



Risk-Managed Internal Audit and Credit Review Expertise

NEWS

AuditOne Advisory: BSA Trends January 2020

AuditOne, LLC

May 8, 2020

AuditOne Advisory

From Bud Genovese, Chairman

This advisory contains our first BSA Bulletin. Our intention is to publish the Bulletin on a semiannual basis so as to provide BSA professionals with a timely resource for changes in the BSA/AML environment. Our BSA Practice Director, Kevin K. Watson, will summarize recent regulatory communications and also share our insights obtained by extensive and ongoing experience providing BSA audit and AML system validation services to a sizable client base of financial institutions. I hope you find this article useful – please share with your colleagues having responsibilities related to BSA/ AML compliance in this area, thank you, – Bud

BSA BULLETIN – JANUARY 2020

This document summarizes recent regulatory communications pertaining to The Bank Secrecy Act and other Anti-Money Laundering laws, regulations and guidelines. The types of entities that are generally covered by those communications are presented in italics where applicable. We also present our observations of recent trends in the industry based on our experience reading examination reports and enforcement orders, discussions with clients and industry professionals and keeping tabs on industry publications and media events.

Regulatory Communications

- Kenneth Blanco, FinCEN Director, Presentation at the American Bankers Association/ American Bar Association Conference on Financial Crimes Enforcement, December 2019
- Emphasis was placed on the increasing trend of SAR filings associated with convertible virtual currency (CVC). FIN-2019-A003 addresses those in significant detail. Some of the more prominent are as follows.
- Virtual currency exchanges identifying potential unregistered, foreign located MSBs, particularly Venezuela based peer to peer exchangers.

- Customers conducting transactions with CVC addresses linked to darknet marketplaces.
- CVC kiosk operators have reported activity indicative of scam victims, particularly with new customers having limited knowledge of CVC, such as the elderly.
- FFIEC, 12/3/19, Providing Financial Services to Customers Engaged in Hemp-Related Businesses. (*banks, credit unions and U.S. offices of foreign banks*)
- FinCEN, 11/8/19, Reissuance of Real Estate Geographic Targeting Orders for 12 Metropolitan Areas (*title companies*)
- Joint Statement – CFTC, FinCEN, SEC, 10/11/19, Joint Statement on Activities Involving Digital Assets (*banks, credit unions, U.S. offices of foreign banks, MSBs, broker/dealers, mutual funds*)
- 31 CFR Part 1010, 11/4/19, Imposition of Fifth Special Measure Against the Islamic Republic of Iran as a Jurisdiction of Primary Money Laundering Concern (*all U.S. businesses and individuals*)
- Conference of State Bank Supervisors, 9/16/19 – CSBS Cannabis Job Aid (*state chartered financial institutions*)
- FIN-2019-A006, 8/21/19 – Advisory to FIs on Illicit Financial Schemes and Methods Related to the Trafficking of Fentanyl and Other Synthetic Opioids (*all financial institutions*)
- FIN-2019-A003, 5/9/19 – Advisory on Illicit Activity Involving Convertible Virtual Currency (*all FinCEN regulated financial institutions*)

Trends

- We have noticed increased focus by regulatory examiners on independent testing (audit) reports and workpapers over the past few years. Being one of the five pillars, this emphasis is understandable. We applaud this effort as it contributes to enhanced quality of audit work and reduces the risk that a financial institution receives an audit that is not consistent with the level of risk. Some of the major themes are as follows.
- Enhanced due diligence of high risk customers should be sufficiently documented. Some areas of examiner concern have been the following.
- Inadequate coverage of complex customers
- Lack of comparison of actual to expected activity
- Lack of global analysis. Review should be documented at both the account and customer (global) level.

Advice

- Pay particular attention to regulatory pronouncements and communications as they signal those matters that will be of primary focus during upcoming examinations. Based on that, we expect FIs to have monitoring procedures in place for suspicious CVC activity.

- Use the CSBS Cannabis Job Aid as a reference resource for those states where your FI is operating.

AuditOne LLC – Company Overview

AuditOne LLC is a leading provider of risk management services to financial institutions in the Western US and nationally. Our sole focus enables us to deliver effective and efficient internal audit and credit review services. This exclusive focus translates into exceptional benefits to our financial institution clients. We have experience with all regulatory authorities and offer a full selection of audit services comprising BSA/Anti-Money Laundering Program, Automated AML System Validation, Asset/Liability Management (ALM) and IRR Audits, ADA Website Compliance Reviews, IT/Information Security/Cybersecurity, Network Penetration Tests, Credit Review/ALLL, ACH Rules Compliance, Operations, Trust Audits, SOX/FDICIA Testing, and many specialty areas within each of these.

Our deep expertise is your edge. For more information on this article, or to receive a proposal for an Automated AML System Validation or BSA/ Anti-Money Laundering Program audit please contact Kevin K. Watson, BSA Practice Director, AuditOne LLC, at: [Contact Us](#).

For information on how our services can help reduce risk at your institution, contact Jeremy Taylor, CEO, at: [Contact Us](#). Also, for more information about AuditOne LLC and all our audit services see www.AuditOneLLC.com.

AuditOne has been [audited for compliance](#) with the QAR requirements of the Institute for Internal Auditors (IIA).

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