



# **The Bank Secrecy Act Board of Directors 2018**

**Presented by  
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## **Today's Topics**

- How did we get here?
- War on Drugs
- Board responsibilities under BSA
  - Supervisory Committee role
- Money Laundering Stages
- Landmark Case HSBC
- Consequences of Non-Compliance



## The Lingo

- **BSA:** Bank Secrecy Act
- **AML:** Anti-Money Laundering
- **OFAC:** Office of Foreign Assets Control
- **FinCEN:** Financial Crimes Enforcement Network
- **SAR:** Suspicious Activity Report
- **CTR:** Currency Transaction Report
- **CIP:** Customer Identification Program
- **KYC:** Know Your Customer
- **CDD:** Customer Due Diligence
- **SDN:** Specially Designated Nationals

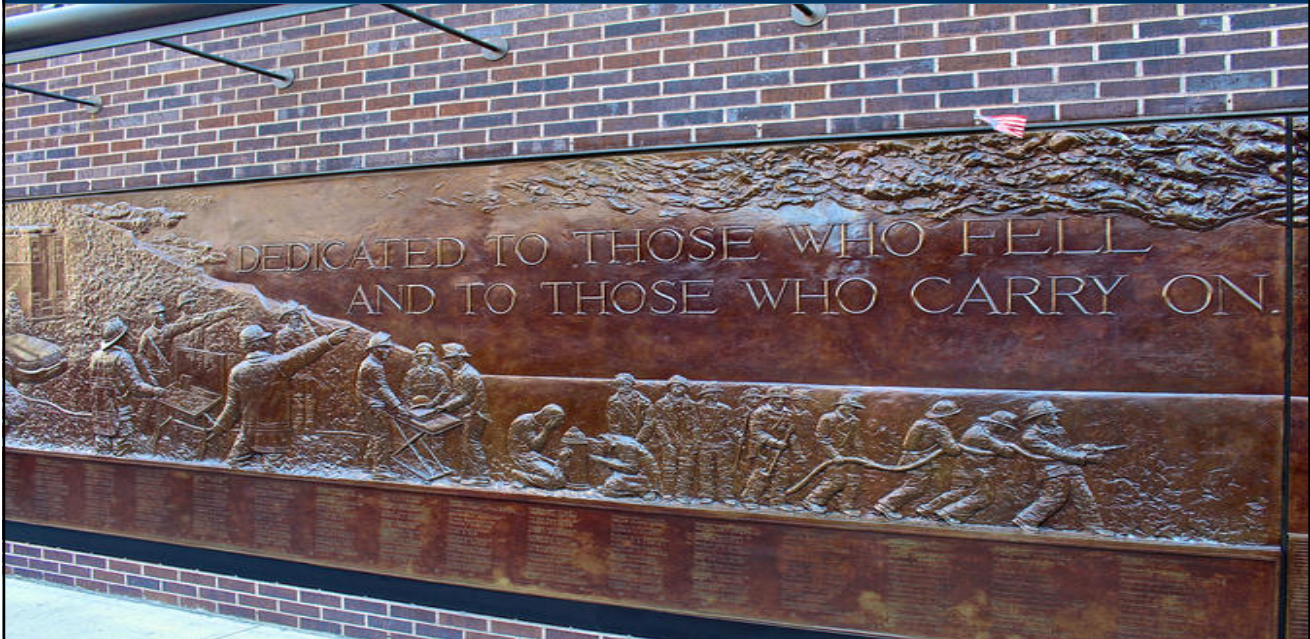


## What caused all of this?





## BSA/AML Laws- Focus



## Polling Question

- Money Laundering and Terrorist Financing are the same thing:
  - 1) True
  - 2) False



