



# NEWS RELEASE

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Comptroller of the Currency  
Administrator of National Banks

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Contact: Robert M. Garsson  
(202) 874-5770

## **Comptroller Hawke Directs Review of Agency's Handling Of Bank Secrecy Act Compliance at Riggs Bank N.A.**

WASHINGTON – Comptroller of the Currency John D. Hawke, Jr. told a Senate panel today that he has ordered the OCC's Quality Management Division to conduct a top-to-bottom review of the agency's handling of Bank Secrecy Act (BSA) compliance at Riggs Bank N.A. and to report back to him in 90 days.

“It is clear to me that there was a failure of supervision,” the Comptroller said in testimony before the Senate Banking Committee. “We should have been more aggressive in our insistence on remedial steps at a much earlier time. The types of strong formal enforcement action that we ultimately took should have been taken sooner. We should have done more extensive probing and transaction testing of accounts.”

In addition, Mr. Hawke said, “We failed to appreciate the risks inherent in Riggs’ embassy banking business and in certain of the accounts handled by the bank, as well as the significance of the deficiencies in the bank’s systems and controls in relation to those risks.”

The Comptroller told the Senate panel that for the past 30 years, the OCC has placed great importance on developing policies and procedures designed to ensure that financial institutions have the necessary controls in place – and provide the requisite notices to law enforcement – to make certain that they do not become vehicles for money laundering

“Our examiners are dedicated, our BSA/anti-money laundering examination techniques are highly regarded, we have strived to keep our exam techniques current and responsive to new developments, and we work cooperatively and successfully with law enforcement,” he said.

In light of the OCC's strong commitment, Mr. Hawke said he found the situation involving Riggs, N.A. “deeply troubling,” and said the Senate panel's keen interest in

Riggs is entirely appropriate.

Mr. Hawke said that OCC examiners had identified problems in Riggs' BSA program as early as 1997. When these deficiencies were brought to the attention of the bank, management appeared to be cooperative and responsive. As a result, the agency graded the bank's compliance program as either "satisfactory" or "generally adequate."

Following the September 11, 2001 attacks, the OCC conducted a series of anti-terrorist financing reviews at large and high-risk banks, including Riggs. A subsequent Riggs exam ran from January to May 2003 and involved extensive cooperation with law enforcement agencies. It focused on certain suspicious transactions involving the Saudi embassy relationship, and culminated in a July 2003 Cease and Desist order, directing Riggs to undertake a long list of corrective measures.

When OCC examiners returned to the Bank in October 2003, the same pattern surfaced. While progress had been made toward complying with the July order, a new set of problems had become evident, this time relating to the bank's relationship with Equatorial Guinea.

"Our reaction this time was fundamentally different than before, and ultimately led to the assessment of a record \$25 million civil money penalty against the bank," Mr. Hawke said. "We also continue to evaluate whether additional actions are warranted."

The Comptroller said the agency's review will seek answers to at least three important questions:

- Why was there a failure of supervision in the Riggs case?
- Are there similar shortcomings in OCC supervision of other banks?
- What can be done to assure there will be no other situations like that at Riggs?

Meanwhile, he said, he has instructed the agency's senior supervision managers to communicate with all OCC examination staff to raise their level of alert for suspicious or high-risk accounts and to reemphasize the need for deeper investigation and transaction testing where such circumstances exist.

"The Riggs episode reminds us that Bank Secrecy Act and money laundering issues are not only of extreme importance to national security," Mr. Hawke said. "They also have huge reputation implications for the banking industry."

Mr. Hawke said that this heightened awareness, coupled with the many technical and other improvements in the approach to Bank Secrecy Act and Anti-Money Laundering supervision programs already adopted or contemplated by the OCC and its sister financial regulatory agencies, "should strengthen the ability of our financial system to resist those who would use it for hostile purposes."

The Comptroller said the OCC stands ready "to work with Congress, law enforcement, the other financial regulatory agencies, and the banking industry to continue to develop and implement a coordinated and comprehensive response to the threat posed to the nation's financial system by money launderers and terrorists." Mr. Hawke said he would share the results of the internal review of Riggs with the Senate panel.

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The OCC charters, regulates and examines approximately 2,000 national banks and 51 federal branches of foreign banks in the U.S., accounting for more than 56 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.