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Whitney National Bank, a recipient of \$300 million in TARP funds, gets government order to step up anti-money laundering efforts

by RYAN HOLEYWELL

A bank that got \$300 million in taxpayer funds through the Troubled Asset Relief Program has been told by the government that it's not doing enough to comply with anti-money laundering laws.

An [order](#) issued by the [Office of the Comptroller of Currency](#) requires [Whitney National Bank](#) to ratchet up its efforts to comply with the [Bank Secrecy Act](#), which is designed to prevent laundering.

The Treasury Department invested \$300 million in the bank's parent company, Whitney Holding Corp., in December 2008, buying preferred stock through TARP's Capital Purchase Program.

The New Orleans-based bank is the largest in Louisiana, with \$9 billion in deposits and nearly \$11.9 billion in assets. Whitney has 171 branches in Alabama, Florida, Louisiana, Mississippi and Texas. It lost \$62.1 million last year.

An OCC spokesman said the agency does not comment on the reasons behind consent orders. A spokesman for the Treasury Department's Financial Crimes Enforcement Network, which investigates money laundering, declined to say whether there were any pending investigations of Whitney.

The announcement comes on the heels of a high-profile [case](#) earlier this month, in which the federal government fined [Wachovia Bank](#) \$160 million for failing to prevent drug cartels from using the bank to launder money.

"Financial institutions must maintain anti-money laundering compliance programs and policies that are adequate to identify, analyze and report suspicious activity and are commensurate with the risks being undertaken," Comptroller of Currency John Dugan [said](#) at the time.

Banks are required to establish internal controls to prevent money laundering, often by giving particular attention to foreign customers and by analyzing relationships between accounts. Suspicious activity must be reported to the government, and bank regulators typically check to see whether banks have such systems in place.

The federal order against Whitney requires that it develop and implement a written program of policies that will ensure it complies with those laws. It also must determine whether changes are needed to its personnel who manage compliance with the law.

The OCC order stipulated that Whitney must take greater steps to monitor transactions that seem more likely than normal to have a risk of violating the anti-money laundering law.

It also says the bank must develop procedures to collect identifying information from customers when they open accounts and establish "controls and procedures to ensure that suspicious and large currency transactions are identified and reported."

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Typically, enforcement actions related to the Bank Secrecy Act arise from either a law enforcement investigation or a bank examination, said John Byrne, executive vice president of [Association of Certified Anti-Money Laundering Specialists](#). He said banks generally are given opportunities to correct compliance problems long before a regulator gets to the point of issuing an order.

Since an order was issued, it may be possible that Whitney was taking longer than OCC wanted for it to rectify the problems.

In a Feb. 19 SEC [filing](#), the company wrote, "Prior to the issuance of the order, the company had already commenced and implemented initiatives and strategies to address the issues noted in the order. The bank continues to work cooperatively with its regulators and expects to fully satisfy the items contained in the order."

(Note: this story has been revised from its original version to delete an erroneous detail).

Whitney spokeswoman Trisha Voltz Carlson did not answer questions about the circumstances that led to the OCC's order.

Byrne said it would be difficult to determine what exactly triggered the enforcement based on the text of the order.

"It's not surprising that a bank of Whitney's size would receive an order, but if you look at the total number of actions in a given year, there's not a lot of them," Byrne said. "I would glean from that there would be major deficiencies that need to be improved."

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