

# B&B REVIEW

*Financial Services Regulation, June 2005*

**For Further Information  
Contact . . .**

**Kate Musso, CAMS**  
205-226-8707  
[kfmusso@balch.com](mailto:kfmusso@balch.com)

Visit our website:  
[www.balch.com](http://www.balch.com)

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*If you no longer wish to receive this publication or have an address change, please contact:*

Joy Rollins  
205-488-5533  
[jrollins@balch.com](mailto:jrollins@balch.com)

## FREQUENTLY ASKED QUESTIONS ON ANTI-MONEY LAUNDERING COMPLIANCE

### INTRODUCTION

Balch & Bingham partner, Kate Musso, recently earned the designation as a Certified Anti-Money Laundering Specialist by the Association of Anti-Money Laundering Specialists. This designation requires significant practical experience in the AML field as well as passing a rigorous examination. Kate is the first lawyer at any firm in Alabama to hold this designation (Kate is admitted to practice in Alabama, Georgia and Massachusetts). This B&B Review consists of several frequently-asked questions at community banks about their AML programs, and Kate's answers to those questions.

**Q: *Our AML Policies And Procedures Generally Met Our Examiners' Expectations At Our Last Exam, So What Else Do We Need To Do?***

**A:** A successful AML program is risk-based. Any time a new product or service is introduced, the AML program should be updated to cover the new risks associated with the new offering. In addition, new employees in sensitive positions should be reviewed. Lastly, the AML program must be independently tested on an ongoing basis.

**Q: *Exactly What Do We Need To Be Doing To Look At The Risks Posed By Employees, And Do We Have To Cover All Employees?***

**A:** "Know your Employee" is as important as "Know your Customer." Employees in the following high risk areas should be scrutinized with extra care: private banking, wire transfers, foreign exchange, life insurance sales, and any position with authority to override policies in these areas.

**Q: *How Do We Go About Customizing A Risk Assessment For Our Existing Clients?***

**A:** A risk matrix can be developed manually based on the classifications of risk (low to high) that have been assigned to customer business types, banking products and services, and foreign countries. It is important that the risk assessment be done by persons outside the business line as well as within the business area so as not to miss the forest for the trees.

**Q: *Are There Any Special Products That We Can Offer That Might Require Some Special AML Attention?***

**A:** Products and services that are deemed high risk include wire transfers, cashiers checks and travelers checks. Certain types of customers, however, are deemed high risk even if using ordinary banking products. That's why risk assessment has to be customized. Large down-payments on watercraft and luxury automobile loans may also be red flags for money laundering.

**Q: *Our Board Has Approved Our AML Program – Is There Anything Else They Should Be Doing?***

**A:** The Board of Directors should review reports from the compliance officer regularly as well as reviewing the results of independent testing. The Board of Directors should not be in the position of approving whether certain suspicious activity reports are filed or whether a specific transaction is blocked; rather, the Board should ensure that each of the four essential elements of the AML program is up to date and serving its function.

**Q: *Are We Better Off Just Not Doing Business With Money Service Businesses ("MSB")?***

**A:** FinCEN and federal banking regulators have been scrambling to assure banks that MSBs can be good customers. Now that MSBs are licensed, there is no reason to avoid doing business with an MSB that is appropriately licensed and can certify that it has its own compliant AML program. Georgia and Alabama list MSBs on their banking department websites: [www.ganet.org](http://www.ganet.org) and [www.bank.state.al.us](http://www.bank.state.al.us).

**Q: *What About Jewelers And Other Customers That Have Become Subject To AML Requirements – Do We Have To Do More With Them On AML?***

**A:** Any business that is required to implement its own AML program should provide evidence of compliance to its bank. Jewelers are the most recent business type to become subject to FinCEN regulation. Regulations for insurers, import/export companies, leather goods dealers and other "high risk" businesses are still forthcoming.