

How to Use This Manual

Sometimes bankers and their regulators can without conscience claim certain rules are open to interpretation and the course of action is less defined. There isn't much doubt or wiggle room, however, under the Bank Secrecy Act and anti-money laundering requirements. If the regulators have taken pains to identify with a certain level of precision products, services, customers, and geographies as "high risk," then bankers most certainly need to react in kind to take these prescribed high risks seriously. That means to purposefully and comprehensively assess exposure to these risks and minimize their effects.

The focus of the financial institution regulatory agencies' Bank Secrecy Act/anti-money laundering (BSA/AML) examinations is on risk. In particular, the examiners are looking for financial institutions' assessment of their own risk and the actions the institution takes to mitigate those risks. Especially important are those areas that are deemed to be high risk. Financial institutions are expected to identify those areas that are at high risk of being used by customers for terrorist activities, money laundering, or other illegal activities, and adopt strategies to mitigate those risks.

This manual is intended to provide you with the tools to help identify and address the areas that are most likely to be high risk for your particular institution. It starts with an overview of the Bank Secrecy Act requirements and then provides a sample matrix that can be used to help conduct a risk assessment. The manual then provides a discussion of each of the individual high-risk areas that have been identified by the financial institution regulatory agencies, grouped under the following headings:

- High-risk products and services
- High-risk customers
- High-risk geographies

Each of the high-risk areas is listed individually to make them easily accessible and identifiable. Institutions first need to determine which of these areas apply to them — there may very well be some high-risk areas the institution is not involved in at all. For each area there is a discussion of

the issues, the risk factors involved in those areas, and potential mitigation activities to address those risks. Institutions need to determine which of these risks are present in their institution and which mitigation strategies will best mitigate those risks.

Finally, this manual concludes with the section entitled “Lessons Learned from BSA Enforcement Actions.” This section discusses BSA-related enforcement actions taken by the federal government agencies. It then draws lessons learned from these enforcement actions that financial institutions can incorporate into their own BSA/AML programs.