



# BSA /AML Compliance: Examination Expectations and Findings

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# Overview

- New Interagency Examination Manual
- Examination Expectations
- Findings and Trends
  - best practices vs. common weaknesses



# FFIEC BSA/AML Exam Manual

- Comprehensive guidance for examiners and bankers
- Customizable for size, complexity, and risks
- Emphasizes importance of risk-based compliance program



# FFIEC BSA/AML Exam Manual

- Risk Focusing and Examiner Judgment
- Mandatory Minimum Requirements
- Bank's Risk Assessment



# Setting the Exam Scope

- Risk Management Focus
  - Inherent Risks
  - Bank's Risk Assessment
  - Prior Exam Findings/Responses
  - Audit
  - Compliance Reviews
  - CTRs and SARs filed



# Assessing BSA/AML Risks

- Products and Services
- Customers and Entities
- Geographic Locations

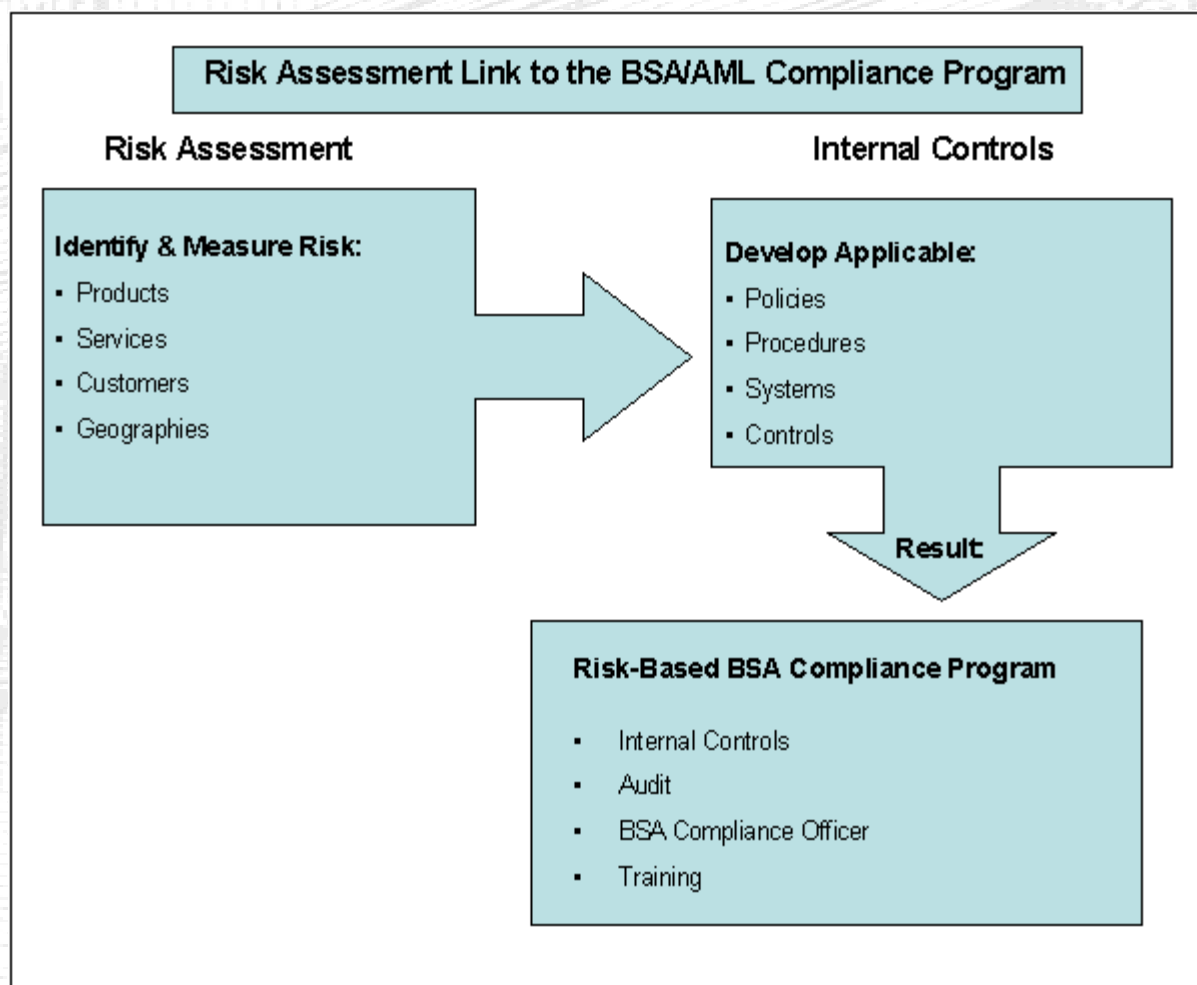


# Assessing BSA/AML Risks

- Not mandated, but encouraged!
- Assists with exam process and internal resource allocation
- Various methods – no one way.
- Share with the Board
- Periodically re-assess



# Appendix I





# Exam Expectations & Transaction Testing

- Transaction testing - required
- Areas tested and extent of testing may vary
- Risk-focused, NOT replacement for independent testing
- Goal: Validate adequacy of independent testing and compliance with regulations and internal policies



# Some Key Exam Areas

- Suspicious activity detection, monitoring, investigation, and reporting processes
- CIP and Customer Due Diligence
- Applicable provisions of Patriot Act
- Adequacy of compliance structure, training, and independent testing
- High Risk Areas as applicable



## SARs

### What are examiners looking for?

- Trends/activities
- Monitoring and Identification Methods
- Documentation
- Proper completion/timely reporting
- Quality of info reported – the 5 W's!
- Board oversight



## Best Practices vs. Common Weaknesses

✓ Documented Risk Assessment	✗ Lack risk assessment
✓ Risk rating accounts – CDD and EDD	✗ Lack of knowledge of high risk customers
✓ Optimizing MIS	✗ Ineffective MIS
✓ Documenting customer due diligence and suspicious activity reviews	✗ Incomplete CIP or SAR investigation documents
✓ Front-office and objective back-office monitoring	✗ Over-reliance on front office – “our customers never do anything illegal”



## Best Practices vs. Common Weaknesses

- |   |   |
|---|---|
| ✓ Risk-based audit with transaction testing commensurate with risks | ✗ Inadequate audit scope, transaction testing, or frequency |
| ✓ Planning for AML needs  | ✗ Growth without assessing AML risks                        |
| ✓ Compliance Culture & Company-wide Training                        | ✗ Lack of Board and management understanding / support      |



# Questions?

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