Life After Remediation:
Building a Sustainable Bank Secrecy Act and Anti-Money Laundering Program
Many financial institutions have conducted large scale look-back and remediation projects relating to the Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) legislation in order to satisfy increasing regulatory scrutiny. We feel these initiatives have required senior management involvement and significantly impacted operations and compliance budgets. We have observed that the staffing, the reporting, the audits and results of these projects have taken precedence over business as usual, especially when considering regulatory-driven compliance expectations. The good news is that remediation and look-back projects will come to an end as Matters Requiring Immediate Attention (MRIAs) and Matters Requiring Attention (MRAs) are closed. But what happens next?

An organization’s BSA and AML regulators are unlikely to close out that consent order or close the final paragraphs of a Memorandum of Understanding (MOU) if the organization cannot demonstrate clear program sustainability. Accenture can help financial institutions assess AML capabilities versus the industry, identify strengths and weaknesses, target poor capability for future state improvements and develop a roadmap. Accenture’s AML subject matter advisors can evaluate the key components of an organization’s BSA/AML program using our AML Compliance Health Check tool. Accenture’s AML diagnostic tool is a framework underpinned by an inventory of leading practices, which facilitates a robust comparative assessment of the maturity level of a company’s AML capabilities.

This paper will explain the key components and considerations that a financial institution should take into account when building a sustainable BSA/AML program.

The key components include:

1. Risk-based approach to efficiently organize the financial institution’s operations and compliance resources
2. Efficient operating model to support the day-to-day functionality of prevention and detection activities
3. Internal controls to mitigate risks associated with business operations
4. Governance and change management for management oversight and control
5. Independent testing and audit to detect issues and create catalysts for change
6. Talent management to strengthen organizational awareness of emerging AML trends
A financial institution’s BSA/AML risk assessment forms the basis for the risk-based approach (RBA). The RBA helps drive the institution’s compliance resource allocation, internal controls strategy, system structures, and enables an organization to focus on higher risk areas. In our view, RBA is a requirement for an effective and sustainable BSA/AML program.

If a financial institution’s risk assessment is not an accurate depiction of the organization’s money laundering risk, then the RBA will be ineffective as this could expose the organization to possible money laundering breaches, look-back remediation, regulatory penalties and reputational damage.

To avoid inaccurate risk assessments, organizations should consider the following steps:

- The risk assessment’s scope should be robust and include, but not limited to: the type, scale and complexity of the business, the products and services sold, target markets, high risk customers, jurisdiction exposure, distribution channels, transaction size and volumes as compared to historic trends, systems, major organizational changes, and compliance testing, audit and regulatory findings.
- The risk assessment should include as much information as is obtainable to provide a clear and accurate assessment.

Both internal and external resources should be utilized, such as business leads, relationship managers, international organizational reports, national risk assessments, and reports from the Financial Action Task Force (FATF) to accurately depict the organization.

- Risk assessments should be conducted every twelve to eighteen months in order to encompass any changes in the organization.

An organization’s RBA can help Operations and Compliance to determine the most efficient BSA/AML operating model and to support the day-to-day functionality of the BSA/AML program.
BSA/AML compliance has been a clear focus for financial institutions and creating the most efficient operating model to support BSA/AML compliance is in our view essential to the sustainability of the program. A BSA/AML operating model is comprised of 5 key areas: (i) onboarding and periodic reviews; (ii) transaction monitoring alert reviews; (iii) Office of Foreign Asset Control (OFAC) and sanctions match reviews; (iv) compliance advisory; and (v) a business control unit, the first line of defense for internal controls.

The type of business that a financial institution conducts, the size and geographic locations will help determine the operating model resources needed and where to position these.

In determining the most efficient BSA/AML operating model, institutions should consider the following:

Onboarding and Periodic Review
The size of an organization’s existing customer base (core and non-core), the complexity of its Know Your Client (KYC) files and the number of anticipated new customers over the next three years: This information should be enough to help determine the number of onboarding and periodic review staff appropriate for the organization. It would be helpful to estimate the number of new and existing KYC files expected to be completed each month over the next three years and determine the average completion rate for new and periodic reviews.

Transaction Monitoring Alert and OFAC Match Reviews
For both transaction monitoring and OFAC screening, each function should have a level 1 and a level 2 reviewer. Some financial institutions have retained their level 2 review function within Compliance while others have retained both level 1 and level 2 reviewer functions within Operations. The decision is dependent on the financial institution’s size and complexity. If the organization is large enough, consideration should be given to moving level 1 reviews to a shared service or to a near shore location.

Business Control Unit
The Business Unit Controller should be responsible for reviewing key BSA/AML controls throughout the year before compliance testing or Internal Audit perform their reviews in order to identify potential issues. The Business Unit Controller should obtain the annual testing plans and schedule reviews accordingly. Additionally, this function should be the key reviewer of the BSA/AML key performance indicators (KPIs) and key risk indicators (KRIs) and make recommendations to senior management on emerging trends.

