

# RESCINDED

AL 2000-3



## OCC ADVISORY LETTER

AL 2000-3 has been replaced by FFIEC BSA/AML Examination Manual.

Administrator of National Banks

Subject: Bank Secrecy Act Compliance  
Programs--Suspicious Activity  
Reporting Requirements

Description: Common BSA Compliance  
Deficiencies

Under 12 CFR 21.21, banks must have adequate internal controls, independent testing, responsible personnel, and training to comply with the Bank Secrecy Act (BSA), including suspicious activity reporting. Failure to establish and maintain adequate systems and controls can expose banks to supervisory and enforcement actions as well as significant legal and reputation risks.

During the past several years, the Office of the Comptroller of the Currency (OCC) conducted specialized BSA/anti-money-laundering examinations that identified a number of common BSA compliance deficiencies. Generally, the OCC noted that banks had good currency transaction reporting (CTR) programs but lacked adequate systems and controls to ensure timely suspicious activity reporting. The OCC found that some banks failed to adequately

- Document and evaluate new, high-risk accounts for money laundering;
- Establish controls and review procedures for high-risk services;
- Monitor high-risk accounts for money laundering, including transactions that far exceeded the normal range of activity for such accounts;
- Conduct adequate independent testing of high-risk accounts for the possibility of money laundering;
- Train employees to detect suspicious activity in high-risk areas like pouch and wire transfer transactions, particularly to/from known drug source or money-laundering havens; and
- Review CTR filing patterns for suspicious activity.

As a result, a number of suspicious activity reports were not timely filed. High-risk services identified during these examinations included monetary instrument, international pouch (cash letters), deposit broker, and international wire transfer transactions. High-risk accounts identified included money services businesses, offshore private investment companies, non-discretionary private banking and international correspondent banking customers.

In some BSA audits, independent testing was limited to reporting and record keeping for CTR compliance with little, or no, attention to suspicious activity reporting compliance. Reviewing



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high-risk accounts for the possibility of suspicious activity is an essential part of a sound BSA compliance program. Internal and external audit scopes should include a review of the bank's systems, controls, and CTR and suspicious activity report filing patterns.

CTR reviews offer an efficient way to detect suspicious cash activity. Cash transactions well outside the range of a customer's normal or expected account activity should be reviewed for the possibility of suspicious activity. In many cases, automated CTR systems also allow banks to efficiently monitor cash activity to determine whether a single cash sum exceeding \$10,000 dollars is broken down into smaller amounts or if cash activity is conducted in a series of transactions at or below \$10,000.

While the OCC recognizes that BSA programs vary from bank to bank, or product line to product line, in accordance with risk levels, banks must have internal controls to detect and timely report suspicious activity. Banks should apply reasonable judgement and elevated account-opening and suspicious activity-monitoring controls to high-risk accounts, including the types of businesses set forth in 31 CFR 103.22(d)(6)(viii), whenever necessary. Internal control processes, whether in-house or out-sourced, should mitigate the inherent risk of any high-risk account, product, or service that could be misused for money laundering. Banks should ensure that

- Internal controls, including account opening and documentation procedures and management information/monitoring systems adequately detect and report suspicious activity in a timely manner;
- Audit processes are risk based; specifically target high-risk accounts and services; and include independent testing of bank systems, controls, and CTR and suspicious activity report filing patterns;
- Training programs address the possibility of suspicious activity in all bank departments, with emphasis on high-risk accounts, products, services, and geographical locations; and
- CTR review procedures capture and report suspicious activity.

If you have any questions, please refer to the OCC's "Bank Secrecy Act" booklet in the *Comptroller's Handbook for Compliance* for guidance on high-risk accounts and services on our



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Website ([www.OCC.treas.gov](http://www.OCC.treas.gov)), contact your supervisory office, or telephone the Community and Consumer Policy Division BSA staff at (202) 874-4028.

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