# The War on Drugs



The War on Drugs

**THE DAILY NEWS**

NOVEMBER 1 - FASTEST DELIVERY

GREENVILLE, SB9551 USA

**EXTRA! EXTRA!**

**WAR ON  
DRUGS**



## The War on Drugs



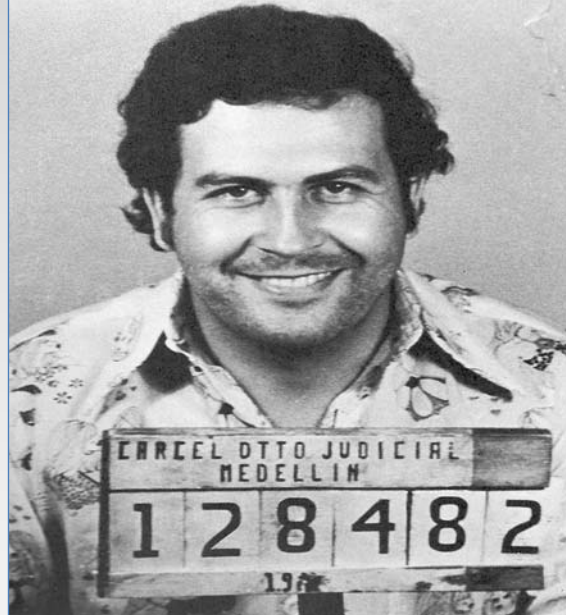
*“  
MARIJUANA  
IS THE MOST  
VIOLENCE-  
CAUSING DRUG  
IN THE HISTORY  
OF MANKIND  
”*

*- HARRY J. ANSLINGER -*



## The Modern Drug War





## How bad was it?

- At the height of its power, the Medellín cartel dominated the cocaine trade, earning an estimated \$490 million a week
- The cartel supplied an estimated 80% of the cocaine smuggled into the United States.
- The cartel lost 10% of its annual earnings due to rats eating the bills. Or just shy of 2.5 Billion dollars a year to rats



Seriously



# Money Laundering



## Stages of Money Laundering

- Money laundering involves three stages:
  - Placement
  - Layering
  - Integration



## Cartels and Money Laundering

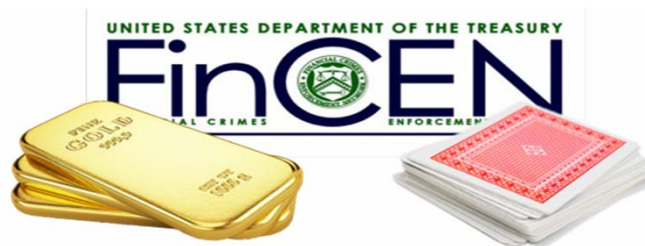




# BSA in your Organization

## Overview of BSA Programs

- The over arching goal:
- **Create an audit trail**





## Board Responsibilities

1. Review and approve BSA and OFAC policies (generally annually).
2. Appoint qualified BSA/OFAC Compliance Officer(s) and ensure that adequate resources are provided.
3. Review periodic BSA reports.
4. Participate in training (generally annually).



## The Supervisory Committee

- The Supervisory Committee has no *SPECIFIC* responsibilities under BSA, ***HOWEVER***
- BSA and OFAC compliance come under the Committee's general responsibility for ensuring that the Credit Union operates in a Safe, Sound and Compliant manner



## Policy Reviews

- The Board should review and approve your BSA/AML program annually, and when there are significant changes to your risk profile.
- Your program and policies should reflect the current Risk Assessment.



## Landmark Case: HSBC





## Landmark Case: HSBC

- The gold standard in what not to do:
  - In total, more than \$1.9 billion were assessed in penalties for HSBC's conduct in violation of the Bank Secrecy Act (BSA) and U.S. sanctions.



## Fun Fact

- On the day of the announced 1.9 billion dollar fine- HSBC's stock went up.



# Recent Developments



## Penalties/Recent Enforcement

- Artichoke Joe's Casino- AJC agreed to pay a fine of \$550,000 with \$275,000 stayed for a two-year period, and agreed to modify its surveillance, work with the city of San Bruno.
- Lone Star National Bank- Consent Order for a Civil Money Penalty against Lone Star on March 31, 2015, in the amount of \$1 million.



## Penalties/Recent Enforcement

- **Merchants Bank of California-** FinCEN has determined that the penalty in this matter will be \$7 million. The penalty will run concurrent with the OCC's \$1 million penalty.
- **BethEx FCU-** \$500,000- No longer in existence. BethEx at time of closing: Assets of \$1.07 billion.



## What you look at Matters





## Questions?

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