



Money Laundering and the USA Patriot Act

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The banking industry is committed to doing our part in the war on terrorism.

- For more than 40 years, banks have been the first line of defense against criminal abuse of the international financial system.
- After the attacks of 9/11, banks intensified their anti-money laundering programs with new efforts to help government and law enforcement stop the money that finances terrorist activities.
- Banks will continue their efforts to detect and report anyone who tries to misuse the financial system for criminal activity.

Banks go to great lengths to prevent illegal money from entering their institutions.

- One of the best lines of defense against money laundering are bank employees. Banks vigorously train all employees, from the board of directors to front-line staff, to understand their obligations under the Bank Secrecy Act and to help them identify unusual or suspicious transactions.
- Banks are required to verify the identity of all new customers and maintain records of the information used to verify their identity
- Banks also carefully monitor accounts for unusual or suspicious transactions.
- Many banks have software to detect sudden spikes in transactional activity, cash transactions near or over \$10,000 and other unusual withdrawal or deposit trends.

Banks are subject to strict anti-money laundering laws and have a long history of compliance.

- Federal regulators examine all banks regularly and carefully to monitor their anti-money laundering compliance programs.
- Banks must file a “currency transaction report” for all cash transactions over \$10,000.
- If banks detect unusual or irregular activity, the bank is required by law to submit a Suspicious Activity Report (SAR) to the Treasury Department’s Financial Crime Enforcement Network.
- The number of SARs filed each year has grown from 1,276,509 in 2013 to 1,726,971 in 2014.¹
- A national study on compliance professionals completed in March 2015 found that mid-sized banks (\$1-9 billion in assets) have an average of five full time compliance employees dedicated to BSA/AML functions, and banks larger than \$10 billion average 41 employees assigned to BSA/AML duties.²

Background:

Money is “laundered” to conceal criminal activity associated with it, including the crimes that generated it, such as drug trafficking, fraud or terrorism.

Criminals use many creative ways to hide the proceeds of their criminal activities or finance terrorist acts. To circumvent the \$10,000 reporting requirement, criminals often make smaller deposits several times a day or spread their deposits among

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many branches. These methods are called structuring or “smurfing.” Many money launderers also deposit cash in foreign banks and then attempt to bring it back into the U.S. by wire transfers or even by smuggling bulk cash across the border.

Banks are subject to strict anti-money laundering laws, starting with the Bank Secrecy Act of 1970. The BSA created the record keeping and currency reporting requirement, but these requirements have steadily expanded over the years. Now, it is a bank’s responsibility to report all suspicious activity to law enforcement. Helping aid money launderers could result in a bank’s charter being revoked or a civil penalty as high as \$1 million a day.

In October 2001, President Bush signed into law the USA Patriot Act. Title III of the USA Patriot Act is the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, which includes a number of amendments to the anti-money laundering provisions of the Bank Secrecy Act.

Efforts by Congress, law enforcement officials, and government agencies to refine and expand the requirements for what financial institutions must do to combat money laundering and terrorist financing continue. The goal is to find the right balance between these expectations and the realistic abilities of depository institutions.

Sources:

¹*The SAR Stats*, FinCEN, Issue 1 (July 2014). Retrieved from https://www.fincen.gov/news_room/rp/files/SAR02/SAR_Stats_2_FINAL.pdf

²*2015 ABA Survey of Bank Compliance Officers Report*, ABA (July 2015). Retrieved from <http://www.aba.com/Compliance/Mem/Documents/2015BCOSurvey.pdf>