

CPR

Compliance Professional Resources, LLC.

The Standard in Regulatory Compliance Services

10 Ways to Avoid an Enforcement Action

December 2009

Alfred Madrid



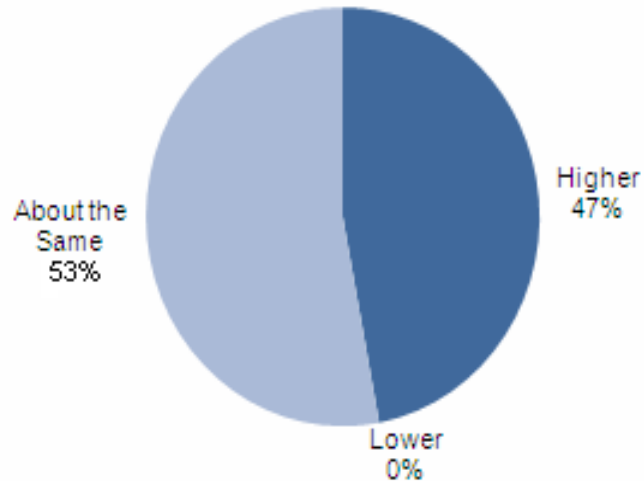
Industry Trending



Demand Trends

Q: Over the next three years, do you think anti-money laundering compliance demands will be higher, about the same, or lower than they are now?

n=17



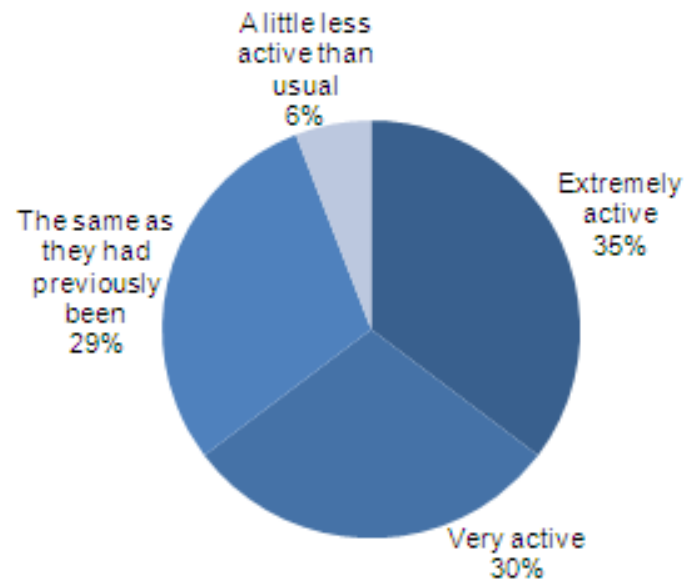
Source AITE

Demand Trends

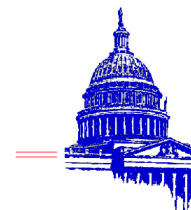
cont.

Q: Over the past 12 months how active do you think regulators have been in enforcing anti-money laundering regulations?

n=17



Source AITE

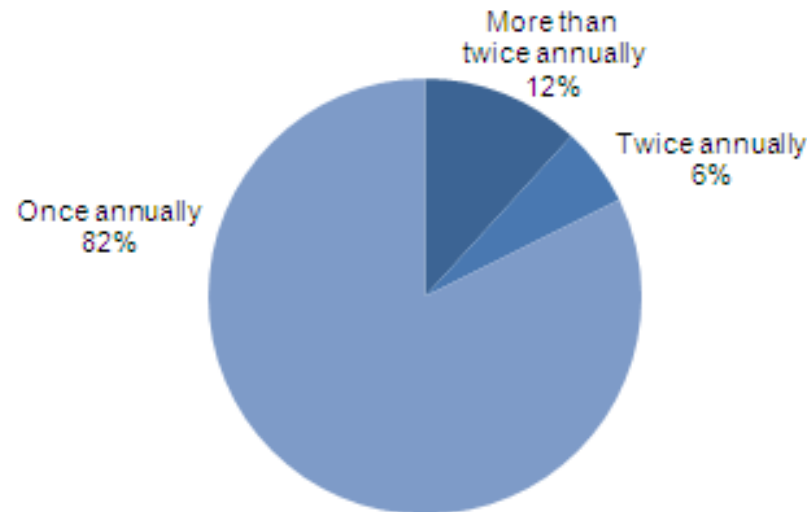


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Understanding Risk Levels cont.

