

Alert

Federal Banking Regulators Issue Joint Statement on BSA/AML Compliance Program Examinations

August 1, 2019

On July 22, 2019, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency and the Financial Crimes Enforcement Network (“FinCEN”) (collectively, the “Agencies”) issued a joint statement reaffirming their risk-based approach to their examinations of banks’ Bank Secrecy Act/anti-money laundering (“BSA/AML”) compliance programs (“Joint Statement”).¹

The Joint Statement does not establish new requirements for banks, but emphasizes the Agencies’ ongoing commitment to risk-focused safety and soundness examinations. The Joint Statement is intended to increase transparency in the planning and performance of BSA/AML examinations.

BSA/AML Compliance Programs and Risk Profiles

The Joint Statement reiterates that banks are required to establish and maintain risk-based BSA/AML compliance programs to ensure compliance with the BSA. These programs are statutorily subject to review by federal banking agencies during each examination cycle. Each bank is examined based on its individual risk profile, in addition to the bank’s compliance with applicable laws and regulations, and the examination scope may therefore vary.

The Agencies advised against declining banking services to entire categories of risky customers and instead “encouraged” banks to mitigate risks with effective controls. A comprehensive risk assessment is a critical step in developing those controls.

Risk-Focused Examinations

The Joint Statement highlights that federal banking agencies gauge a bank’s individual risk profile in order to tailor the scope of the examination, as they tend to allocate more resources to higher risk areas. Factors contributing to this evaluation include the bank’s own BSA/AML risk assessment, independent audits and conclusions from previous examinations, among other information sources. The federal banking agencies may also contact the bank between examinations and consider the bank’s ability to identify, measure, monitor and control risk.

The Joint Statement is the third statement resulting from a working group formed by the U.S. Department of the Treasury’s Office of Terrorism and Financial Intelligence, FinCEN and the federal banking agencies, aimed at improving the effectiveness and efficiency of the BSA/AML regime in the United States. On Oct. 3, 2018, the Agencies issued an Interagency Statement on Sharing Bank Secrecy Act Resources, noting that depository institutions may enter into collaborative arrangements to share

¹ Joint Statement on Risk-Focused Bank Secrecy Act/Anti-Money Laundering Supervision (July 22, 2019), available [here](#).

resources to manage their BSA/AML compliance obligations more efficiently and effectively.² On Dec. 3, 2018, the Agencies issued a Joint Statement on Innovative Efforts to Combat Money Laundering and Terrorist Financing, emphasizing the importance of innovation in the private sector and the Agencies' commitment to engaging with banks in promoting such innovation.³

Authored by [Donald J. Mosher](#), [Joseph P. Vitale](#), [Betty Santangelo](#), [Melissa G.R. Goldstein](#) and [Malka Levitin](#).

If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the authors.

Schulte Roth & Zabel
New York | Washington DC | London
www.srz.com

This communication is issued by Schulte Roth & Zabel LLP for informational purposes only and does not constitute legal advice or establish an attorney-client relationship. In some jurisdictions, this publication may be considered attorney advertising. ©2019 Schulte Roth & Zabel LLP. All rights reserved. SCHULTE ROTH & ZABEL is the registered trademark of Schulte Roth & Zabel LLP.

² Interagency Statement on Sharing Bank Secrecy Act Resources (Oct. 3, 2018), available [here](#).

³ Joint Statement on Innovative Efforts to Combat Money Laundering and Terrorist Financing (Dec. 3, 2018), available [here](#).