

AML COMPLIANCE

Alert

PATRIOT Act, Bank Secrecy Act, OFAC, NCCTs, Terrorism Financing and More

Vol. 3, No. 11 Pages 81 - 89

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Patriot Act Primer:

Shaky Correspondent Account Controls Add Up To \$12 Million For Israel Discount Bank. If you're a little iffy on Section 312 requirements for non-U.S. correspondent accounts, FinCEN has given you a multi-million dollar reason to sit up and take notice. See how this bank ran into trouble and discover ways to steer clear of the enforcement net. (Page 82)

Patriot Act Bonus:

Keep Your FFIEC Wire Transfer Red Flags Close At Hand. Correspondent banking wasn't the only pitfall that **Israel Discount** stumbled into. Billions in questionable cross-border wire transfers also caught regulators' attention. (Page 83)

Mortgage Fraud Quiz:

Your Detection Efforts Must Keep Pace With Skyrocketing Mortgage Fraud. Even bankers may have trouble digesting the magnitude of a 1,411 percent leap in mortgage loan fraud since 1997. Find out if your loan personnel and compliance officers know how to spot a fishy application — give them our Mortgage Fraud Quiz. (Page 84)

Reader Question:

Due Diligence Applies To Your Career Investments Too. A new anti-money laundering certification has made its way onto the professional marketplace. But before you start studying up for an exam, take stock of your own career goals to choose the best course of action. (Page 86)

Mutual Funds:

Mutual Funds Start FY07 With SAR Reporting Requirements. Misery loves company. Now you have a whole new industry to share your SAR burden. While SAR reporting is not new ground for most financial institutions, FinCEN's new guidance for mutual funds may help you patch up any holes in your well-worn SAR procedures. (Page 86)

Industry Notes:

Feds Bust 26 For Laundering Colombian Drug Money White As Snow. The dangerous black market peso exchange stretches farther than you might think. This NY-based money laundering ring — which was caught with more than \$16 million in cash and drugs — bridged three continents. (Page 87)

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The hard line: Because of the many risks associated with wire transfers, numerous banks are taking a “better safe than sorry” approach to protect their compliance. “Many financial institutions have implemented policy that prohibits wire transfers for non-customers. In addition, banks are requiring their customers to deposit funds into

their account before the wire transfer is executed,” says **Lyndon Ford**, senior compliance consultant for **Wolters Kluwer Financial Services**, based in St. Cloud, MN.

Editor’s note: You can find the entire assessment of the Israel Discount action at www.fincen.gov/fincen_assessment_of_civil_money_penalty.pdf. ■

READER QUESTION

Due Diligence Applies To Your Career Investments Too

Question: I have heard that there is a new professional certification for AML officers. Do you know anything about it, and how does it measure up to the CAMS (Certified Anti-Money Laundering Specialist) designation?

Answer: The **Bank Administration Institute**, better known as **BAI**, has recently announced the development of the Anti-Money Laundering Professional (AMLPL) certification. How this new designation compares to CAMS — or any other professional certification — will largely depend on your individual career goals and interests.

The basics: BAI has been offering training and education to banking professionals for a number of years. The AMLPL designation is geared to professionals who have completed a Bachelor’s degree and at least three years of work experience in the fields of AML, BSA, Suspicious Activity Reporting, OFAC and the USA Patriot Act. Each successful AMLPL candidate must pass a 150 multiple-choice question proficiency exam with a score of 70 percent or higher, in addition to submitting a letter of recommendation, resume and signed ethical standards agreement.

Opportunity: The BAI is also offering a one-time grandfather provision that gives exam exemption to AML professionals who can formally attest to more than 10 years of field experience. However, this exception is only available during the first certification year — until October 31, 2007.

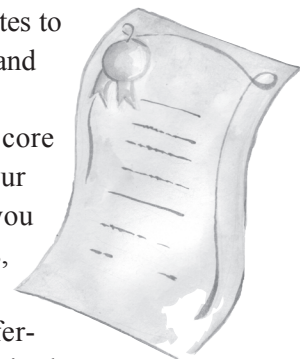
Key difference: In contrast to the new AMLPL certification, the CAMS designation does not specifically require completion of a Bachelor’s degree. Instead, the point-based

eligibility system permits candidates to substitute professional education and experience for a formal degree.

Aside from considering this core prerequisite, you should base your certification decisions on what you want to do with your credentials, where you would like to work and the relative reception of different certifications within your desired career path, advises **Kenneth L. Bryant, MSCJ, CPP, CFE, CRP, CAMS, COMP, AML, FCoI.**, managing director of **Bryant & Associates, LLC**.

