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Sent: Wednesday, February 16, 2005 6:31 PM

To: Comments, Infocollection

Subject: Comment Request-Procedures for Monitoring Bank Secrecy Act OMB 1550--0041

Information Collection Comments

Chief Counsel's office

Office Of Thrift Supervision

1700 G. Street, NW

Washington, D.C. 20552

Thank you for the opportunity to comment on burden estimated titled "procedures for Monitoring Bank Secrecy Act" deriving from 12 CFR 563.177. It is our understanding that this request seeks to determine the burdens associated with the OTS obligation "to determine whether a savings association has implemented a program reasonably designed to assure and monitor compliance with the currency recordkeeping and reporting requirements established by Federal Statute and the U.S. Department of Treasury regulations."

American Sterling Bank is a federally chartered thrift with five locations in Missouri, Arizona and California. Our asset size is approximately \$230,000,000. As such we classify ourselves as a small community bank. We do not offer exotic, trendy or otherwise high-risk products nor do we have high-risk customers. We have seen the emphasis placed on Bank Secrecy compliance resulting from such high profile enforcement actions such as Am South, Riggs, as such, BSA compliance is highly rated by the Board and management. Additional emphasis on compliance with all of the requirements has taken a more significant role in the past two years.

Background

By regulation we are required to establish and maintain procedures reasonably designed to assure and monitor compliance with the recordkeeping and reporting requirements of the Bank Secrecy Act and subsequent anti-money laundering and counter terrorism financing laws. The foundation of complying with BSA is a written, board approved program which contains:

1. a system of internal controls to assure ongoing compliance;
2. a mechanism for independent testing;
3. a designated individual(s) responsible for coordinating and monitoring day-to-day compliance; and
4. appropriate training for all personnel.

While the specific completion of SAR's and CTR's are covered under other regulatory paperwork reduction estimates and that the CIP recordkeeping was estimated in the Treasury rule issued May 2003, the creation, maintenance and regular verification of the fundamental BSA compliance program entails obligations amounting to substantially more than 2 hours a year. With that said, the following represents our estimate of time required to fulfill these obligations.

Estimating the Burden

- *Time spent on revising the institution's BSA compliance program in order to address regulatory changes issued during 2002-04.* The substantial changes in BSA compliance program due to changes in the USAPA and OTS supervisory interpretations and recent enforcement actions, significant modifications to internal controls, audit coverage, BSA officer duties and training content have been made in the last two years. We estimate the total devoted to this section to be *60 hours*
 - Time expended on performing a risk assessment for the purposes of updating the BSA compliance program. *10 hours*
 - Time spent on following the ADaPT program to incorporate USA PATRIOT Act regulations and particularly addressing 563.177(b)(2)'s mandate to include a CIP in the overall program. *25 hours*
 - Time expended for changes to independent testing protocols in order to review new internal controls. *5 hours*
 - Time spent on training staff. *20 hours*

- *Time spent to conduct risk assessments for annually certifying that the thrift has a comprehensive compliance program tailored to the BSA risk arising from the business operations of the institution.. Estimated range: 8 - 10 hours.*

- *Time spent on conducting independent testing or auditing of the BSA compliance program.* In addition to the periodic transactional testing of program controls, preparing a report and making any required changes to the program, annual testing and auditing of the BSA compliance program is a fundamental part of how the thrift verifies the functionality and adequacy of the program. In addition to the actual review, vendor selection of the reviewer is also a component of the time frames involved. Subsequent to the review, additional time is spent on discussions of findings with management, development of correction actions, and report writing. *20-25 hours.*

- *Time spent on board consideration and approval of BSA compliance program.*
 - Preparation/compilation of reports to board: *6 hours.*
 - Consideration and deliberation by the Audit Committee and the Board of Directors: *7 hours*

Time spent on keeping training curriculum current to meet 563.177(c)(4) requirements. Maintaining up-to-date materials and examples is an integral part of an effective program. *4 hours* This estimate does not include the actual time presenting the materials. The time involved in the preparation of training materials, presentation of the class and following up on issues arising from class are a significant expenditure of time and resources. We would estimate at least *175 hours* for our training program.

In aggregate the total estimated burden for ASB is 300 hours compared to the OTS estimate of 2 hours. We appreciate the opportunity to further discuss our estimates with staff in order to more fully explain these estimates.

Sincerely
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