

## **US Bank Fined for AML Errors**

### **By Suzanne Rosenthal, CAMS**

Federal regulators and the US Attorney's Office of the Southern District of New York announced on February 13 that US Bancorp had agreed to pay \$613 million in penalties for violations of the Bank Secrecy Act and for having an inadequate BSA/AML Program in place. In addition, FinCEN has fined the former COO at US Bank with a \$450,000 civil penalty. FinCEN asserted he failed to prevent violations of the Bank Secrecy Act and regulations pursuant to that Act which occurred at the Bank during his tenure. As LaFontaine was responsible for overseeing the Bank's compliance program, FinCEN determined he shared responsibility with the Bank for violations of requirements to implement and maintain an effective AML program and file SARs within the regulatory timeframe.

The government asserted that the Bank was in violation of 31 USC §5318(f) in their failure to implement and maintain an adequate AML program. Specifically, the Bank adopted AML policies, procedures, and controls that it knew would cause it to fail to identify, investigate, and report suspicious activity by capping the number of alerts generated by their automated transaction monitoring system. These caps meant certain accounts or customers with high-risk scores didn't generate alerts because the Bank had a large number of accounts/customers with even higher risk ratings. The Bank also capped alerts arising from 6 of the 22 different query types that typically generated the largest number of alerts. The result of having these caps in place is that the system did not generate as many alerts as it should have for transactions that a risk-based approach would have flagged. In addition, the Bank had an inadequate number of AML investigators, violating the requirement that the designated compliance officer be provided with the resources required to fulfill his/her responsibilities.

The Bank was also found to be in violation of 31 USC §5318(g) for failing to file thousands of SARs in a timely manner. Employees at the Bank knew through internal testing and other means that their inadequate policies caused the Bank to fail to identify and report suspicious transactions, including transactions that potentially laundered the proceeds from crimes.

In addition to the \$450,000 civil penalty imposed by FinCEN, LaFontaine has also been fined \$50,000 by the OCC which has issued a consent order for the same violations.

All banks should ensure that they have risk-based controls, processes, and procedures in place and adequate resources to comply with BSA/AML laws and regulations.