



Highlights of [GAO-06-386](#), a report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate

Why GAO Did This Study

The U.S. government's framework for preventing, detecting, and prosecuting money laundering has been expanding through additional pieces of legislation since the passage of the Bank Secrecy Act (BSA) in 1970. In recent years, noncompliance with BSA requirements has raised concerns in Congress about the ability of federal banking regulators to oversee compliance at depository institutions and ensure that these institutions have the controls necessary to identify suspicious activity. In light of these concerns, GAO was asked to determine how federal banking regulators examine for BSA compliance and identify and track violations to ensure timely corrective action. GAO also was asked to determine how enforcement actions are taken for violations of the BSA.

What GAO Recommends

To further strengthen BSA oversight, GAO recommends that FinCEN and the regulators communicate emerging risks through updates of the interagency examination manual and other guidance; periodically review BSA violation data to determine if additional guidance is needed; and, jointly assess the feasibility of developing a uniform classification system for BSA compliance problems. FinCEN and the regulators supported these recommendations and said they are committed to ongoing interagency coordination to address them.

www.gao.gov/cgi-bin/getrpt?GAO-06-386.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Yvonne Jones at (202) 512-2717 or jonesy@gao.gov.

BANK SECRECY ACT

Opportunities Exist for FinCEN and the Banking Regulators to Further Strengthen the Framework for Consistent BSA Oversight

What GAO Found

Before 2005, each regulator used separately developed, but similar, examination procedures to assess compliance with the BSA. However, in 2005, in an effort to establish more consistency in examination procedures and application, the regulators, with participation from the Financial Crimes Enforcement Network (FinCEN), jointly developed and issued an interagency BSA examination procedures manual. The manual describes risk assessments for BSA examinations and recognizes that the risks evolve and vary among institutions. They also conducted nationwide training on the new procedures for examiners and others. The new procedures retain the risk-focused approach of the prior procedures, requiring examiners to apply a higher level of scrutiny to the institution's lines of business that carry a higher risk for potential money laundering or noncompliance with the BSA. The regulators are committed to updating the manual annually.

Recent improvements to the automated tracking systems the regulators use to monitor BSA examinations have allowed regulators to better record and track BSA-related information. The regulators' data showed that the number of BSA-related violations generally increased from 2000 to 2004. Among the frequently cited violations in 2003 and 2004 were violations issued in connection with currency transaction reporting requirements. The system upgrades also allowed regulators to more readily produce information for other users, such as FinCEN, which has overall responsibility for BSA administration. Under a September 2004, memorandum of understanding signed by the regulators and FinCEN, the regulators now share more specific BSA-related examination and violation data with FinCEN. The regulators have been conducting their own analyses of these data, and FinCEN has begun to provide analytic reports to the regulators that help identify compliance problems. FinCEN and the regulators have not yet worked through these data together to determine if additional guidance is needed to correct problems they are seeing. Also, despite their enhanced systems and reporting, GAO found differences in the regulators' guidance and the terminology used to classify certain BSA problems—with guidance varying in scope and many key terms undefined.

Most cases of BSA noncompliance are corrected within the examination framework through supervisory or informal actions, such as bringing the problem to the attention of institution management, or letters that document management's commitment to take corrective action. Both the regulators and FinCEN undertake formal enforcement actions, which range from public written agreements with the institution to civil money penalties. From 2000 to 2005, FinCEN, often in conjunction with the relevant regulator, assessed these penalties in 11 cases, with significantly higher penalties in recent years. The Department of Justice takes action against depository institutions for certain BSA offenses, and, since 2002, Justice has pursued legal action against six depository institutions for violation of the BSA.