BSA/AML Areas Of Focus

🏷 **regulatory**   **BSA-AML**

Summary: Community banks will want to take notice that regulators are stepping up enforcement of BSA/AML violations, as evidenced by $2.9B in imposed fines last year. We review the top areas of focus.

Keeping secrets seems to be easy for some people and difficult for others. For example, surveys finds: 10% say they cannot keep a secret period; 50% say they often feel the need to offload secrets to someone else; and the biggest secrets people keep involve sexual behavior, personal story, extra relational thoughts, romantic desire or a family detail.

Don't look now, but in banking the world of secrecy is covered in a big chunk by the Bank Secrecy Act (BSA) that covers anti-money laundering (AML). Here, community banks will want to take notice that regulators are stepping up enforcement of BSA/AML violations, as evidenced by $2.9B in imposed fines globally in 2018, according to Debevoise In Depth.

For example, just last December, FinCEN, FINRA and the SEC slapped a $14.5mm fine on UBS Financial for failing to catch red flags related to shell companies. These companies were wiring and receiving money in foreign currency denominations from known high-risk countries. It seems UBS missed capturing data about these wires, including sender and recipient information and the country of origin and destination. Moreover, the bank did not have enough compliance staff to keep up with the filing of suspicious activity reports (SARs) in a timely manner.

Within that same month, regulators also fined Morgan Stanley $10mm for having an automated AML surveillance system that failed to receive necessary information about wire and foreign currency transfers. The bank also reportedly did not devote enough resources to adequately review alerts generated by the automated system.

Much can be found on regulatory websites, of course, so you can start there. But one thing we definitely want to point out in this area, relates to real estate geographic targeting. Here, FinCEN recently reissued its Real Estate Geographic Targeting Orders for 12 Metropolitan Areas. It requires US title insurance companies to identify the natural persons behind shell companies used in all-cash purchases of residential real estate. The purchase amount threshold is $300,000 for each covered metropolitan area (Boston; Chicago; Dallas-Fort Worth; Honolulu; Las Vegas; Los Angeles; Miami; New York City; San Antonio; San Diego; San Francisco; and Seattle). Since community banks do so much real estate and since FinCEN is sending this reminder, it is important to be aware of how your customers are operating to keep safe.

Other areas flagged by regulatory agencies, including FinCEN, cover such things as: virtual currencies, corrupt activity by Venezuelan political figures, peer-to-peer currency exchangers, illicit activity by Iran and a host of other areas.

One more way to most assuredly get regulators agitated is to fail to adequately correct deficiencies cited in prior enforcement actions, not report instances of aberrant customer activity, operate a thin AML program, have inaccurate or missed SARs reports, and things like that.

No matter what, issues around the world mean community banks too need to keep up their BSA/AML programs. To do so, be sure to review monitoring programs, ramp up employee training and take a look at systems, to be sure you are gathering all the necessary data. It is more important than ever, so stay vigilant.

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