

WORLD GONE CRAZY*: FEDS SEND ODD, DIRECT MESSAGE AT KEY INDUSTRY AML CONFERENCE

DOJ official's AML "shot across the bows" causes concern and head-scratching

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My all-time favorite group (see below) has been making music for over 40 years and just released its first CD in ten years. Similar to the ABA/ABA Money Laundering Enforcement Conference, the group has lasted this long because of a strong, loyal following, playing familiar songs, but also adding new music to keep them fresh.

This year's program followed that playbook-covering familiar topics such as managing examinations; working with money service businesses; and lessons learned from recent regulatory enforcement actions.

However, the speakers also addressed the Foreign Corrupt Practices Act (FCPA), an old law, but new to some AML officials; risk assessment processes for new products; and several robust discussions of the horrific crime of human trafficking.

AML officers and attorneys attending the ABA/ABA Money Laundering Enforcement Conference heard a "shot across the bows" from Lanny Breuer, assistant attorney general, criminal division, Department of Justice.

Clearly the audience was engaged and interested in these topics (more later on the last issue) but there was a speech by Assistant Attorney General Lanny Breuer that clearly shocked the audience.

Shot across the bow

Breuer said all the right things about partnering with the private sector and the importance of compliance (something the industry knows full well in 2010) but much of the speech was a clear shot across the bow.

In fact, to many in the room, Breuer's speech seemed strikingly similar to the government threats against negligent banks in the late 1980s and early 1990s.

While it is indeed true that there have been several recent dramatic violations of the Bank Secrecy Act, many regulators continue to point out that enforcement actions are few and far between because banks and other financial institutions have mature AML programs.

Yet Breuer warned banks to cooperate with prosecutors and announced the creation of the Money Laundering and Bank Integrity Unit within the Criminal Division's Asset Forfeiture and Money Laundering Section.

He added that the new unit will focus on three specific types of violators:

- Financial institutions, including their officers, managers, and employees, when their actions violate the law.

- Professional money launderers who sell their services to criminal organizations.

- Those engaged in using the latest and most sophisticated money-laundering techniques, such as virtual currency and mobile payment systems.

It is comforting that the Justice Department will be looking at new techniques, since the industry continues to seek support to better understand AML vulnerabilities in these new delivery mechanisms. As far as the understandable focus on individual violators of the money-laundering statutes, the DOJ emphasis should make senior management understand the importance of resources dedicated to AML/Sanctions/Financial Crime prevention.

However, I can't help but wonder, what precipitated that message to a committed industry "that financial institutions simply cannot cut corners on compliance."

To read the entire speech—and you should—click here.

AML regulators offer rationale advice

A mainstay of this conference is the "Ask the Regulators" panel, where emerging trends and hot topics are covered. While there were no earth-shattering pronouncements, the panel brought up a number of points for the audience, including:

- Do not outsource supervisory responsibilities.

- Banks are pulling bank from outsourcing some of their activities.

- Banks continue to be rely on some weak (or not updated) risk assessments

- Change in the Mexico cash reporting rules resulted in monies going to other jurisdictions.

- The Securities and Exchange Commission is seeing gaps in AML with their financial institutions

SAR trends-more evidence of the need to stay current with technology

Treasury's FinCEN participated in a Sunday session with the FBI and Immigrations and Customs Enforcement section, and provided the audience with useful information such as studies in the pipeline on prepaid access and remote deposit capture; information that prepaid cards are now being used by criminals for narcotics sales; and an assessment of the

increase in life insurance fraud (so-called "stranger-owned life insurance").

Human trafficking: What can we do?

Keeping current with new methods of criminal activity, or old methods being more frequently introduced into the financial sector, remains a constant challenge for the AML community.

On the first full day of the ABA program there were several sessions dedicated to the horrific crime of human trafficking.

It was obvious that the attendees were moved by the presentation of Alice Hill, the Senior Counselor to Department of Homeland Security Secretary Janet Napolitano. Hill explained the agency's work in this area and how this tragic activity is global (800,000 people trafficked each year) and covers forced labor as well as prostitution. Hill stated that close to 50% of people trafficked are children.

To read more about the efforts to prevent, detect and report this crime, [click here](#).

I have always been proud to be a member of the AML community, but never as much as when we are faced with a challenge such as narcotics trafficking, terrorism, and now human trafficking. The community will respond as they always do, with commitment and dedication.

The world has gone crazy-but we're keeping our eye on the ball.

* The Doobie Brothers new CD, released last month.

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- About John Byrne, CAMS
Byrne is Executive Vice-President of the Association of Certified Anti-Money Laundering Specialists (ACAMS). 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 joining ACAMS, John was the Global Regulatory Relations Executive at Bank of America. Previous to that, 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@acams.org.

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- FORMER LAUNDERER'S DUE DILIGENCE TIPS ON TAP: Banking lawyer-turned-launderer-turned-consultant Ken Rijock warns bankers never to reveal reasons when turning down prospective customers. Read his tips given at ABA's 2010 Regulatory Compliance Conference

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HELPFUL LINKS: 2010 American Bankers Association/American Bar Association Money Laundering Enforcement Conference: This longtime favorite of the compliance fraternity was recently held. For those unable to make it to the live conference, recordings, synched to PowerPoints, are available in multiple formats. [Click here](#) for details from ABA's audiovisual vendor.