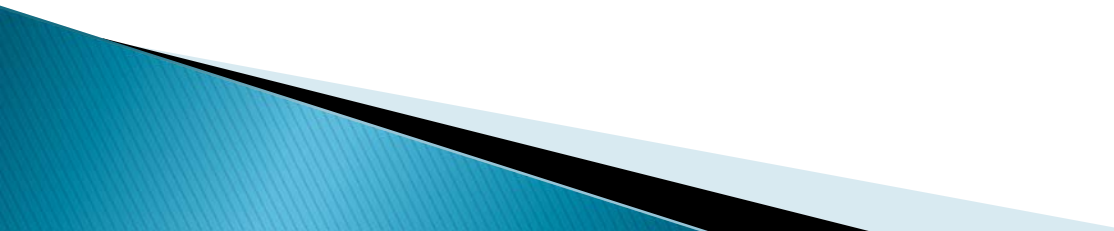




The FFIEC BSA/AML Examination Manual – 2010 Revisions

*Presented by Vince Danno and Karen Hooper
July 7, 2010*

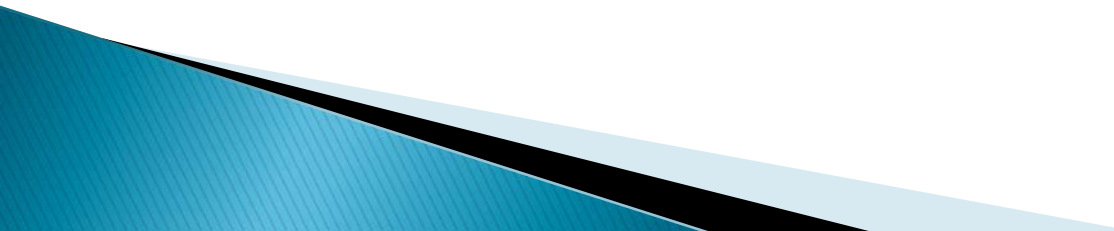
Purpose of the Manual

- ▶ Promote interagency consistency
 - ▶ Consolidate BSA/AML regulatory requirements in one handbook
 - ▶ Provide guidance on BSA/AML topics to examiners and banks
 - ▶ Clearly and authoritatively communicate regulatory expectations
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History of the Manual

- ▶ Original issuance – 2005
 - Emphasis: “Living document”
- ▶ Two “lives” to date – 2006 and 2007
- ▶ Most recent revision – 2nd Quarter 2010
 - Longest time between revisions
 - Most extensive revisions

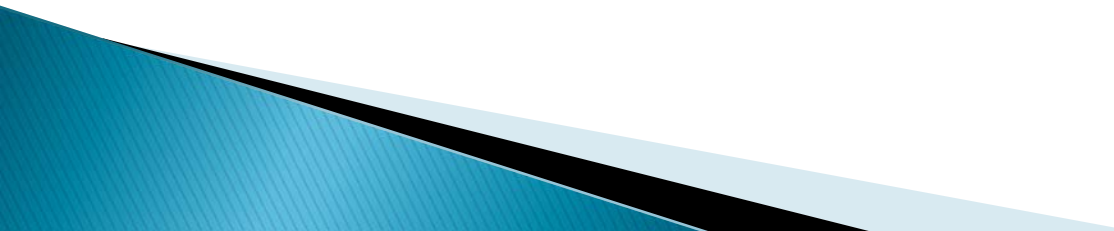
Revision Process

- ▶ FFIEC (Federal Banking Agencies / State Liaison Committee)
 - ▶ Consultation with FinCEN and OFAC
 - ▶ Industry input – meetings, conferences, BSAAG subcommittees
 - ▶ Examiner input
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FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Core Examination Procedures
 - Streamlined and reorganized core examination procedures for assessing BSA/AML compliance program
 - Goal: increase logical flow and promote ease of use by examiners
 - Little substantive change

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Developing Conclusions and Finalizing the Examination
 - Included new guidance on how to determine whether a violation is systemic or recurring, as opposed to technical or isolated
 - Considerations: number/proportionality; significance; pervasiveness; relationship to other violations; impact; source (poor procedures, failure to follow procedure, systems)
- 

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ **BSA/AML Compliance Program Structure**
 - Substantially reworked section formerly known as “Enterprise-Wide BSA/AML Compliance Program”
 - Updated discussion to cover wide variety of programs that exist, reflect current supervisory expectations, and enhance specific discussion of consolidated compliance programs
 - Renamed section “BSA/AML Compliance Program Structure”

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Bulk Currency Shipments
 - Only wholly new section/new procedures
 - Examiners and law enforcement have noticed increased use of bulk currency shipments (2005 MLTA; FinCEN guidance (FIN 2006 – 003 (2006)); 2008 NDIC’s National Drug Threat Assessment 2008)
 - Transportation of large volumes of bank notes (U.S. or foreign), often in containerized cargo, from sources either inside or outside the United States to a bank in the United States.

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Currency Transaction Reporting Exemptions
 - Updated section to reflect new regulation and FinCEN guidance
 - Removed the initial designation and annual review requirements for certain Phase I customers
 - Removed the biennial filing requirement for Phase II exempt customers
 - Eliminated the waiting period for exempting otherwise eligible Phase II customers by adopting a risk-based approach to exempting those customers.
 - FinCEN guidance – supporting information for determining the portion of a business customer's annual revenues that is derived from ineligible activities

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Suspicious Activity Reporting
 - Enhanced discussion of systems to identify, research, and report suspicious activity
 - Reorganized section to reflect current supervisory expectations and make discussion easier to follow
 - Added new Appendix S to illustrate the interaction between different components of a SAR monitoring program

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Automated Clearing House Transactions
 - Updated section to reflect changes to international ACH transactions (IATs)
 - Made corresponding changes to the Office of Foreign Assets Control (OFAC) section

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Trade Finance Activities
 - Updated definitions to more closely reflect ICC Customs and Practices
 - Added reference to Wolfsberg paper: *Wolfsberg Trade Finance Principles* (January 2009)
 - Deleted red flag: “Documentation showing a higher or lower value or cost of merchandise than that which was declared to customs or paid by the importer”

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▶ Funds Transfers

- Updated section to reflect introduction of SWIFT MT 202 COV message format
- Added reference to interagency guidance: *Transparency and Compliance for U.S. Banking Organizations Conducting Cross-Border Funds Transfers* (December 18, 2009)

▶ Electronic Cash

- Revised section to include more in-depth discussion of prepaid cards

FFIEC BSA/AML Examination Manual – 2010 Revisions

- ▶ Electronic Banking
 - Updated section to reflect FFIEC guidance
- ▶ Third-Party Payment Processors
 - Updated section to reflect OCC and FDIC Guidance

Leveraging of Independent Testing

- ▶ AD Letter 08-12 – Minimum BSA/AML Examination Procedures in Lower-Risk Banks and Utilization of Independent Testing Results.
- ▶ Reliance on Independent Testing to possibly reduce examination scope and transaction testing
 - Provides valuable insight on bank's risk assessment as well as the effectiveness of the bank's management and mitigation of risk
 - Avoids redundant verifications and reviews of certain business units/products

Contact Information

Vince Danno
Federal Reserve Bank of Chicago
AML/Fraud Risk Specialty Group
Vincent.danno@chi.frb.org

Karen Hooper
Federal Reserve Bank of Chicago
AML/Fraud Risk Specialty Group
Karen.hooper@chi.frb.org

Infobase: www.ffiec.gov/bsa_aml_infobase/default.htm

