



2019  **CAPITAL SUMMIT**  ICBA®

# BANK SECRECY ACT MODERNIZATION

## **MODERNIZATION WILL PRODUCE MORE USEFUL INFORMATION WHILE ALLEVIATING COMPLIANCE BURDEN**

Community bankers are committed to supporting balanced, effective measures that will prevent terrorists from using the financial system to fund their operations and prevent money launderers from hiding the proceeds of criminal activities. Modernization and reform of the Bank Secrecy Act (BSA) will produce more useful information for law enforcement while alleviating one of the most significant and costly sources of community bank compliance burden. BSA modernization will free community bank resources to better serve customers and communities. Below are ICBA's recommendations for BSA modernization.

## **CUSTOMER DUE DILIGENCE RULE / COLLECTION OF BENEFICIAL OWNERSHIP INFORMATION**

Treasury's Customer Due Diligence rule, which became effective in 2018, requires banks to collect information on the beneficial owners of legal entity accounts.

ICBA believes that beneficial ownership information should be collected and verified by a federal or state agency at the time a legal entity is formed.

This procedure would provide uniformity and consistency across the United States. Making the formation of an entity contingent on receiving beneficial owner information would create a strong incentive for equity owners and investors to provide such information. Additionally, periodic renewal of an entity's state registration would provide an efficient and effective vehicle for updating beneficial ownership information. If such information is housed at a government entity, community banks should have access to it.





## UPDATE REPORTING THRESHOLDS

As the government combats money laundering and terrorist financing, ICBA strongly recommends an emphasis on quality over quantity for all BSA reporting. Reporting thresholds are significantly outdated and capture far more transactions than originally intended. The currency transaction report (CTR) threshold, which was set in 1970, should be raised from \$10,000 to \$30,000 with future increases linked to inflation.

Suspicious activity reporting (SAR) is the cornerstone of the Bank Secrecy Act (BSA) system and is a way for banks to provide pertinent information to law enforcement. However, in the current regulatory environment, community banks have a strong incentive to file SARs as a defensive measure to protect themselves from examiner criticism. Moreover, community banks follow the same SAR procedure for every suspicious transaction alert no matter how minor the potential offense. This approach leaves community banks skeptical that SARs have real value to law enforcement.

ICBA recommends reform of the SAR process to a risk-based system with appropriate threshold increases. SAR filing thresholds (which vary according to circumstances) have not been adjusted since becoming effective. Increasing filing thresholds for both SARs and CTRs would enable community banks to provide more targeted and valuable information to law enforcement.

## MESSAGE FOR YOUR MEMBERS OF CONGRESS

- Despite the lack of feedback from FinCEN or law enforcement, complying with the BSA consumes a growing share of community banks' scarce compliance resources.
- Modernization will make BSA more effective while allowing community banks to better serve their customers and communities.

