

MEMORANDUM

To: Subscribers to *Customer Identification Programs: Compliance, Operations, and Audit*

From: Sheshunoff Information Services

Subject: Highlights

Enclosed is the most recent update to *Customer Identification Programs: Compliance, Operations, and Audit*. This manual continues to provide information on the CIP rules and section 326 of the USA PATRIOT Act, plus an analysis of how they relate to the BSA and anti-money laundering (AML) in general and to OFAC requirements. This update includes the following new discussions:

- *AML survey*. In Chapter 1, insights and concerns have been added from a Global Anti-Money Laundering Survey conducted in 2007 by a major international consulting firm as compared to a similar survey from 2004. The survey covered topics such as the role of senior management in AML issues; the costs of AML compliance; AML policies and procedures; formal monitoring of AML systems and controls; taking a risk based approach to Know Your Customer activity; politically exposed persons; transaction monitoring; training; attitudes toward regulation; and sanctions.

The following topics have also been addressed in Chapter 1 of this update:

- OCC Cuts BSA Exam Time at Small Banks
- Prepaid Cash Cards (Stored-Value Cards)
- Remote Deposit Capture (Reducing Losses)
- *Customer due diligence*. Risk-based client due diligence information has been added to Chapter 5 under Sample Customer Identification Program Procedures. This information is based on two FATF-GAF issuances. During the CIP and CDD process, customers that pose high money laundering or terrorist financing risks should be the subjects of enhanced CDD. If the CDD identifies a high-risk customer because of business activity, ownership structure, anticipated or actual volume and types of transactions. Your institution will obtain a more complete understanding of the customer by obtaining additional documents or information as listed in Chapter 5.
- *Enforcement actions*. Federal regulators issued a statement to eliminate uncertainty about what they expect in a solid, risk-based AML program. The guidance states that cease-and-desist (C&D) orders must be issued if a bank fails to establish a BSA compliance program or correct deficiencies noted in examinations. The severity of some deficiencies may not rise to the level of a C&D unless the deficiencies are so severe as to render the program ineffective when viewed as a whole. Insights regarding this topic are found in Chapter 9. Also in Chapter 9, a new spreadsheet of recent enforcement actions has been added to keep you informed of current climate.