

Statement
of
Thomas J. Curry
Comptroller of the Currency
Before the
Permanent Subcommittee on Investigations
Committee for Homeland Security and Governmental Affairs
United States Senate
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Chairman Levin, Ranking Member Coburn, and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the OCC's work in ensuring compliance with the Bank Secrecy Act, and the work we are doing to improve our BSA and Anti-Money Laundering compliance program. The Subcommittee's Staff Report has identified important concerns with the activities of HSBC and with oversight and enforcement of Bank Secrecy Act and anti-money laundering (BSA/AML) requirements by the OCC in the case of HSBC. As I will describe below, we agree with the concerns reflected in the Report's recommendations concerning the OCC, and will fully implement those recommendations.

In one of my first speeches after becoming Comptroller of the Currency just a little more than three months ago, I highlighted the importance of BSA compliance. I also noted that this is an inherently difficult area. It requires banks to sift through large volumes of transactions to identify those that are suspicious, a task that is complicated by the ingenuity that criminal and terrorist elements bring to bear in finding new ways to conceal the true nature of their transactions.

In my speech on operational risk, I emphasized—and I want to reaffirm today—that no matter how difficult compliance is, I expect the institutions we supervise to have effective programs in place to comply fully with the requirements of the BSA. We will insist on that.

Our testimony today provides details about the OCC's BSA/AML supervisory policies and practices. It further describes how the OCC monitors compliance with BSA requirements and the ongoing supervision that we provide at the largest national banks and thrifts, as well as our current enforcement process when problems or concerns are identified through our supervision and our enforcement record for BSA.

As requested in the invitation to this hearing, our written statement also discusses our supervision of HSBC. In 2010, the OCC issued a comprehensive cease and desist order against HSBC. As our written statement details, with the benefit of hindsight, the OCC could have, and should have taken this action sooner.

But, the issuance of this order does not conclude our activities with respect to the matters covered by the cease and desist order. We are now actively evaluating the bank's compliance with the order and considering the assessment of monetary penalties.

The Subcommittee's report contains three recommendations focused on the OCC's BSA/AML supervision. I agree with the concerns reflected in each of the recommendations and the OCC has begun taking actions in response.

First, we have already identified a new approach that we will implement to assure that BSA/AML deficiencies are fully considered in a safety and soundness context and are taken into account as part of the "management" component of a bank's CAMELS rating. We will direct our examiners to view serious deficiencies in a bank's BSA/AML compliance area, including program violations, as presumptively adversely affecting a bank's management component

rating. We will also provide guidance on how to document application of this approach in determining the management component rating.

Second, we are revising and clarifying the operation of our Large Bank BSA Review Team to enhance our ability to bring different perspectives to bear and react on a more timely basis to circumstances where a bank has multiple instances of matters requiring attention, or apparent violations of the required components of its BSA/AML program. We will also explore how we track and review relevant information in this regard and whether new initiatives are appropriate in that area as well.

Third, we will also revamp our current approach to citing BSA/AML violations to provide more flexibility for individual “pillar” violations to be cited, and we will identify what steps we can take in our examinations to obtain a holistic view of a bank’s BSA/AML compliance more promptly. One of the reasons for the current OCC approach is that it requires the OCC to focus on determining whether the deficiencies in a bank’s program amount to a BSA compliance program violation, which requires a mandatory cease and desist order. Therefore, in implementing changes on this point, it will be important not to create disincentives to making the tough calls when there are BSA compliance program violations mandating the issuance of a cease and desist order.

Finally, we will review other areas, such as training, staffing, recruitment, policies, and interagency coordination, to make improvements in our BSA/AML supervision program.

I am joined today by Dan Stipano, Deputy Chief Counsel, and Grace Dailey, who served as a Deputy Comptroller for Large Banks from 2001 until November 2010. The three of us share a commitment to a rigorous BSA/AML supervisory and enforcement program at the OCC, and we are continually seeking ways to improve our supervision in this important area.

I have asked that Grace and Dan each to introduce themselves to the Subcommittee, and then we will be pleased to answer your questions.