



# HOW TO PREPARE FOR AN ANTI-MONEY LAUNDERING REVIEW

## STEPPED-UP AML REVIEWS PUT MORE PRESSURE ON FINANCIAL SERVICES INDUSTRY

Anti-money-laundering (AML) regulators have started hitting banks harder during the past year, giving increasingly rigorous scrutiny to AML programs at a growing number of smaller financial institutions.

USA Patriot Act's Section 352 and banking regulatory agencies' regulations require financial institutions to establish an anti-money laundering program that will help prevent and detect money laundering and the financing of terrorism. Increasingly, U.S. financial services regulators have been meting out severe penalties for programs that do not adhere to acceptable standards. These measures can result in a loss of public confidence and shareholder value.

Regulators' stepped up expectations and more aggressive reviews have combined to force financial institutions to adopt sophisticated AML controls and monitoring systems. Institutions must demonstrate a good faith effort at due diligence to give regulators the "comfort level" needed to trust that the program will be effective and that management takes its responsibilities seriously. Having a sound AML program in place — as well as a plan for ongoing reviews to ensure continued compliance in the future — helps give regulators the comfort they need.

Organizations that fail to proactively adopt robust AML programs that promise to successfully detect and thwart suspicious activity risk incurring regulators' wrath — a costly proposition managers always will want to avoid. Even if a company ultimately is vindicated and regulators do not impose fines or other sanctions, the routine transactional "look-back" review regulators are likely to demand is itself a drain on resources that can cost millions of dollars to undertake. A more modest, proactive investment in adopting or enhancing a company's AML program can help avoid these needless expenses.

There are seven steps organizations facing an AML review should take. We call them PREPARE:

**P** – Prepare the team: delegate responsibilities, set deadlines

**R** – Review AML policies and update as needed

**E** – Ensure internal controls are compliant, enterprise-wide

**P** – Prioritize corrective actions on a risk-ranked basis

**A** – Analyze the adequacy of existing systems

**R** – Re-examine your risk-assessment processes

**E** – Execute your improved program

The PREPARE approach is effective whether a company is adopting sound AML controls for the first time, enhancing existing systems or planning for an upcoming regulatory review. Ideally, the PREPARE concept will become an ongoing part of an institution's corporate culture, fostering improved compliance with regulations, better internal communications and more successful efforts to thwart money laundering and other crimes.

All financial institutions are facing increasing pressure from regulators to adopt robust controls, so compliance professionals and senior management would be well-advised to proactively review their AML programs to plan improvements. Failing to do so could result in severe — even enterprise-threatening — sanctions. ☞



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