Community and Regional Conference
BSA/AML – Supervisory Issues

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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