

Compliance & AML Solutions

How to overcome BSA/AML Supervisory criticism

BSA risks continue to evolve. Time does not stand still for money launderers or fraudsters. The criminals are always looking forward to non-traditional ways to accomplish the same results. Financial institutions and BSA Officers often rely on controls we are most comfortable with. This tendency is the starting foundation for BSA criticism. Is your BSA program and team (1) forward-thinking to recognize the need for “new” and improved ways to control risk; or (2) operating in the traditional mindset of what worked yesterday will work tomorrow.

BSA issues may have a devastating effect on an institution. Capital is often restricted which in turn restricts lending. Growth strategies are placed on hold all because your AML program may not be keeping up with expectations. These ever-changing expectations are not written in stone either.

Here’s a few ways to Overcome and survive.

During your Exam -

A preemptive strike is warranted at times when your examiner may be citing exceptions that are not prescribed by regulation. Implementing best practices are not requirements of BSA. These practices may be beneficial for some but result in negligible results for others. Examiners are people and have different opinions regarding adequate controls and risk. If your examiner does not see eye-to-eye with Management; speak to your examiner-in-charge. Be sure your representative is equipped to adequately explain management’s point of view. Engage an industry expert to assist with communications when necessary.

When you suffer from examination findings -

Recognize and define what exactly is the challenge you face. Complete a root-cause analysis to identify underlying risks. An effective program should include primary and secondary controls. Consider whether you have secondary controls that may mitigate risk. Often secondary controls are those in existence for completely different purposes. Controls can serve dual purposes. Do you have effective controls to mitigate risk? Engage an industry expert to review your risks and controls. If your team overlooked risks or controls, are they independent and experienced enough to identify a sustainable solution? This investigation and results must be rolled-up into a risk assessment. Consider other risks and inter-related processes as well.

Evaluate the risk and controls by determining traditional and non-traditional solutions. Your examiners are seeking controls that mitigate risk. How you mitigate the risk is managements

decision. Seek out simple, non-complex solutions. Our instinct is to design an elaborate and complex set of controls to accomplish an objective. The easier, less complicated solution is most always your better alternative. Is Management independent enough to identify alternative, forward thinking solutions?

Remediation plans to satisfy your BSA issues -

Our nature is to provide an instant solution, a quick remedy, when asked to resolve or fix a problem. "We will accomplish these 10 objectives within 30 days." Management agrees to these tasks knowing that items # 4-6 are dependent on item #3. Often this is a poor plan. One missed deadline places your remediation in jeopardy. A better, more effective and fool proof solution is to establish a project plan with a shifting timeline to resolve issues. We will accomplish items 1-3 by X date. Once these tasks are complete, we will modify steps 4-6 accordingly. Management will provide your Agency an update to this issue monthly. Be realistic, and slightly liberal with your expectations. Provide your program time to season and ensure controls are effective. Ask your examiners for a general head-nod as you proceed through steps. It makes them feel like you are on top of things.

Closing thoughts -

It is far better to resolve a challenge over a longer length of time by implementing a sustainable solution; than to provide a quick solution that is not sustainable.

Conducting a risk & controls assessment, developing a sustainable remediation plan and remaining in contact with your Supervisory Agency builds your relationship. By maintaining this communication, your examiners will understand everything you have accomplished (before entering your institution). In turn your next examination will be much less burdensome.

Your next examination will most likely be more aggressive. Examiners will not only evaluate your solutions to the previous recommendations; but also expand their scope to determine whether other weaknesses exist. It is critical for Management to engage an industry expert (someone that has resolved issues for larger more complex institutions) to evaluate risks and controls across your AML program. In most instance, hiring the right expertise may get your institution on the right track within 4 – 6 months.

Call Ken Simmons, Compliance and AML Solutions, to prepare your program for a challenging examination; if you already know there are challenges with your program; or you need a solution to Overcome Supervisory criticism timely and effectively. Engaging the right AML Expert is the difference between success and long-term struggles.

www.AMLSolutionsExpert.com 65ksimmons@gmail.com 770-530-7690