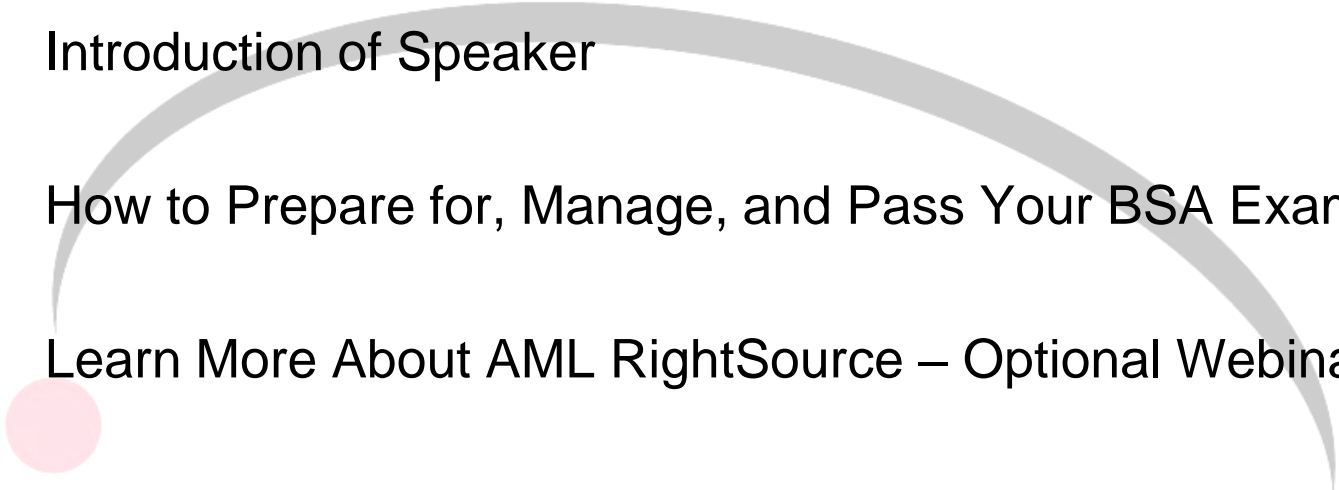




**How to Prepare for, Manage,
and Pass Your BSA Exam**

*Thank you for joining us
The presentation will begin shortly*

How to Prepare for, Manage, and Pass Your BSA Exam

1. Introduction to AML RightSource
 2. Introduction of Speaker
 3. How to Prepare for, Manage, and Pass Your BSA Exam
 4. Learn More About AML RightSource – Optional Webinar
 5. Question & Answers
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About AML RightSource

- Founded in 2005 by former Deloitte professionals.
- Helped design and implement the first post 9/11 BSA/AML compliance department .
- AMLRS team is comprised of compliance officers and analysts with experience working within the financial institution industry.
- Designed the first and only managed services solution that combines the people, the process, the technology and the knowledge that financial institutions need for a robust BSA/AML Transaction Monitoring program.
- AMLRS services have withstood regulatory audit and review, providing a superior BSA/AML Transaction Monitoring solution.

Speaker Today: Sal Fragapane, CAMS

- 19 years in the banking industry with a focus on internal audit and compliance
- Areas of Expertise: BSA / AML & Consumer compliance regulations specific to banks
- BSA/Compliance officer with a \$10 Billion dollar Savings and Loan
- Currently Chief Compliance Officer for AML RightSource
- MBA – Baldwin Wallace College
- BSBA – Finance – Bowling Green State University
- CAMS certified

How to Prepare for, Manage, and Pass Your BSA Exam

The content of this webinar is derived from many years of experience our staff and I have working at and working with financial institutions.

In addition, AML RightSource has had several conversations with Regulators over the years about this topic and our day to day interactions with our bank clients and helping them prepare for, manage, and pass their BSA exams over the years has afforded us plenty of insight.

How to Prepare for, Manage, and Pass Your BSA Exam

1. PREPARE – 75 % of the work

- Philosophy: Relative to complying with the BSA – always do a little more versus doing a little less
- The approach should not be to get busy 30 days **prior** to your exam – rather – get busy the day after an exam concludes in preparation for your **next** exam

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PAST FINDINGS BECOMING REPEAT FINDINGS

- Begin preparing for your upcoming exam by reviewing the results of your past exam.
- You should have begun working on resolving any findings after your last exam was completed.
- According to 12 USC 1818(s)(3)(B) a financial institution's failure to correct a previous problem reported by its regulator may result in an automatic enforcement action, aka a "cease and desist" order if the repeat violation is significant or systemic.

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FFIEC BSA / AML Exam Manual

- Do not simply reference your exam manual a week or two prior to your exam
- Use the exam manual as your roadmap and checklist to ensure your institution has appropriately addressed the 4 minimum requirements of a BSA program

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The 4 minimum requirements = pillars of every program

1. Ensure you have a system of internal controls in place
2. Ensure you have independent testing in place
3. Ensure you have designated a qualified individual responsible for managing BSA compliance
4. Ensure you have adequate training for appropriate personnel

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NOTE: These 4 items are pillars = foundational items that every program must have in place – and **actually** working

If you lack or are deficient in any of these items – expect significant issues and significant findings

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To Quote the FFIEC BSA / AML Exam Manual:

“Management should structure the bank’s BSA/AML compliance program to adequately address its risk profile, as identified by the risk assessment. Management should understand the bank’s BSA/AML risk exposure and develop the appropriate policies, procedures, and processes to monitor and control BSA/AML risks.”