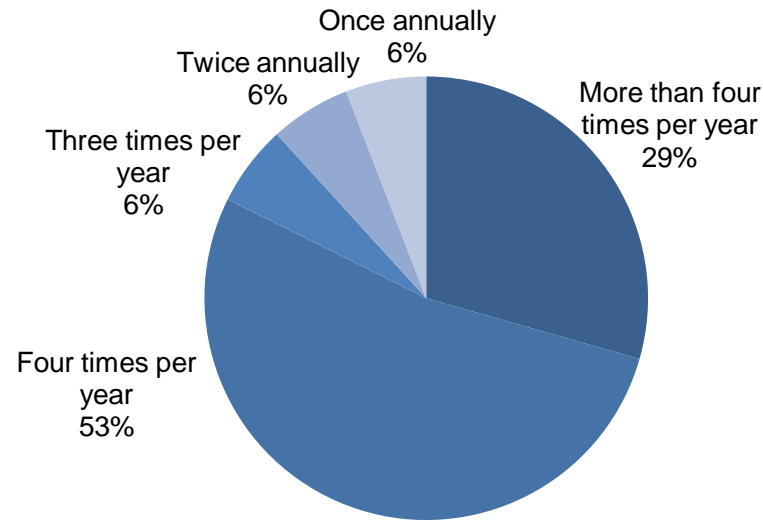
Q: How often does your institution conduct an anti-money laundering risk assessment?
n=17



Source AITE

Understanding Risk Levels cont.

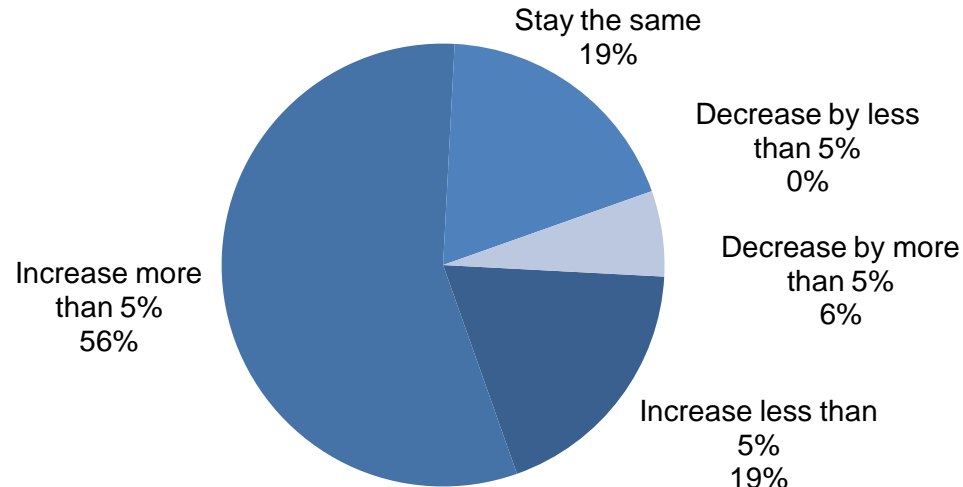
Q: On average, how often do you communicate with your board of directors to discuss AML policies and procedures, provide updates on AML compliance activities, etc.?



Source AITE

Staffing Changes

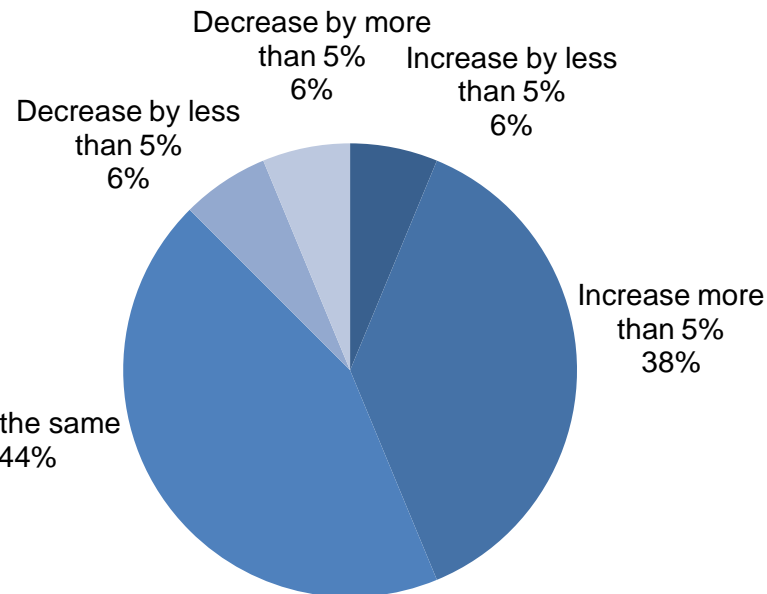
Q: In the next 24 months, to what degree do you anticipate your anti-money laundering budget spending on staff to change?



