



Compliance News...

Bank Secrecy Act is Hot!! . . .

If you haven't already heard, the Bank Secrecy Act is a hot topic with examiners. As one senior official from the OCC said, "There is now zero tolerance for Bank Secrecy Act program violations." Additionally, the Associate Director of FinCEN stated, "The honeymoon is over."

With the rash of BSA compliance related fines to financial institutions around the country, it appears that is definitely the case. The FDIC has made 31 formal actions and 50 informal agreements from January 2001 to May 2004 and it seems these numbers are on the rise. Take for example, Riggs Bank in Washington, D.C. They were fined \$25 million in civil money penalties for BSA problems in May 2004. AmSouth Bank in Birmingham, Alabama was recently fined \$50 million! Do we have your attention yet?

Now is the time to make sure your BSA program is up to speed. At a minimum, your BSA program must:

1. Provide for a system of internal controls to ensure ongoing compliance.

This includes a system to detect large cash transactions and suspicious activity, ensure the Customer Identification Program is sufficient, adhering to OFAC requirements, proper completion of Currency Transaction Reports, Phase II exemption renewals, etc.

2. Designate an individual responsible for coordinating and monitoring day-to-day compliance.

A senior level person who has authority to make and enforce bank policies must be named as the BSA officer. However, a non-senior level person may be put in charge of day-to-day compliance.

3. Provide training for appropriate personnel.

While the Regulation does not mandate annual training, this is generally what is acceptable and understood by examiners. Additionally, training must include more than just tellers and bookkeepers. Loan officers and even Board members should receive training on BSA requirements that affect them, such as Suspicious Activity Reports.

4. Provide for independent testing.

The independent test should be conducted annually. An officer/employee of your institution may conduct the test as long as they are not directly involved with the BSA program. However, these audits must be comprehensive. AmSouth Bank was criticized for their independent audits even though they had completed an internal audit and had obtained a BSA audit by an outside consulting company. Let us know if we can assist you in this area.

FDIC regulated banks and Settlement Statements . . .

In a past newsletter we reported the FDIC does not require hazard insurance or real estate to be listed on Settlement Statements. We have since received information directly from the Kansas City Regional Office of the FDIC, which states that they do require hazard insurance and real estate taxes to be disclosed on **all** Settlement Statements (purchase, refinance, home equity, etc.). They also indicated they are not citing banks for this deficiency but will make comments. We apologize for any inconvenience that this may have caused.

FACT Act Update . . .

Banker's Compliance Consulting recently issued an update along with FAQ's regarding the FACT Act. If you did not receive this update, it can be found on our website, on the downloads page or just go to this link:

<http://www.bankerscompliance.com/downloads.htm>