



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 20, 2016

OIG-CA-16-024

MEMORANDUM FOR THOMAS J. CURRY  
COMPTROLLER OF THE CURRENCY

FROM: Sharon Torosian /s/  
Director, Manufacturing and Revenue

SUBJECT: Termination Memorandum – Office of the Comptroller of  
the Currency's Bank Secrecy Act /Anti-Money Laundering  
Compliance Examinations and Enforcement Actions

In December 2011, we initiated an audit of the Office of the Comptroller of the Currency's (OCC) Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance exams and enforcement actions. Our audit objectives were to determine if OCC's bank examinations were performed in accordance with its guidance and that timely and proper enforcement actions along with requisite notification to law enforcement occurred when significant BSA violations and deficiencies were identified.

We are terminating this audit in light of improvements made to OCC's examiner guidance in 2014. Given that changes to the guidance may impact our audit conclusion, we believe that continuing our audit will not significantly enhance OCC's BSA/AML examinations and enforcement actions.

As communicated with OCC management during the audit, we found that OCC lacked examiner guidance for determining if a deficiency in a BSA program should be cited as a pillar violation or reported to the bank for corrective action as a recommendation or a Matter Requiring Attention (MRA).<sup>1</sup>

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<sup>1</sup> A pillar violation is used when an examiner identifies that a bank needs to take corrective action to address systemic or recurring deficiencies within one or more of the four statutory minimum requirements for a BSA compliance program referred to as pillars. The four pillars are internal controls, independent testing of a BSA program, a compliance officer for the program, and BSA related training for staff.

We identified 9 banks in our sample of 38 banks<sup>2</sup> for which pillar violations were not cited and resulted in inadvertently circumventing the Memorandum of Understanding (MOU) with the Financial Crimes Enforcement Network (FinCEN), which requires OCC to notify FinCEN of BSA violations.<sup>3</sup>

In its July 2012 report, *U.S. Vulnerabilities to Money Laundering, Drugs, and Terrorist Financing: HSBC Case History*, the Senate Permanent Subcommittee on Investigations recommended OCC cite pillar violations rather than just report MRAs when a bank failed to meet any one of the statutory minimum requirements for a BSA program. In 2014, OCC issued examiner guidance for citing pillar violations to address this recommendation.

We believe it would be more beneficial to assess OCC's compliance with its enhanced examination guidance in a future audit.

Should you have any questions, please contact me at (617) 223-8638.

cc: Mark Williams – OIG/GAO Liaison

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<sup>2</sup> We selected 38 financial institutions to review, which had a total of 101 BSA examinations between calendar years 2009 and 2011. Our sample was selected to capture OCC's district locations, various asset sizes, matters requiring attention issued, various consumer compliance ratings, and enforcement actions taken. Banks included midsize and community banks, federal branches, and federal savings associations supervised by OCC.

<sup>3</sup> The September 2004 MOU requires Federal Banking Agencies to promptly notify FinCEN when significant BSA violations or deficiencies are found. The information assists FinCEN in developing patterns and trends in BSA compliance, money laundering and terrorist financing as well as initiating enforcement action against the financial institution. This information is provided to law enforcement.