Anti-Money Laundering Act of 2020

COMMENT LETTER

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July 1, 2020
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The Honorable James Inhofe
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510

The Honorable Jack Reed
Ranking Member, Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Chairman Inhofe and Ranking Member Reed,

On behalf of the Conference of State Bank Supervisors (CSBS)[1], I am writing to express our members' strong support for the bipartisan Anti-Money Laundering Act of 2020, a pending amendment to the National Defense Authorization Act for Fiscal Year 2021 (S.Amdt. 2198 to S. 4049). It has been decades since our nation's anti-money laundering laws were updated and we fully support your efforts to seize this unique opportunity to enact this vital legislation.

Among its goals, the legislation aims to improve corporate transparency, enhance coordination among the agencies administering anti-money laundering (AML) and counter-terrorist finance (CFT) requirements, and modernize the Bank Secrecy Act (BSA) to better align BSA oversight and reporting with the law's objectives. State regulators share these same goals and are equally committed to improving the overall communication and coordination between state regulators, FinCEN, federal regulators, financial institutions, and law enforcement. We greatly appreciate the bipartisan nature of the Amendment and the work put in by Senators Crapo, Brown, Cotton, Warner, Rounds, Jones, Moran, Menendez and Kennedy to incorporate state banking regulators into the bill's processes and requirements.

State Regulators' Role in BSA/AML Supervision

State regulators' broad supervisory portfolio provides them with a unique perspective of BSA/AML risks. Unlike any single federal prudential regulator, most state banking departments regulate multiple financial intermediaries in the U.S. payments system, including banks and money services businesses (MSBs). In fact, state regulators supervise the largest number of financial institutions, both banks and nonbanks, subject to

BSA/AML requirements. Collectively, state-chartered banks and state-licensed MSBs filed over 2.3 million Suspicious Activity Reports (SARs) in 2019.[2] As such, state financial regulators have extensive experience recognizing BSA/AML risks at a variety of financial institutions, and are well positioned to improve supervision for these risks at both bank and nonbank institutions.

Though the federal banking agencies and the Internal Revenue Service have been deputized as federal supervisors for banks and nonbank MSBs, the states pursue BSA/AML compliance as part of these companies' overall safety and soundness, ensuring their ability to serve local communities. The reality is the states have long been a partner working with our federal counterparts to ensure compliance. This is a natural consequence of our federalist system – there simply are not enough resources in Washington to deploy across tens of thousands of financial services companies; similarly, there is a national need to set standards for financial crime. To improve this system, Congress must recognize the ongoing role of states and include them in a holistic approach.

Recognizing the important role states play in BSA/AML compliance, CSBS worked with the authors of the legislation to weave in state regulators throughout the legislation. The legislation recognizes the vital role of states by requiring consultation with state regulators on national exam and supervision priorities, incorporates state regulators into the FinCEN Liaison and SAR feedback process, and requires consultation with state regulators on implementing transaction monitoring technologies and No-Action letters issued by FinCEN.

Beneficial Ownership Information

State regulators recognize collecting beneficial ownership information on legal entities would assist law enforcement, FinCEN, federal and state regulators, and financial institutions in preventing bad actors from exploiting the U.S. financial system, and we support the overall goal of improving information in order to better thwart illicit financial activities. State regulators appreciate that the legislation specifically directs FinCEN to collect beneficial ownership information through existing federal, state, and local processes wherever possible.

Conclusion

CSBS appreciates your efforts to modernize our BSA/AML regime and efforts to work with state regulators to increase supervisory coordination and BSA information sharing among regulators, FinCEN, and law enforcement. We look forward to working with you to secure enactment of this important measure.

Sincerely,

John W. Ryan
President and CEO

Footnotes

[1]CSBS is the nationwide organization of banking regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. State banking regulators charter and supervise approximately 4,250 banks, representing more than 79 percent of the nation's banks. Additionally, most state banking departments regulate a variety of nonbank financial services providers. For more than a century, CSBS has given state supervisors a national forum to coordinate supervision of their regulated entities and to develop regulatory policy.
[2]Suspicious Activity Report Statistics (SAR Stats). Available at: https://www.fincen.gov/reports/sar-stats.

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