



Regulatory Alert

Financial Services Regulatory Insight Center



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Resource sharing by community banks and credit unions for Bank Secrecy Act compliance

Key points

- Federal regulators issued a joint interagency statement describing how BSA resources can be shared through the use of "collaborative arrangements."
- These collaborative arrangements would be most applicable to community banks and credit unions with lower risk profiles, less complex operations and with a community focus. The regulators encourage risk assessment to determine if an institution's risk profile qualifies.
- Importantly, the regulators remind that sharing resources *does not* relieve an institution of its individual responsibility for BSA compliance.

Sharing resources: benefits and examples

Federal regulators¹ issued a [joint interagency statement](#) on October 3, 2018, permitting certain community banks and credit unions to share Bank Secrecy Act (BSA) resources through the use of "collaborative arrangements."

The statement, the Interagency Statement on Sharing Bank Secrecy Act Resources, specifies that collaborative arrangements are most suitable to community banks and credit unions, as they have "less complex operations, and lower-risk profiles for money laundering or terrorist financing."

The statement acknowledges that by using shared resources in a "collaborative arrangement" to manage certain BSA/ Anti-Money Laundering (AML) obligations, banks and credit unions can benefit from enhanced access to specialized expertise,

reduced costs in managing the risk of illicit finance, and overall manage certain BSA/AML obligations more efficiently and effectively.

The statement sets forth certain BSA activities that shared resources can support within the internal control function, such as the following:

- Reviewing, updating, and drafting BSA/AML policies and procedures;
- Reviewing and developing risk-based customer identification and account monitoring processes;
- Tailoring monitoring systems and reports for their risks;
- Conducting independent testing activities to evaluate the adequacy and effectiveness of the institution's BSA/AML compliance program, particularly since it can be challenging for

¹ The statement was issued by the federal depository institutions' regulators- the Federal Reserve, FDIC, FinCEN, NCUA, and OCC.



community-focused banks and credit unions to identify independent personnel internally; and

- Hosting BSA/AML training by a qualified instructor, including on topics like alert analysis, investigative techniques, alert trends and money laundering methods, and regulatory updates.

In contrast, institutions should not share a BSA/AML officer. The regulators note that the role of a BSA/AML officer carries with it a certain confidential nature, including with respect to suspicious activity reporting. Sharing a BSA/AML officer can create communication challenges with the board of directors and senior management.

Importantly, the statement does not apply to collaborative arrangements or consortia formed for the purposes of sharing information under Section 314(b) of the USA PATRIOT Act. Furthermore, banks that form such collaborative arrangements do not constitute an “association” for 314(b) purposes.

Risk considerations and mitigation

The regulators encourage institutions to carefully analyze the BSA/AML obligations they will address through collaborative arrangements. Decisions should be consistent with sound principles of corporate governance and legal restrictions, including principles for disclosure of confidential information (e.g. supervisory information, financial and business information, individual customer data and trade secrets).

In addition, when engaging in collaborative arrangements, institutions should establish

appropriate oversight mechanisms, including through contractual agreements that set forth:

- The scope and frequency of performance reviews management will conduct;
- A definition of the nature and type of resources to be shared;
- Each institution’s rights and responsibilities;
- Procedures for protecting customer data and confidential information; and
- A framework for managing risks associated with resource sharing.

Additionally, to manage the risks in collaborative arrangements, institutions should also:

- Assess if their systems can support the oversight management needs of shared resources’ activities;
- Provide for sufficient subject matter resources to support monitoring services; and
- Design and present periodic reports to senior management and to the board of directors.

Other compliance considerations

Importantly, the regulators remind institutions that sharing resources *does not* relieve an institution of its individual responsibility for BSA compliance.

Institutions should approach the establishment of collaborative arrangements like all other business decisions - with due diligence and thorough consideration of the risk and benefits.

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