



**OPENING REMARKS OF WILLIAM J. FOX
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**BEFORE THE
INDUSTRY SESSION OF THE
EXAMINATION MANUAL REGIONAL OUTREACH MEETINGS**

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Hello, I'm Bill Fox. For those of you that do not know me, I am the Director of the Financial Crimes Enforcement Network, or FinCEN, as we are sometimes better known.

I want to tell you we're glad to be here and we're glad you are here to begin our discussion of the new Bank Secrecy Act Examination Manual produced by the Federal Banking Agencies and my agency, FinCEN. Also, we are very happy to be co-sponsoring these events with the Federal banking agencies and I'd like to thank the folks who handled all of the logistics for this event as they have done a superb job.

As I'm sure you know, FinCEN has been delegated the responsibility to administer the Bank Secrecy Act by the Secretary of the Treasury. This means that we bear the responsibility for ensuring that the Bank Secrecy Act is implemented in a way that achieves the policy aims intended by Congress when they passed, and subsequently amended, that Act. Stated simply and broadly, the principal policy goal of the Bank Secrecy Act is to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. This is a lofty goal and one that is difficult to achieve in a financial system that generally promotes the unfettered, free-flow of commerce and where the criminals who are gaming the system manipulate the system with ingenuity and sophistication that at least equals the ingenuity and sophistication of the very best in the legitimate financial world.

So, how do we do it? The regulatory scheme implemented under the Bank Secrecy Act attempts to achieve this policy goal by adding transparency to our financial system through a partnership between the government and private sector. Specifically, we try to reach this goal by:

- First, requiring each financial industry member that is subject to the Bank Secrecy Act to develop a “custom-made” compliance program, which involves the development and adoption of procedures, systems and controls to address the risk of money laundering and other illicit finance posed to that industry member by its business lines, locations and customer base; and,
- Secondly, by requiring that industry member to maintain records and report certain information that is highly relevant and useful in the detection, deterrence and investigation of financial crime.

This regulatory scheme recognizes a simple fact: if the industry members are provided with information about the risks, the industry member is in a much better position than the government to design an anti-money laundering/counter-terrorist financing program that addresses the risks posed by that industry member’s business lines and customer base.

Effective implementation of an anti-money laundering program must be predicated upon your knowledge of your business, a careful assessment of the vulnerabilities of your business to money laundering and terrorist financing, and adoption of controls appropriate to that risk.

We also have a duty here: to provide you with information about the risk so you can assess your business lines and customer base for the risks associated with money laundering and other illicit finance. In other words, this regulatory scheme mandates a partnership between the government and industry member. Without this partnership, the system cannot be effective.

Now, you will hear a lot about the importance of anti-money laundering programs and risk assessment today. It is important to state up front that even the best programs will not stop or detect every illicit transaction that flows through a bank or other financial institution; to expect this would be to ask the impossible. This is what we are asking you to do:

- Assess your operations and construct a sound, risk-focused anti-money laundering program, customized for your institution;
- Implement your customer identification program;
- Institute a process to identify and research suspicious activity; and
- Ensure that the reports your bank files – particularly suspicious activity reports – detail all of the relevant information that your research uncovers.

Stated simply, we are asking you to take prudent steps to protect your businesses from financial crime with the same kind of thought and care you take to guard against loss, theft, or fraud.

The foundation of such a program is the implementation of a systematic process to identify, research, and, where appropriate, report suspicious activity. This process helps ensure that law enforcement receives the best information possible: high quality information that we know is critical to their efforts.

The examination manual we are here to talk about today focuses the examiner's attention squarely on the quality and effectiveness of a bank's anti-money laundering program, including processes to identify and report suspicious activity. This manual is a very important first step of many that will provide you with more and better information to help you assess the risks of money laundering and other illicit finance faced by your institutions.

Two things are important to remember about this manual:

- It is a living document; it is fully intended that the manual will grow and change over time.
- How the manual is used and implemented is just as important, if not more important, than the manual itself.

I'd like to point out that the development of this manual in the time frame in which it was done is truly an outstanding achievement. I am proud of the teamwork and spirit of cooperation that led to the development of this manual which is a helpful first step to ensure better clarity and consistency as we administer the Bank Secrecy Act with the help of our partners in the Federal banking agencies.

You have my commitment that the Financial Crimes Enforcement Network will do all we can to ensure that this manual remains a current and meaningful resource for examiners and industry; and that the Bank Secrecy Act is being implemented in a way that achieves the policy aims of the statute.

In order to do that, we need to hear from you. Over the past year I have traveled quite a bit around the country listening to the frustrations members of the financial industry have with Bank Secrecy Act implementation. We have heard you and I believe we are starting to make the implementation of this important program much better. Again, the publication of this manual is an important first step. The only way we can judge how we are doing is to hear from you, so I encourage you to contact me or my staff by phone, e-mail or letter, and let us know how it is going.

The development of sound programs that facilitate the reporting of detailed information on suspicious financial transactions are the keystone to achieving our all-important goal of safeguarding our financial system from the abuses of financial

crime, and each of your institutions plays a pivotal role in this process. Indeed, it is not an overstatement to say that in a post-September 11th world, our work together is critical to the national security of our country. By implementing these programs and processes, your bank is helping to make our country safer in a real and meaningful way.

Thank you again for coming today, and I look forward to speaking with you throughout the rest of the conference.