

COME TOGETHER--RIGHT NOW

This week John takes on two topics: the melding of BSA and anti-fraud functions and an advocacy group's proposal for a middle way solution to the needs of the unbanked

The title of this Beatles classic carries a message for bankers in multiple functions in many organizations today.

In keeping with my strong support for merging AML and fraud deterrence functions in the same organization—in both the private or public sector, I spent some time last week at a “security process improvement workshop,” organized by the well-known security firm ADT.

The meeting included experts in physical security, business continuity, and financial crime. Spending several days with these leaders in corporate security reminded me of past days at ABA, when the association had a corporate security committee. The committee’s members were very interested in a wide array of regulatory and legislative issues that impacted fraud prevention, regardless of where in the bank it was covered.

The recent meeting confirmed my belief of both 1. the need for AML and fraud experts to work together, 2. and how it is still not happening today.

A quick scan of the audience I spoke to (I covered AML hot topics) showed that less than 5% of the audience had AML/BSA duties. These “silos” must be broken down, and it was clear from this audience of security officers that they were interested in being part of AML prevention solutions and didn’t simply say, “it doesn’t impact my area.”

Other highlights from the workshop included a presentation from a convicted bank robber, now a counselor at a state correctional institution, who discussed the “value” of preparation and planning and how he was only captured when his planning was incomplete. There were sessions on pandemics, security information sharing (such as the website www.BankBandits.org); the need for adequate metrics to assess security effectiveness; and the dramatic problem of ATM skimming.

On the last point, a representative from the U.S. Secret Service, along with his panelists, described:

- ATM skimming red flags (noting that Federal Reserve District Banks report ATM skimming statistics),

- Key statistics, such as this one: a single skimming device placed on an ATM typically costs \$33,000 in losses; and

- Law enforcement projects ATM skimming to be the fastest growing cyber-crime among financial institutions.

Completing a very compelling several days was a discussion on workplace violence that delved into personality traits of psychopaths (a surprising list that seems more common than you might think) that oftentimes can lead to acts as devastating as some terrorist attacks, as well as a discussion of the FS-ISAC (Financial Service & Information Sharing and Analysis Center), a 4,100 member organization designed to address cyber threats.

Should these topics be covered in AML events? No doubt!

[For more about the coming together of BSA/AML and fraud detection and prevention in banks, including further commentary from John Byrne, see the November 2009 Compliance Clinic in ABA Banking Journal. You can check your bank's print copy, or read it right now in the Digital Magazine.]

Thinking Outside the Box or Simply Causing More Problems?

One of the things I have enjoyed about the Bank Secrecy Act area, over the years, is the opportunity to debate the effectiveness of the various laws and regulations imposed on financial institutions and their customers.

As many of you know, I believed back in the 1980s, and continue to today, that the cash transaction reporting regime should be modified to reflect new technology and utility of information. Of course, if you are to debate a policy position, you need to be able to “count votes” and so it is clear to me that dramatic change will not occur.

I mention that old debate not only because it never completely goes away, but also because I wanted to offer another BSA-related issue that has surfaced that reminds me that this is an area that is continually evolving.

A banker friend recently wrote me that the following may be a good topic for this blog, someday. Let me offer that I have no position (yet) on this issue, but wanted to put this out there for comment. Here goes:

An organization called the “New America Foundation,” which describes itself as “a nonprofit, nonpartisan public policy institute that invests in new thinkers and new ideas to address the next generation of challenges facing the United States”(www.newamerica.net) has announced the “Passageway Account Proposal.”

According to the introduction to a position paper from the group:

“There are 40 million persons living in the U.S. who lack a bank account. Many of these ‘unbanked’ individuals lack sufficient identification necessary to meet banks' customer identification verification procedures, which are required by the Bank Secrecy (BSA) and USA PATRIOT Acts. Research shows that insufficient identification is one of the top three reasons for account denial and that customers who are denied a bank account once often do not return to a bank again.”

The Foundation, believing this is a problem that needs to be remedied (which, of course, may be true), recommends "a potential policy solution to help address the identification issues that prevent millions of individuals from accessing a traditional deposit account." The solution, a "Passageway Account," is a restricted deposit account that could be offered when a customer holds basic identification information, "but not enough to pass the bank's standard Customer Identification Program (CIP) protocol."

The foundation goes on to suggest that "Federal banking regulators could encourage financial institutions to offer these accounts in order to provide unbanked consumers with a gateway product to the traditional banking sector."

The organization is aware of the money-laundering related risks. It suggests that this "Passageway Account" provides a secure way for banks to establish relationships with customers with limited identification documents and that "Banks will come to know their Passageway Account customers through observing transactions, which would ultimately be used to graduate them to traditional deposit accounts."

Review all the information on the group's website and please send me your thoughts and comments, or post them below.

About John Byrne, CAMS

Byrne leads Condor Consulting LLC, a Washington, D.C., area financial services consulting firm specializing in regulatory management, AML, privacy, and a vast array of financial institution compliance related issues. He has written extensively on AML issues for 25 years and has appeared on television and testified before many congressional committees on AML-related policy issues. Prior to the creation of his firm, John was the Global Regulatory Relations Executive at Bank of America. Previously, he worked for the American Bankers Association for 22 years and was responsible for ABA's lobbying, regulatory, and educational efforts on money laundering, and other compliance issues. He received the ABA's Distinguished Services Award and was also the first private sector recipient of the "Director's Medal for Exceptional Service" from the Treasury Department's Financial Crimes Enforcement Network (FinCEN). Byrne can be e-mailed at jbyrne@thecondorconsultingllc.com. His web page can be found at www.thecondorconsultingllc.com

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