SARs
- Failure of timely remediation of audit findings
- Technical errors on CTR and SAR forms
- Insufficient BSA/AML staffing levels
- Training too generalized and not specifically related to job functions
- Training efforts not documented or tracked

Hot Topics: Cannabis Banking

The **proposed SAFE Banking Act** will prohibit a federal regulator from penalizing a bank for providing services to legitimate cannabis related businesses in places where the activity is legal.

- Banking cannabis industry businesses

Board approved policy

Robust Customer Due Diligence and Enhanced Due Diligence programs

Depends on your bank's overall risk appetite

Consider the overall impact on your community and bank's reputation

Hot Topics: Virtual Currency

- Virtual currency can attract criminals to avoid detection while facilitating illicit activities.
- Virtual Currency Mixers or Tumblers are centralized private services that combine the virtual currency of several users during transfers to increase anonymity.
- Virtual Currency Exchanges including Virtual Currency Kiosks are subject to regulatory requirements applicable to Money Service Businesses (MSBs)
- Banks should have adequate risk systems and controls in place to conduct crypto related activities

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