

Statement of
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Investigations
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Chairwoman Kelly, Ranking Member Gutierrez, and members of the Subcommittee, I appreciate this opportunity to discuss the OCC's supervision of Riggs Bank N.A., and particularly our efforts to bring Riggs into compliance with the Bank Secrecy Act. The OCC and FinCEN recently assessed a \$25 million civil money penalty against Riggs for violations of the BSA. The OCC also took a separate cease and desist action to supplement the Order issued against the bank in July 2003.

The OCC first identified deficiencies in Riggs' procedures several years ago. Beginning in the late 1990s, we recognized the need for improved processes at Riggs and for improvements in the training in, and awareness of the BSA's requirements, and in the controls over their BSA processes. Prior to 9/11, the OCC visited the bank at least once a year and sometimes more often to either examine or review the bank's BSA compliance program.

Over this timeframe, OCC examiners consistently found that Riggs' program was either satisfactory or generally adequate, meaning that it met the minimum requirements of the BSA, but we nonetheless continued to find weaknesses and areas of its program that needed improvement. We addressed these weaknesses using various informal supervisory actions.

After 9/11, the OCC escalated its supervisory efforts to bring Riggs' compliance program to a level commensurate with the risks that were undertaken by the bank. In 2002, the OCC

conducted a series of anti-terrorist financing reviews at our large or high-risk banks, including Riggs. As a result of these reviews and other internal assessments, plus published reports of suspicious money transfers involving the Saudi Embassy accounts, our concerns regarding Riggs' anti-money laundering program were heightened. Thus, we conducted another examination of Riggs in January 2003.

The focus of that examination was on Riggs' Embassy banking business and, in particular, the Saudi Embassy accounts. The examination lasted for approximately five months and involved agency experts in the BSA and anti-money laundering area. It disclosed serious BSA compliance program deficiencies that resulted in the bank's failure to identify and report suspicious transactions occurring in the Saudi Embassy accounts. The findings from the January 2003 examination formed the basis for the July 2003 cease and desist order.

Throughout this examination, there was regular contact with the FBI investigators. We provided the FBI with voluminous amounts of documents and information on the suspicious transactions, and we hosted a meeting with the FBI to discuss these documents and findings. Throughout this process, we provided the FBI with expertise on both general banking matters, and on some of the complex financial transactions that were identified.

The OCC began its next examination of the bank's BSA compliance in October 2003. The purpose of this examination was to assess compliance with the Order and the USA PATRIOT Act, and to review accounts related to the Embassy of Equatorial Guinea. The examiners found that, as with the Saudi Embassy accounts, the bank lacked sufficient policies, systems, and controls to identify suspicious transactions concerning the bank's relationship with Equatorial Guinea. The findings from this examination, as well as from previous examinations, formed the basis for the OCC's recent civil money penalty and cease and desist actions.

In retrospect, as we review our BSA compliance supervision of Riggs during this period, we should have been more aggressive in our insistence on remedial steps at an earlier time. We also should have done more extensive probing and transaction testing of the Embassy accounts. As described more fully in my written testimony, we have reevaluated our BSA supervision processes in light of this experience and we will be implementing changes to improve how we conduct supervision in this area.

While not to be minimized, the Riggs situation must be put in broader context. Unlike other financial institutions, which have only recently become subject to compliance program and suspicious activity reporting requirements, banks have been under such requirements for years. Not surprisingly, banks are widely recognized as the leaders among the financial services industry in the anti-money laundering area. The role of the OCC and the other federal banking agencies is not that of criminal investigators but, rather, to ensure that the institutions we supervise have strong anti-money laundering programs in place. As a consequence of our supervision, most banks today have strong anti-money laundering programs, and many of the largest national banks have programs that are among the best in the world.

In conclusion, the OCC is committed to preventing national banks from being used, wittingly or unwittingly, to engage in money laundering, terrorist financing, or other illicit activities. We stand ready to work with Congress, the other financial institutions regulatory agencies, law enforcement, 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 laundering and terrorist financing.

