

Regulators Encourage Lower-risk Banks to Join Forces for Bank Secrecy Act and AML Compliance

Thursday, October 11, 2018

On October 3, the Board of Governors of the Federal Reserve System (“Federal Reserve”), the Federal Deposit Insurance Corporation (“FDIC”), the National Credit Union Administration (“NCUA”), the Office of the Comptroller of the Currency (“OCC”), and the U.S. Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”) released an [Interagency Statement on Sharing Bank Secrecy Act Resources](#) (the “Statement”). The Statement encourages banks to consider entering into collaborative arrangements to manage their Bank Secrecy Act (“BSA”) and anti-money laundering (“AML”) compliance obligations. The Statement uses the BSA’s definition of “bank,” which includes each agent, agency, branch, or office within the United States of banks, savings associations, credit unions, and foreign banks.

In order to determine whether such collaborative arrangements are appropriate for a given bank, the Statement encourages banks to perform assessments of their illicit-finance risk. In general, however, banks with less complex operations (such as smaller, community-focused banks) face lower risks for money laundering or terrorist financing, and thus there is a greater opportunity for collaboration among such banks.

The Statement offers examples of and practical guidance for inter-bank collaboration on each of four areas of BSA/AML compliance: (1) internal controls, (2) compliance testing, (3) responsible individual(s), and (4) training of personnel. For example, on compliance testing, the Statement suggests that personnel at one bank might conduct BSA/AML compliance testing at another bank that lacks appropriate personnel of its own. Under such an arrangement, the Statement warns that the banks would need to take appropriate steps to ensure the confidentiality of sensitive information, and that the individuals conducting the compliance testing are sufficiently independent.

While the Statement highlights the benefits of collaborative arrangements—including cost savings, operational efficiencies, and the leveraging of expertise—it also warns that collaborative arrangements must be entered into with due diligence. For example, collaborative arrangements should be reduced to contractual agreements between the banks, which should be periodically reviewed by each bank’s management.

The statement is the latest in a line of regulatory guidance encouraging collaboration among community banks.

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Article By [Covington & Burling LLP](#)
[S. Burr Eckstut](#) [Cov Financial Services](#)

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