

## **BSA COMPLIANCE---SITTING STILL NOT AN OPTION!**

Understanding the inherent risks in a financial institution's market is critical, and constructing a BSA risk assessment that fits that market is a major challenge. Developing an aligned program in terms of client base, market conditions, and local knowledge is a big undertaking.

Once the program has been structured, customer acceptance policy developed, front line personnel trained, frequency of monitoring reports established, back office staff adequately prepared to carry out their 'checks and balances' responsibilities, it would seem like there's nothing else for a Compliance Officer to do beyond simply overseeing activities and reporting results to senior management. Does that sound about right to you? If your answer is yes, let me just remind you of the fact that, as time goes by, scrutiny by the government on financial institutions in terms of preventing and detecting crimes has only increased. Therefore, your job of keeping up with the new challenges in the BSA/AML world becomes even more crucial.

One of the major obstacles for an established financial institution nowadays is not the structuring of a sound and comprehensive program but rather the difficulty of keeping it current. Overall demands change throughout the years and emanate from different fronts – customers, business partners, regulators. In response to such a demanding environment, the monitoring of schedules, systems, and especially people has to adapt. The current economic turmoil coupled with the speed of technology offerings and heightened demands for consumer transparency has imposed new challenges for financial institutions that are already dealing with existing regulatory burdens.

Some of the current issues that may impact your program and therefore merit your close attention are:

### **INTERNATIONAL ACH TRANSACTIONS**

International ACH Transactions – IAT – is a new standard class entry code that establishes a new format for all ACH payments entering or exiting the U.S. It will be used for both consumer and corporate international ACH credits and debits. The major impacts to financial institutions include the requirement to identify data elements as defined by the Bank Secrecy Act's "Travel Rule", OFAC screening, and identification of indicators to help financial institutions identify suspicious payments.

### **SWIFT**

The use of cover payments (MT202), where the details of the beneficiary and originator were not usually provided, represented a significant risk. To allow for increased transparency, a new variation of SWIFT message type, MT202 COV, is being introduced and contains mandatory information fields for both the originator and beneficiary of a payment. Impact points include filtering criteria and operational workflows to ensure that sender/ beneficiary information on all cover payments are being checked.

### **REMOTE DEPOSIT CAPTURE**

This service provides a means of depositing checks by first scanning them and then transmitting the digitalized image to a financial institution. The risk of transmission of fraudulent monetary instruments is increased and therefore should be recognized by financial institutions with mitigating controls put in place.

## **MOBILE PHONE PAYMENT**

This is essentially a point of sale payment made through a mobile device such as a cellular phone or a personal digital assistant (PDA). Mobile phone payment technology will change the way consumers pay for goods and services, receive compensation, save and spend money, and send money abroad. However, the added convenience also elevates the potential for criminal activity. Although these service providers in the United States are classified as money service businesses and, in theory, must register with the Financial Crimes Enforcement Network (FinCEN), new regulations and guidance are expected in order to countermand the threats posed by abuse of mobile payments.

## **INTERNET GAMBLING**

The new regulation GG requires U.S. financial firms that participate in designated payment systems to establish and implement policies and procedures reasonably designed to prevent payments that are linked to unlawful internet gambling. Compliance with the rule requires increased due diligence and monitoring efforts to ensure that your institution identifies, blocks or otherwise prevents the acceptance of such transactions.

## **CONCLUSION**

In sum, your risk assessment process has to be a dynamic one. Keeping abreast of new regulations, requirements and therefore new risks posed to your institution is a must. Your efforts in building a comprehensive program will be rendered futile if you neglect to adapt your monitoring schedule to encompass new service offerings, a different class of customers serviced by your bank or new forms of account access available. Being alert is your best weapon!