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BSA Risk Assessment

- You are expected to take a risk based approach in building your BSA / AML program
- Compiling a thorough BSA Risk Assessment will then allow you to more clearly identify your risks and create appropriate policies and procedures and implement controls based upon those risks
- Keep in mind - to scope your exam – your regulator will want to read your BSA risk assessment as their step 1
- If you do not have an adequate BSA risk assessment your regulator will compile one for you – and you may have to live with it

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OFAC

1. Ensure your institution has a sufficient program in place to comply with scanning customers and transactions against the OFAC SDN lists on an ongoing basis.
2. Compile an OFAC risk assessment

FinCEN 314a

1. Upon receiving an information request, a financial institution must conduct a one-time search of its records to identify accounts or transactions of a named suspect. Institutions must search their records for current accounts, accounts maintained during the preceding 12 months, and transactions conducted outside of an account by or on behalf of a named suspect during the preceding six months.

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High Risk Customers

1. Make sure you identify AND monitor high risk customers
2. Explain your methodology
3. Have a schedule for ongoing monitoring

How to Prepare for, Manage, and Pass Your BSA Exam

Relative to the FFIEC BSA / AML Exam Manual –
at the end of the day – every financial
institution should know what is expected of
them – there should be few surprises

How to Prepare for, Manage, and Pass Your BSA Exam

Receipt of the Exam Packet

1. Engage managers within your organization when an exam packet is received via a pre exam kick off meeting
2. At this meeting review the deliverables and – if possible – assign tasks and delivery dates 4 weeks prior to exam
3. Check in with managers 1 week prior to exam to collect outstanding items – tie up any loose ends
4. Create a culture where compliance is everyone's responsibility

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2. MANAGE & PASS – 25 % of the work

1. Pre arrange a kick off meeting with your examiner on day 1 of your BSA exam.
2. Proactively review with them improvements you have made to your program since the last exam
3. Assuming you have done so – review how many accounts you have closed as a result of suspicious activity
4. Take the time to discuss how you have successfully addressed any open items or findings from the last exam

How to Prepare for, Manage, and Pass Your BSA Exam

1. To ensure accurate and consistent information is shared between the institution and examiners – designate a few managers as subject matter experts to be on call to speak with examiners
2. As you compile documents to present to the examiner – do so electronically and save the file in such a way that corresponds with the questionnaire section given to you by your examiner

How to Prepare for, Manage, and Pass Your BSA Exam

If possible – encourage a check in session at the end of each week with your examiner to see how things are progressing and if there is anything they would like to discuss - make yourself available.

If you are presented with findings during the course of the exam – make sure the examiner clearly outlines their concern and determine if the their course of action / recommendation is a requirement per the BSA or if it is their opinion / interpretation of the reg and a gray area.

How to Prepare for, Manage, and Pass Your BSA Exam

At the conclusion of your exam – use the exercise as a learning experience on how to fine tune your BSA / AML program as well as preparing for your next exam...

- What went well?
- Were you prepared?
- What would you do differently next time?

Care to Learn More About AML RightSource?

For those of you interested to learn more about AML RightSource and how we can help you contain, reduce, and even eliminate many of the costs associated with your BSA department

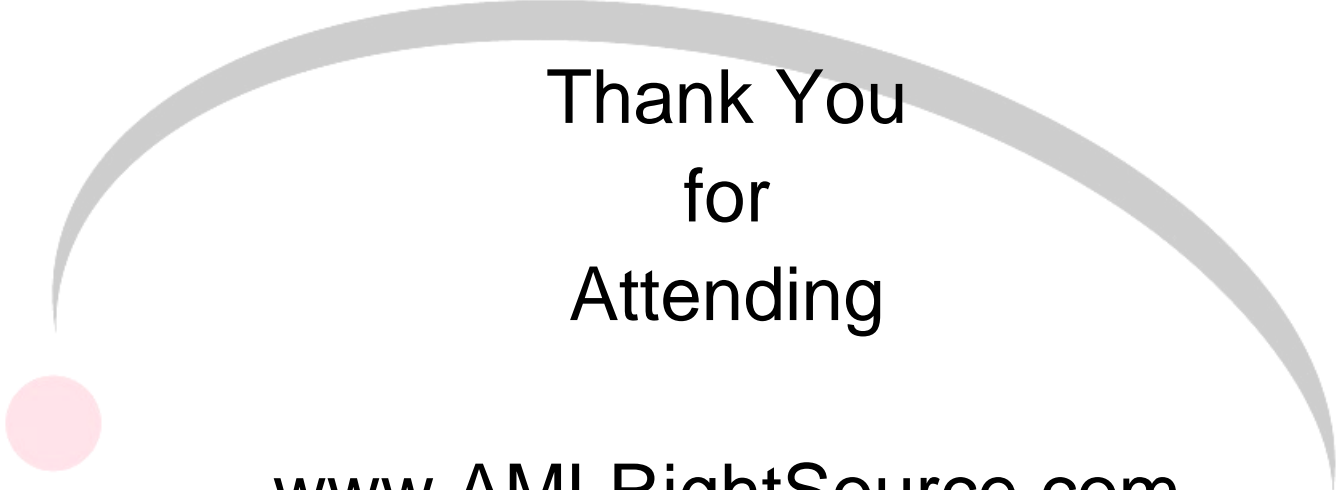
Please call John Scrabonia
At 732-698-7591

Questions and Answers



Please submit your questions now...

The End



Thank You
for
Attending

www.AMLRightSource.com