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# *Overview*

*BSA History and Basics*

*Current FDIC Initiatives*

*Interagency Coordination*

*Industry Concerns*

# BSA History

## Timeline

*Major events  
& milestones  
strengthening  
efforts to combat  
financial crimes*

<b>1970</b>	Large currency deposits of illicit profits	<b>Bank Secrecy Act (BSA) enacted</b>
<b>1974</b>	Constitutionality of Bank Secrecy Act questioned	<b>U.S. Supreme Court holds BSA to be constitutional</b>
<b>1986</b>	Law Enforcement looks for new weapons to combat drug trafficking	<b>Enact Money Laundering Control Act</b>
<b>1990</b>	Insufficient intelligence analysis and resources to support financial investigations	<b>Create Financial Crimes Enforcement Network (FinCEN)</b>
<b>1992</b>	Law enforcement needs more information on suspicious transactions to support financial investigations	<b>Enact Annunzio-Wylie Money Laundering Suppression Act</b> - Suspicious activity reporting required
<b>1994</b>	Law enforcement focuses on criminal abuse of MSBs CTR exemption process is a burden for financial community	<b>Enact Money Laundering Suppression Act</b> - MSB registration CTR filing required.
<b>1994</b>	Improve cooperation and coordination between regulatory, financial and law enforcement communities	<b>Merge Treasury's Office of Financial Enforcement with FinCEN</b> - FinCEN's Mission expanded to include regulatory authority
<b>1998</b>	Improve coordination of federal, state and local efforts and resources to combat financial crimes	<b>Enact Money Laundering &amp; Financial Crimes Strategy Act</b> - National Money Laundering strategy established - HIFCA system created
<b>2001</b>	Terrorists attack the World Trade Center & Pentagon	<b>Enact Patriot Act</b> - Information Sharing - Registration requirements for underground money transmitters - FinCEN becomes a bureau

# *Bank Secrecy Act Basics*

Purpose: Prohibit domestic financial institutions from being used to facilitate the flow of funds generated from illegal activities (for example, organized crime and drug trafficking).

Action: Requires financial institutions to maintain appropriate records and to file certain reports used in criminal investigations or proceedings.

# *Bank Secrecy Act Basics*

## Bank Compliance Program

- Policies, Procedures, and Controls
- Officer Administration
- Audit and Independent Testing
- Training

# *Supervision Program (Post 9/11)*

## *USA PATRIOT Act*

- Improved law enforcement tools and financial reporting requirements as a result of 9/11 terrorist attacks
- Augmented BSA compliance efforts
- Enhanced regulatory and law enforcement methods to gain information on
  - Terrorist financing
  - Money laundering



# *Current FDIC Initiatives*

- **Implementation of Communication Strategy**
- **Increase Staffing and BSA/AML Experts**
- **Enhance Examiner and Expert Training**
- **Update Examiner Guidance/Procedures**
- **Improve State Regulator Coordination**
- **Ensure Uniform Internal Reporting**

# *Government Coordination*

- FFIEC BSA Working Group
- Interagency Examination Procedures
- Bank Secrecy Act Advisory Group
- Terrorist Finance Working Group
- Financial Actions Task Force
- FFIEC Anti-Money Laundering Training
- Domestic and International Outreach



# *Industry Concerns & Interagency Responses*

- **BSA/AML Examination Procedures**
- **Money Services Business Relationships**
- **Suspicious Activity Reports (“SARs”)**

# *BSA/AML Examination Procedures*

- **Development of Interagency Bank Secrecy Act/Anti-Money Laundering (“BSA/AML”) examination procedures began in July 2004, coinciding with the development of the FFIEC BSA Working Group.**
- **The BSA/AML manual contains:**
  - ≈ background information
  - ≈ examination procedures
  - ≈ resource materials

# *Money Services Business Guidance*

- Clarifies requirements for assessing and minimizing risks posed when providing banking services to MSBs.
- Clarifies expectations regarding BSA requirements and supervisory expectations as applied to accounts opened or maintained for MSB customers.
- Emphasizes that banks have the flexibility to provide services to a wide range of MSB customers while remaining in compliance with the BSA.

# *Money Services Business Guidance*

Minimum compliance expectations associated with opening and maintaining accounts for MSB customers:

- ≈ Apply the banks Customer Identification Program;
- ≈ Confirm FinCEN registration, if required;
- ≈ Confirm compliance with state or local licensing requirements, if applicable;
- ≈ Confirm agent status, if applicable; and
- ≈ Conduct basic risk assessment to determine the level of risk associated with the account.

# *Money Services Business Guidance*

## Further Due Diligence Expectations

- **Commensurate with the level of risk posed by the MSB customer identified through the bank's risk assessment.**
- **Risk Assessment considerations:**
  - ≈ Types of products and services offered by the MSB;
  - ≈ Location(s) and market(s) served by the MSB;
  - ≈ Anticipated account activity; and
  - ≈ Purpose of the account.

# *Defensive SAR Filings*

- Suspicious activity reporting process
- Recent cases with substantial civil monetary penalties and criminal charges from failures to report suspicious activities
- Defensive Suspicious Activity Report (“SAR”) filing
- *SAR Filings* -
  - ≈ Year 2002: 273,823
  - ≈ Year 2003: 288,343
  - ≈ Year 2004: 381,200
  - ≈ YTD 2005: 163,973

# FinCEN MOU

## September 30, 2004



Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
National Credit Union Administration  
Office of the Comptroller of the Currency  
Office of Thrift Supervision

Purpose: Information sharing through quarterly and annual reports and with reciprocity between and amongst agencies.