



Keeping A Happy Face With AML Tips

regulatory risk management BSA-AML

Summary: In the past 5Ys, the number of suspicious activity reports filed annually by US financial institutions has soared. Need some tips to help you fight AML? We have some.

Goat yoga is all the rage, but we weren't expecting it to take goat research in another direction. A university in the UK did some research and found goats not only respond to human facial expressions, but also prefer smiles to frowns. It seems 51% of goats tested approached a happy human face first, while 30% went to the angry face. The remaining 19% did not seem to care.

While not directly goat related, the average community banker would likely say BSA/AML (AML) compliance has become brutally tough over the years. Things are so tough now that many employees and customers alike may even have a frowny face.

Certainly, AML remains a hot button issue amongst regulatory and other government agencies, so banks must stay sharp and constantly be prepared for scrutiny and ongoing expense.

In the past 5Ys, the number of suspicious activity reports (SARs) filed annually by US financial institutions has soared from 1.2mm in 2013 to more than 2.0mm last year, according to Financial Crimes Enforcement Network (FinCEN) data. Further, it looks like 1.6mm were filed through July 31, or 2.7mm annualized for this year. In short, the upward trend continues, so staffing and technology costs are also likely increasing too.

Aite Group research may provide some insight to weary community bank AML teams. They find concerns and publicity over ISIS, enemy nation-state crime/manipulation, domestic terror and criminal rings all play a part. This is alongside a plethora of emerging payment types, quickly rising payment volume, sharply increased regulator demands and quickly evolving types of financial crime. To help you keep up, we offer some reminders:

Identify and document new customers from the start. Despite local roots, many community banks are growing beyond local geography. As such, implementing a rigorous assessment on the front-end is critical. Banks must ensure new and incoming customers really are who they say they are and are operating within legal boundaries.

Review systems and boost training. Bankers all have systems in place, but many create lots of false positives. Fine tuning things, back testing results and layering in updated and constant staff training can help avoid issues down the road.

Pay strict attention to wire transfers. International wire transfer activity is more often flagged by banks for AML, though it is also an increasingly important payments activity for customers. With that in mind, consider the amount and frequency of transfers to highlight risks and actively research anything odd.

Ensure your compliance officer is not wearing too many hats. While many community banks may have this role embedded somewhere else, the time has gone for that probably. No matter your size, the increased importance and focus of this area by regulators and law enforcement means bankers must be prepared. AML

programs these days require greater responsibility and attention, especially from upper management and even the board. Making sure your compliance officer is not wearing too many hats is important.

Things are constantly changing, so AML teams need to stay on their toes to keep 'baaad' things from happening. This is one area to keep focused on for sure.

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