Source AITE

Technology Changes

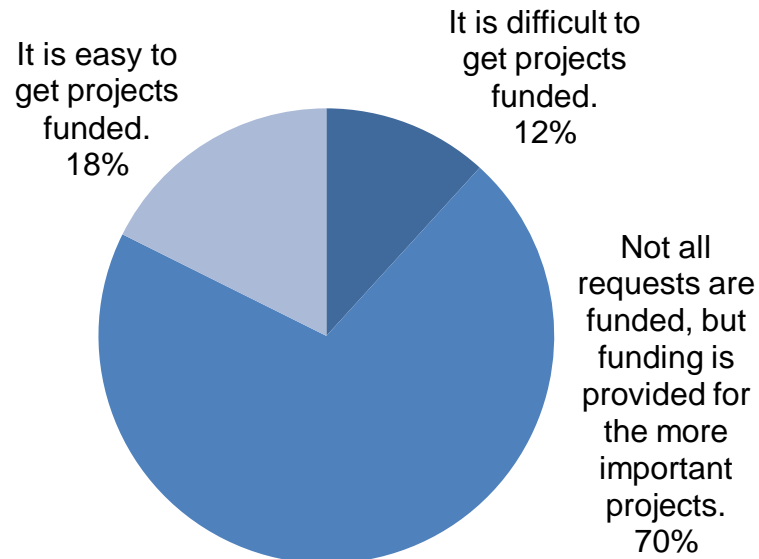
Q: In the next 24 months, to what degree do you anticipate your anti-money laundering budget spending on technology to change?



Source AITE

IT Budget

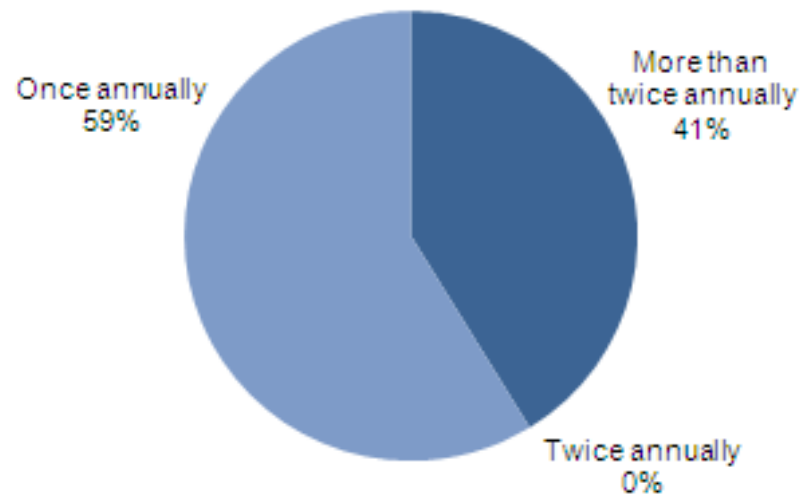
Q: How would you characterize your institution's views on funding anti-money laundering compliance technology initiatives?



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Understanding Risk Levels cont.

Q: How often is your anti-money laundering program
and/or policies and procedures evaluated?
n=17



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Always address the recommendations of the regulators

- All recommendations must be dealt with
- However small or insignificant you may think they are
- Failure to adhere to a recommendation will come back to haunt you later

Upgrade your AML Technology

- All AML vendors provide sound changes in major releases
- Most changes are better ways to detect suspicious activity
- Many are based upon peer best practices
- But many are also based upon regulator recommendations

Maximize the technology you have

- Most AML technology has extensive capabilities
- There are many essential capabilities that can be configured to fit your business environment
- Too many FI's underutilize the technology
- Underutilization is a red flag to regulators

AML Gap Assessment

- Regulations are always tweaked and modified
- Examiners expectations change as well
- You should get an annual AML Gap assessment
- Qualified 3rd party consultants will be able to determine where gaps exist in your program

Honing of BSA and OFAC Algorithms

- This must be addressed each year
- Because client mix changes
- Customer activity changes
- Regulators are good at understanding the various technologies that exist
- In the long run this will save you money

Address all understaffing issues

- Regulators are critical about understaffing
- Compliance Officers must insist that they get the correct amount of staffing
- Understaffing leads to overwhelming workloads and possible human error

Risk Assessments

- Accurate risk assessments must be performed
- All business lines need to be looked at and reassessed
- Outside consultants can give you a global view of risk

Training

- Needs to be done every year
- Must be up to date
- Everyone must take it, even executives
- A test with a Pass/Fail grade must be done
- Consider using outside companies instead of internal resources

Educate yourself and understand what your peers are doing

- You must go to critical conferences
- Become a member of a local compliance group
- Read all critical trade journals

Error on the side of being conservative

- You should go the extra mile
- Add the extra work and scrutiny to a process --- it will pay dividends in the end
- Stop playing "Regulatory Roulette"