

Oral Statement  
of  
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Before the  
Senate Committee on Banking, Housing and Urban Affairs  
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Chairman Crapo, Ranking Member Brown, and members of the Committee, thank you for the opportunity to appear before you to discuss ways to strengthen and modernize the Bank Secrecy Act/Anti-Money Laundering regime. The purpose of the BSA is to prevent the misuse of our financial system and to combat money laundering and terrorist financing. The OCC is committed to ensuring that the institutions under our supervision have effective BSA compliance programs to identify and report suspicious activity and help prevent bad actors from using the nation's banks for illegal purposes. I am confident that the agencies represented on the panel today can implement changes to increase the effectiveness and efficiency of our approach to BSA and AML, while preventing the misuse of our nation's financial system.

At the OCC, we are working to improve our system for examining banks' programs to combat money laundering and terrorist financing. To accomplish this, we are reviewing our supervisory policies and examination procedures to focus our resources where they can be most effective to protect the integrity of the U.S. financial system. While my written testimony provides additional detail on our initiatives and suggestions for possible legislative action, I want to highlight a few of our efforts to carefully balance the interests of the various stakeholders and strengthen our fight against money laundering and terrorist financing.

The OCC, together with the FDIC, Federal Reserve, NCUA, Treasury, and FinCEN, have formed a working group focused on enhancing the BSA/AML regulatory and supervisory regime. The working group has several activities underway, including the recent release of a joint statement clarifying ways that community banks with lower BSA risk may increase their efficiency and reduce compliance burden by sharing certain BSA resources among institutions. We also are encouraging banks to develop innovative approaches and adopt new technologies to meet their BSA/AML compliance obligations. We expect that the banking agencies and FinCEN will issue a joint statement on this topic very soon.

The OCC's BSA supervisory experience and dialogue with the industry suggests opportunities to leverage technology to enhance BSA/AML compliance and effectiveness. We support responsible bank efforts to explore how new technologies such as artificial intelligence and machine learning, may offer better methods for identifying potentially suspicious activities, while reducing the number of false positive alerts from monitoring systems and enhancing the efficiency of investigations. We are optimistic that ongoing research and studies of the potential for emerging technologies could yield long-term benefits in fighting money laundering and terrorist financing..

The OCC is also working with FinCEN and the other banking agencies on a comprehensive and systematic review to identify ways to update the SAR and CTR requirements and processes. We also intend to explore opportunities to tailor the content of these important reports and to evaluate the appropriateness of current thresholds in order to maximize their usefulness for law enforcement.

While the OCC and other agencies are working together to identify ways within their authority to strengthen BSA compliance, there are also ideas Congress can consider. For

instance, Congress could consider directing a regular review that includes public notice and comment to identify how the BSA/AML regulations could be strengthened or refined. During our most recent review of banking regulations under the EGRPRA process, improving BSA/AML regulations was one of the top three issues discussed by stakeholders. Directing the appropriate agencies to conduct a regular review so that stakeholders can provide feedback on BSA/AML regulations, could be both productive and effective.

Other areas for Congressional consideration include providing certain safe harbors to promote sharing of information, and protections for banks filing SARs in good faith that support law enforcement and national security.

Finally, we have begun a dialogue with Committee staff on all of these issues and look forward to continuing our discussions as the Committee develops bipartisan legislation. On behalf of the OCC, I'd like to thank you for holding this hearing. I look forward to answering your questions.