Consider some of the following factors as good areas to begin due diligence into the strengths or weaknesses of any certification program:

- ✓ Research a certification’s professional recognition within your targeted specialty or geographic area. For example, “there are AML certifications that require 12-18 months of coursework including in-person workshops, several essay exams and research papers in addition to verification of your education, experience and references. International financial institutions recognize some of these designations more widely than a CAMS designation,” but a domestic audience might remain unfamiliar with these certifications, says Bryant. Therefore your desired job location may be your certification deciding factor.



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- ✓ Avoid credentialing processes that allow good test taking skills to overshadow experience, advises Bryant. Regardless of the letters that follow your name, employers will look for real-world experience before entrusting you with their compliance needs.
- ✓ You may also want to look for credentialing organizations that are not-for-profit, as this factor can greatly impact the credential's quality, adds Bryant.

Bottom line: Before investing significant time and money in any professional designation, do your homework.

“Realize that there are choices in the marketplace, and you can tailor your professional certifications to where you are in your career, where you want to go and what your employer or client base will recognize,” summarizes Bryant. ■

MUTUAL FUNDS

Mutual Funds Start FY07 With SAR Reporting Requirements

► *New FinCEN guidance can give you a good brush-up course on your own SAR procedures*

If your suspicious activity reporting duties seem to engulf your entire day, you have new allies who can commiserate with you. As of October 31, 2006, mutual funds have to share in the SAR fun.

The SAR reporting requirement for mutual funds was officially announced in the May 4, 2006 *Federal Register* and is detailed in BSA regulation 31 C.F.R. § 103.15. However, mutual funds are not entirely new to the AML world. Since May of 2003, they have had to join other financial institutions in developing and implementing anti-money laundering programs.

To assist mutual funds in meeting their new SAR reporting requirements, FinCEN has issued guidance in the form of frequently-asked questions. The agency hopes that this guidance format will set forth the basic principles of SAR reporting while also exposing funds officers to real-life scenarios. FinCEN advises mutual funds to report transactions of \$5,000 or more if they suspect that the transaction:

- ❖ Involves funds derived from illegal activity or is intended or conducted to hide or disguise funds or assets derived from illegal activity;
- ❖ Is designed, whether through structuring or other means, to evade the requirements of the Bank Secrecy Act;
- ❖ Has no business (including investment) or other apparent lawful purpose or is not the sort of transaction in which the particular customer would be expected to engage, and for which the mutual fund knows of no reasonable explanation after examining the available facts, including the background and possible purpose of the transaction; or
- ❖ Involves the use of the mutual fund to facilitate criminal activity, including those transactions in which legally derived funds are used for criminal activity.

For other questions, FinCEN encourages mutual funds to contact the FinCEN Regulatory Helpline at 800-949-2732 for assistance in meeting their reporting obligation.

Editor's note: You can access FinCEN's SAR guidance at www.fincen.gov/guidance_faqs_sar_10042006.pdf. ■

INDUSTRY NOTES

► FEDS BUST 26 FOR LAUNDERING COLOMBIAN DRUG MONEY WHITE AS SNOW

Twenty-six recent arrests for money laundering activities spanned New York, New Jersey, Florida, London and the Colombian cities of Bogota and Cali. According to U.S. Attorney **Michael Garcia** the suspects are accused of laundering money through an illegal black market peso exchange.

How it worked: The *Washington Times* reported that suspects allegedly used “peso brokers” to help drug traffickers trade U.S. dollars for pesos. The pesos were supplied by Colombian businesspeople looking to purchase U.S. dollars outside of the Colombian banking system. According to Garcia, the majority of this activity was conducted through verbal agreements, largely leaving the feds without a paper trail for investigation or prosecution.

At the time of the arrests, federal agents seized more than \$10 million in cash and approximately \$6.5 million worth of cocaine, heroin and marijuana. If convicted, the suspects could each face 20 years in prison, according to Garcia.

► OCC ORDERS COLORADO BANK TO CEASE AND DESIST THANKS TO BSA VIOLATIONS

First Bank United of Englewood, Colorado found itself paralyzed by a Cease and Desist Order when the Office of the Comptroller of the Currency (OCC) cited unsafe and unsound banking practices relating to Bank Secrecy Act violations — among other shortfalls.

The Cease and Desist Order gave First United 30 days to perform a comprehensive BSA risk assessment including product, customer and geographic risk identifications. The following tasks also top the bank’s OCC-required to do list:

- ◆ The adoption and implementation of formal BSA policies and procedures;
- ◆ The appointment of a BSA officer;
- ◆ Comprehensive BSA internal training for all appropriate operational and supervisory staff; and
- ◆ The establishment of internal controls and an external audit.

In addition to BSA violations, First Bank will also need to rectify violations of consumer laws and appraisal regulations before re-opening for business. ■



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