



BSA/AML – What’s it all about?



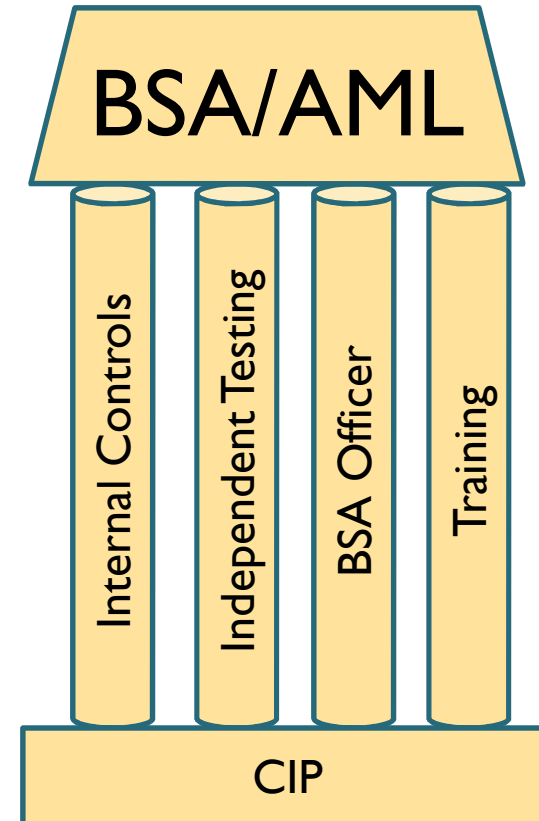
Division of Financial Institutions

DCCA

Iris Ikeda, Commissioner

Agenda

- BSA/AML
- 4 pillars + 1
 - Internal Controls
 - Independent Testing
 - BSA Officer
 - Training
 - CIP
- Exams



BSA/AML

- The Bank Secrecy Act (BSA) was created in 1970 to assist in criminal, tax, and regulatory investigations.
- The Financial Crimes Enforcement Network (FinCEN) is responsible for compliance.
- The BSA Program and policies are mandated by statute.
- BSA compliance is required for all financial institutions, including MLOCs.



4 Pillars + 1

Internal Controls – to ensure compliance



- Policy – not complicated
 - Customized to your business
 - Include OFAC
- Procedures – write down how you monitor
- Risk Assessment – simple is best
 - Customized to your business
 - Who are your clients
- Recordkeeping – 7 years (454F-1.7(c)(11), HRS)

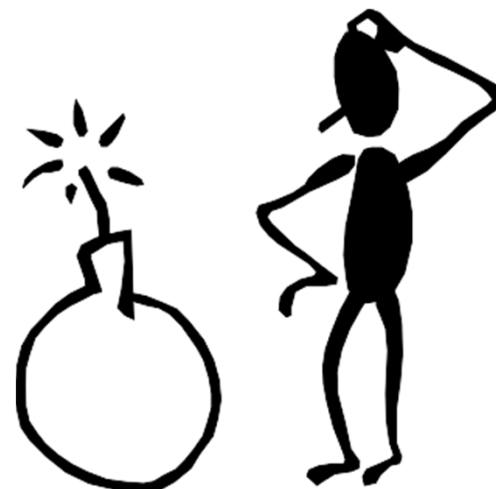
4 Pillars + 1 Independent Testing

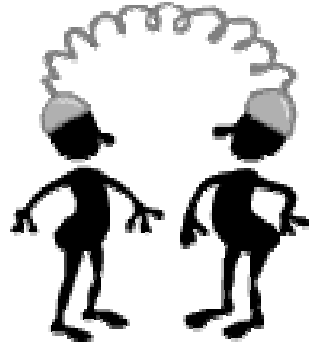
- Must be completed by a qualified party;
- Must be independent (in-house or external);
- Should be conducted every 12 to 18 months, depending on risk profile; and
- Can be a risk-based process.
- Report
 - Period of review
 - Name of Reviewer
 - Area of Review
 - Findings
 - Recommendations



4 Pillars + 1 BSA Officer

- Must be qualified;
- Must have sufficient authority, knowledge, and resources; and
- Is responsible for ensuring overall BSA compliance.





4 Pillars + 1 Training

A training program must be documented and should:

- Be tailored to specific job duties;
- Address regulatory requirements;
- Reference company policies, procedures, and processes;
- Be performed on an ongoing basis; and
- Reiterate employee responsibilities.

