

STATEMENT OF
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COMMITTEE ON BANKING, HOUSING, & URBAN AFFAIRS
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Chairman Johnson, Ranking Member Crapo, and members of the Committee, I appreciate the opportunity to appear before you today to discuss what the OCC is doing to ensure that federal banks and thrifts have programs in place to deny money launderers and other criminal elements access to the banking system.

I can't overstate the importance of the Bank Secrecy Act and other anti-money laundering statutes. When it was first signed into law in 1970, the Bank Secrecy Act was intended to be another tool in the battle against illicit drugs. Today, it is also an important weapon in combating a host of financial crimes, as well as in the war against terrorism. And that is why the OCC continues to search for ways to improve our supervision in this area.

Lately, we have observed a number of instances in which our largest institutions have failed to meet the requirements of the Bank Secrecy Act, and the OCC has taken some very significant enforcement actions against those banks. In the wake of the financial crisis, too many banks inappropriately cut staffing and spending for BSA and anti-money laundering compliance as austerity measures, and our examiners are now working to ensure that these institutions add resources they need to maintain solid BSA/AML programs.

Although many of our recent enforcement actions have involved large banks, BSA is an issue for institutions of all sizes. In fact, as large banks improve their BSA/AML programs and jettison higher risk lines of business, we are concerned that money launderers will migrate to smaller institutions. While we are committed to ensuring that all the institutions we supervise have effective BSA/AML programs in place, we recognize the increased burden this places on community banks and thrifts. We will work with these institutions to help them calibrate their controls to reflect the risks they face, thereby reducing unnecessary burden.

BSA compliance is inherently difficult. It involves the challenge of sifting through large volumes of transactions to identify those with suspicious features, a task made especially difficult by the ingenuity criminal elements have shown. As a result, financial institutions and supervisors are devoting more resources to maintain effective programs.

Most of the problems we find in BSA/AML programs are attributable to the following root causes: the strength of an institution's compliance culture, its willingness to commit sufficient resources, the strength of its information technology and monitoring processes, and its risk management. The health of a bank's culture starts at the top, and so it's important that senior management demonstrate a commitment to BSA/AML compliance. Employees need to know BSA compliance is a management priority and that the compliance function will receive the resources it needs to succeed, including training and first rate information technology.

We are currently in the process of drafting detailed guidance to banks on sound corporate governance processes that will incorporate many of these concepts, including business line accountability for BSA/AML compliance and the independence of the compliance function. We are also reviewing certain statutory provisions and exploring whether a regulation or other agency issuance interpreting these provisions would be helpful in enhancing our enforcement authority against insider wrongdoing in this area.

Several agencies have a role in addressing BSA issues and we participate in a number of interagency groups to address them. Additionally, we regularly provide information, documents, and expertise to law enforcement for use in criminal investigations on a case-specific basis. We also work closely with the Federal Reserve and the other banking agencies, and we are participating on the interagency task force that Undersecretary Cohen formed to examine how this forty-year old statutory framework can remain relevant in today's world.

Despite problems we have identified, many financial institutions have developed strong BSA compliance programs responsible for detecting and reporting potential criminal violations to law enforcement. To this point, more than 5.6 million SARs have been collected in the centralized database that is maintained by the Financial Crimes Enforcement Network, and these reports provide critical information to law enforcement agencies. The majority of these SARs have been filed by national banks and federal thrifts.

These reports play a vital role in combating drug traffickers and other criminal elements, and we at the OCC believe Congress should act to clarify and strengthen the safe harbor for institutions that file SARs. Bankers need to know they can share information with law enforcement agencies without incurring liability, and that they can file SARs without running the risk that their bank will be exposed to litigation for simply complying with federal law. We would be happy to work with the Committee in exploring these ideas.

While there are many challenges ahead of us, we will continue to work with Congress, law enforcement, other regulatory agencies, and the industry to develop and implement a coordinated and comprehensive response to the threat posed to the nation's financial system by terrorist and criminal organizations.

Thank you. I look forward to your questions.