



## More Regulatory Support For Innovation

🔗 technology regulatory performance

**Summary:** A new joint regulatory statement encourages financial institutions to use innovative approaches to BSA/AML compliance. We break it down for you.

Some interesting research by EverQuote looked at the driving habits of licensed American drivers. It was about evenly split between men and women. It surfaced that about 23% of people think you must respond to text messages right away and 55% say it should happen within 5 minutes. Also interesting, about 96% of drivers think of themselves as safe, but 37% say less than half of other drivers are safe. Be careful as you drive out there, because remember there are a bunch of crappy drivers all around you as you share the road.

In banking, sharing has taken on a whole new meaning. A [joint statement by the federal banking regulatory agencies](#) was issued on December 3, 2018. It encourages financial institutions, where appropriate, to feel free to use innovative approaches to BSA/AML compliance.

This is a huge step, as it shows regulators know keeping ahead of bad actors takes constant adaptation. While nothing has changed in the amount or type of compliance needed, the ways to be fully compliant seem to have expanded some. These include partnering with regulatory technology firms and other banks even to become more automated and efficient and share resources.

So, what exactly is the new statement saying? First, it says regulators are generally supportive of Innovative approaches.

Banks still have the burden to do things right, but using more innovation when tackling transaction monitoring, suspicious activity reporting (SAR) and risk identification are not off the table.

Using these technologies, including artificial intelligence and data automation, are also recognized as a way to potentially strengthen and maximize BSA/AML programs.

Importantly, the statement also notes that failures in innovation pilot programs will not necessarily result in supervisory action. Regulators want banks to learn from these early tests in order to keep up and advance. Gaps found in a bank's BSA/AML program with these pilot programs won't necessarily be taken as a previously deficient program either. These new technologies often dig deeper and provide more insights through patterns.

Private sector engagement looks like it could ramp up further. Regulators affirmed their commitment to continued private sector discussions and partnerships, where improvements can be made in tracking data, minimizing risk and improving overall compliance. That is good and it is welcome.

In addition, regulators said they are investigating other ways to encourage innovation, including using FinCEN's Bank Secrecy Act Advisory Group.

Finally, where necessary and appropriate, FinCEN will even consider requests for exceptive relief under 31 CFR 1010.970 to facilitate the testing and potential use of new technologies and innovations, as long as the banks maintain the overall effectiveness of their BSA/AML compliance programs.

Regulators generally seem to support banks using innovative approaches, but underscore that all of this does not change the fact that banks still need to comply with current BSA/AML regulations. Be sure to balance innovation with normal and required regulatory compliance to keep out of trouble.

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