4 Pillars + 1 CIP



- Must form a reasonable belief of customer identity;
- Must include account opening procedures and verification methods;
- Must ensure collection of minimum data elements; and
- May use risk-based procedures for additional documentation and verification of customer identity.

4 Pillars + 1 CIP

- What information to collect?
- How to verify?
 - Government identification
 - Credit Report
 - Employment verification
- What happens if there is not a match?

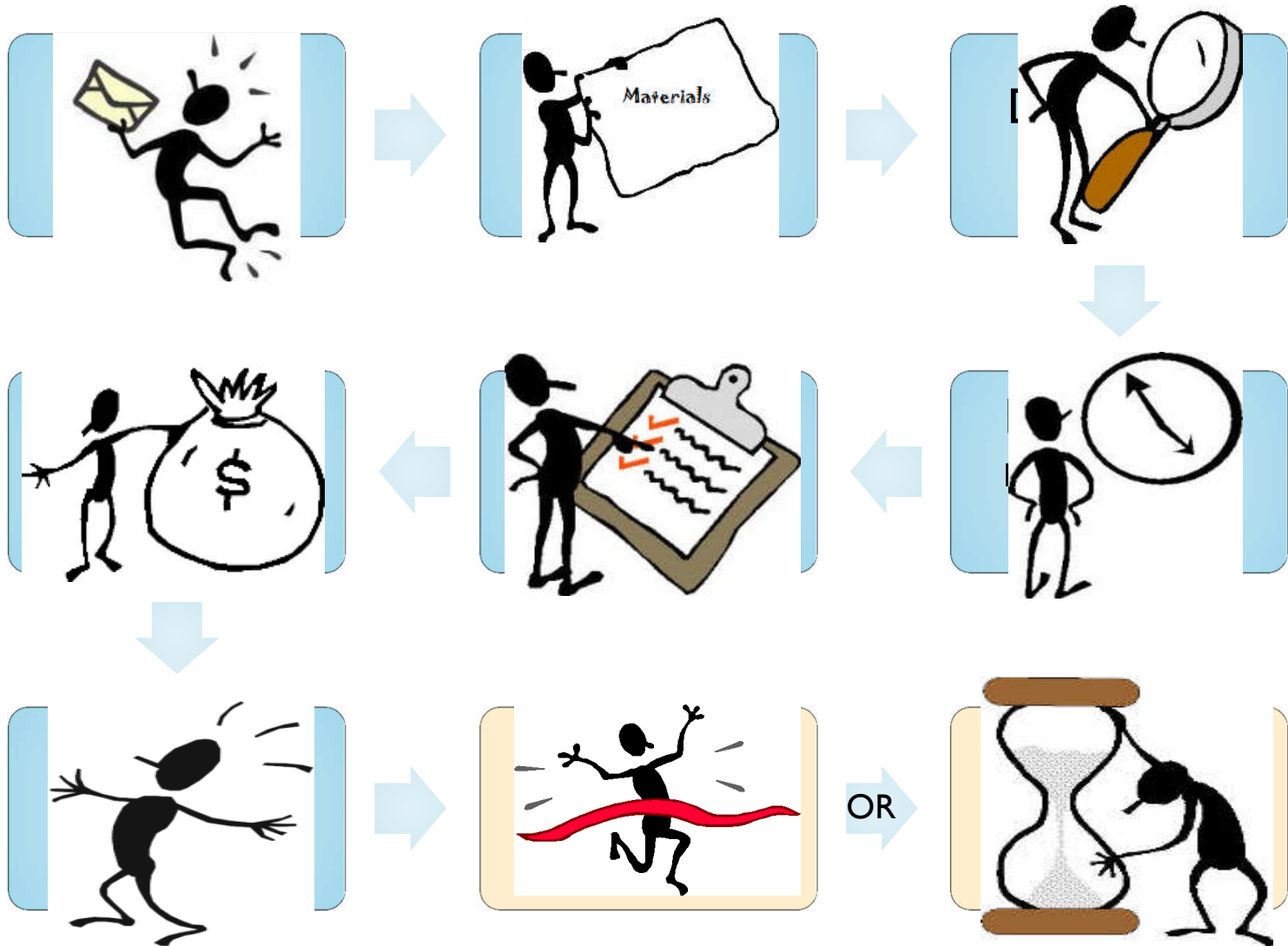


Suspicious Activity Reports

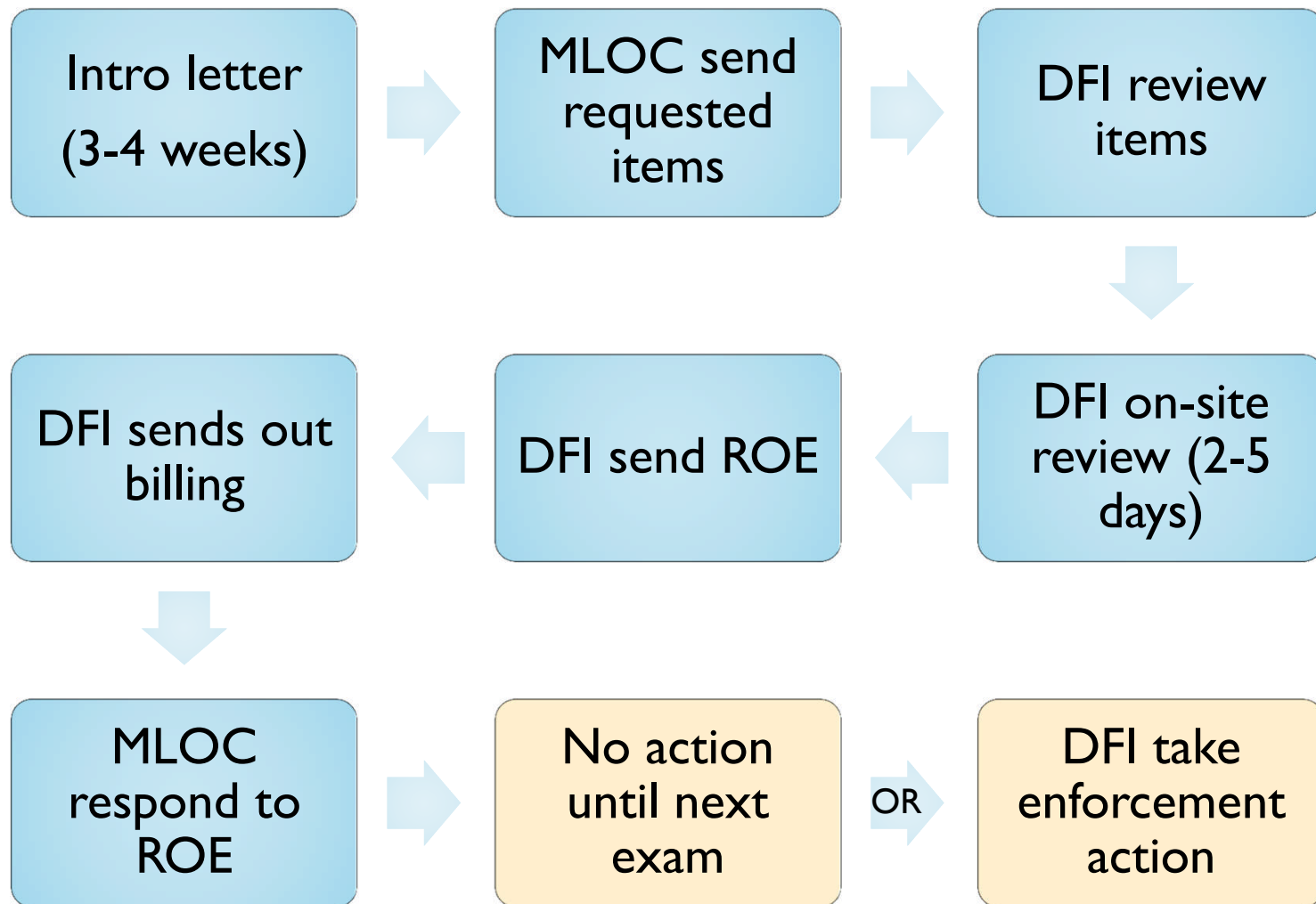
- Monitoring, identifying, and reporting unusual or suspicious activity are regulatory requirements and form the cornerstone of BSA reporting.
- SARs are filed for unusual or suspicious activity, including, but not limited to, terrorist financing, tax evasion, fraud, and structuring.
- MLO/MLOCs are not investigating, or “confirming” underlying crime.
- Company management should regularly review overall SAR activity.
- Your SAR may link activity to SARs filed by others.



Exams – Process



Exams – Process



Exams – Top Violations

- BSA
 - no independent audit
 - policy not customized
 - no risk assessment
 - BSA officer not qualified
 - no training of BSA officer or employees
 - no documentation of training
- Website contains outdated information
- Inaccurate MCRs
- Regulatory compliance (TILA, GFE, ECOA)



Questions?





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7:45 am – 4:30 pm

