


# **Community and Regional Conference BSA/AML – Supervisory Issues**

Robert Augusta, Jr.  
Vice President  
Federal Reserve Bank of  
Boston  
June 7, 2005



# Post 9/11 Environment

- Congress and FBI placing more emphasis on stopping ***terrorist financing*** and tracking down suspected terrorists and their associates before they act
- Law enforcement improved data mining capabilities to link names in SAR reports
- Enhanced customer identification requirements of the Patriot Act will improve ***financial tracking*** capabilities to help authorities respond proactively to intelligence as well as make a case to prosecute

# Industry and Regulators under pressure

- Congressional scrutiny
- GAO review of BSA examination workpapers
- US Attorney prosecution and assessment of penalties against Riggs and AmSouth

# Heightened Regulatory Focus on BSA - Concern and Rumor Regarding Approach by Regulatory Agencies

- Uncertainty in the industry about BSA compliance expectations, particularly for banks that haven't gone through a full scale exam
- Uncertainty on how assessments would be made and regulations applied
- Additional regulatory burden - Regional and Community banks viewed the scope of their activities to be far different than the issues that caused concern at Riggs and AmSouth

# Regulatory Response

- Interagency examination manual designed to promote consistency among regulatory agencies
  - BSA procedures rollout in August 2005
  - AML manual to be released June 30.
- Central review of BSA examination issues to ensure consistency of treatment
- BSA Advisory Group
- FinCEN Memorandum of Understanding

# Suggestions for Consideration

- Apply risk management basics
  - Risk assessment to identify business areas and customers that represent greatest business compliance risk
  - Utilize data systems to stratify data according to risk in order to analyze and monitor effectively
- Integrate responsibility for compliance into the business line functions
- Use stratified customer information to enhance business strategies