Compliance Advisory Function
Should be responsible for escalating cases, identifying areas of improvement, performing annual risk assessments, reviewing the customer risk rating methodology, and the annual review of the BSA/AML policies and standards.
Internal Controls

Many financial institutions have experienced a breakdown in internal controls. Often organizations will find that their operational procedures are not aligned with the Board approved BSA/AML policies or equally problematic, operational processes are not aligned with written and approved procedures. Financial institutions should take preventive measures to help avoid these circumstances, as policies and procedures become dated and obsolete, unless there is a structure in place to address this.

Other important considerations for financial institutions:

- Complete a holistic inventory of the organization’s policies and procedures.
- Create a review schedule for policies and procedures.
- Create a gatekeeper for approval processes and version controls (global compliance knowledge center).

Breakdowns in internal controls can also be attributed to the unintended effects of organizational changes. To avoid breakdowns, organizations should evaluate their current controls and map where the BSA/AML functions have crucial dependencies with other groups, and create change control and governance actions to oversee the effectiveness of the internal controls.

Governance and Change Management

The importance of tone from the top – the Chief Executive Officers (CEOs) or Chief Operating Officers (COOs) should review or approve change requests relating to KYC or transaction monitoring in order to maintain oversight and engagement in the BSA/AML program. If senior management is not involved enough in the process, the organization’s BSA/AML issues and challenges are unlikely to be addressed.

Get involved, stay involved. CEOs or COOs should chair a BSA/AML committee. Strong committee structure with clear reporting lines and escalation paths, including regular reporting to the Board, shows regulators and the organization that BSA/AML is a top priority and should not be taken lightly.

Institutions are encouraged to create a committee charter and committee terms of reference that define the required inputs to the committee such as the:

- Review and approval of annual BSA/AML risk assessment.
- Review and approval of change requests relating to KYC standards, transaction monitoring rules and thresholds.
- Review of internal audit BSA/AML report.
- Annual review of BSA/AML policy.

These actions help demonstrate an ongoing commitment to BSA/AML compliance and sustainability.
Independent Testing and Audit

Once the risk-based approach, annual risk assessments, an efficient operating model, governance, and change management are in place, what assurance is there that all elements will work together as expected?

We encourage financial institutions to test the elements of the program. An independent testing plan should be a pillar of a BSA/AML program, but institutions should employ a compliance testing program that functions on behalf of Compliance and outside of Internal Audit. A compliance testing team should not report to the Chief Compliance Officer but rather should have a direct reporting line outside of Compliance or Operations in order to maintain autonomy, credibility, integrity and impartiality. Testing plans should be revised annually, preferably prior to the beginning of the year and should begin with the risk assessment.

The compliance testing team should work hand in hand with Internal Audit and should also be performing its annual BSA/AML reviews. To encourage sustainability, it is important to establish the testing and audit functions, but more importantly to consider having a third party test these functions.

Other important considerations:

- Internal auditing and compliance testing staff should have sufficient BSA/AML qualifications (experience, skills, training and certifications).
- The scope of BSA/AML tests and audits should be reviewed by all relevant stakeholders in order to obtain validation.
- BSA/AML audit and compliance testing findings should be part of the annual BSA/AML program enhancement.
The more people within the organization know about the priorities of the BSA/AML program, including the scope, test and audit results, the more they can help and become “part of the solution.” This is the driving force behind strong BSA/AML talent management. It is important to update the organization’s BSA/AML talent management annually to stay ahead of emerging money laundering risks and enhance staff’s skills and capabilities in this area.

Many organizations typically use the previous year’s material and then add new content to it, like a reference to Bitcoin. Financial institutions should consider building foundational knowledge of BSA/AML among staff during employee onboarding.

Annual training should be unconventional, with a focus on more interactive learning and less around a repetitive review of years past. Otherwise, it is likely front office staff, operational staff and back office staff, will not think of BSA/AML in the manner the organization needs them to in order to identify emerging BSA/AML risks.

Other important considerations include:

- Establish a minimum number of annual hours of internal and external training for core AML staff.
- Invite guest speakers from regulatory agencies and other subject matter advisors.
- Add BSA/AML responsibilities to annual performance evaluations.

Today’s BSA/AML regulatory issues do not end with the completion of a remediation project. Financial institutions are encouraged to engage in continuous improvement to position themselves to meet emerging AML trends and challenges. Accenture offers clients access to a suite of services to assess their current program and evaluate their options. Accenture’s Fraud and Financial Crime team of professionals works with institutions across the globe to build sustainable solutions to meet firms’ expectations and deliver on goals.

To find out more about Accenture’s cost-effective AML solutions, please consult our paper titled “Reducing the Cost of Anti-Money Laundering Compliance.”

Figure 2. Accenture’s BSA/AML Capability Framework
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