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Flash to bang: Left of boom, right of boom



**Virtual assets:
Calibrating
the compass
of suspicion**



TRICKLE UP AML

The young uniformed patrol officer could not help but notice the almost giddy expression on the face of the narcotics agent who was putting a heavily taped bricklike block into an evidence bag at the station house. Curious, the officer inquires, “What’s that?”

The agent, booming with pride in his investigative prowess, explains that it is a kilo of cocaine he just seized on his latest bust. The young officer hesitates a bit before saying, “I stopped a car with a trunk full of those yesterday, I didn’t know that was what they were and let the guy go!”

In anti-money laundering (AML), a lot of money launderers and financial scoundrels are regularly “let go” because people who could, do not recognize the evidence right in front of them. Few outside the Bank Secrecy Act (BSA) compliance world have ever been trained to recognize the activities, indicators and paraphernalia associated with money laundering and other financial crimes. Like the young officer, the only perspective they may have had on what money laundering looks like came from television. Through training and experience, recognizing evidence of the real thing becomes routine. While “secrecy” may be part of BSA’s very name, AML efforts were never intended to be a secret. Fear of improper or illegal disclosures can result in the very existence of the Bank Secrecy Act/anti-money laundering (BSA/AML) mission not being properly communicated.

The activities financial institutions are trained to spot are just one dimension of an otherwise multidimensional activity. While financial behaviors may help identify money launderers and other financial criminals at financial institutions, there are other behaviors that may also betray them.

At an ACAMS event, an AML professional from the casino industry pointed out how important it was to provide training to service and line employees on the casino floor who may observe and report customer behaviors indicative of potential money laundering. Those behaviors “trickle up” to the compliance section who can further evaluate and analyze the behaviors against their other information and data. Similar training and awareness of AML compliance efforts, both inside and outside of financial institutions, would also be beneficial.

Often people working within financial institutions have minimal knowledge or exposure to the BSA compliance side. This is especially detrimental to AML efforts when the subpoena compliance section is not trained in, or fully familiar with, the BSA/AML compliance section. The “everything,” or similar broad scope of subpoena language, is reduced to only what is easily accessible to subpoena compliance. They rarely have convenient access to the BSA/AML efforts.

Every day “in progress” crimes are taking place throughout the community. The majority of that activity is not obvious and goes unnoticed, as did most banking activities before AML efforts brought some training to the recognition of suspicious activities. “Routine traffic stops” have been the downfall of many large-scale criminal schemes. While most officers will normally recognize contraband and the suspicious nature of bulk currency, most have minimal—if any—training in other aspects or indicators of money laundering activities they may confront on these routine encounters.

Traditionally, financial institutions and other BSA/AML compliance efforts have reached out to law enforcement to be the trainers. While there may be a dedicated group of very specialized task forces and agents working to combat larger and more organized money laundering schemes, the majority of suspicious activity reports (SARs) now are reflective of smaller, more localized criminal activities. Training in addressing what those SARs indicate may require some rethinking of this training model.

The average financial institution BSA/AML compliance person is now better trained in AML than the average police officer. The compliance person is in a better position to be the trainer. An all too common lament at ACAMS events for years has been the inability to attract more law enforcement interest or participants. While education in, and compliance of, AML is mandated for financial institutions, no such mandate exists for law enforcement. Although

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some small sectors of law enforcement voluntarily take on that role, the sectors are far too small to adequately review or address the numerous potential leads SARs now provide.

Most law enforcement entities who do specialize in AML, or the financial aspects of, investigations regularly deal with colleagues who shun or treat that aspect of the investigation as a problem best passed off to someone else as soon as possible. However, those colleagues are the ones who may stumble into those situations or circumstances outside the financial institution that add relevance and context to what those SARs found suspicious. They will not know what they do not know. They need to know more about AML.

In a recent investigation, agents interviewed a bank branch manager who they had learned was asked by the BSA/AML compliance section to question a customer about his suspicious cash transaction activities. The manager told the agents those concerns were compliance’s job and not theirs. His questions to the customer were minimal and added nothing to what the transactional analysis had already determined.

Better answers to “what is being done with SARs” will require more people learning what can be done with SARs. Those observations that may trickle up to a better investigation could come from that teller who asks the right questions, which could take a customer’s actions from questionable to clearly suspicious. It could be the subpoena compliance person who contacts BSA/AML compliance to see what they may add to the compliance of a subpoena received. It could be the casino custodian who reports a customer’s odd activity at a slot machine. It could be the patrol officer who now recognizes something financially funny about a routine encounter.

Do a webpage search of the average financial institution and you may find out how “not easy” it is to locate BSA/AML compliance. At another ACAMS event, such a compliance person pejoratively questioned the very value of the SARs being filed because, “I never get a call from law enforcement!” The real question to ask is how many entities in law enforcement would know that number, along with when and why to call. The largest and best-known companies in the world will lose market share unless they constantly advertise their products or services. Who are the customers of BSA/AML services and is that message getting to them?

Law enforcement is certainly an “end game” in the BSA/AML model. Getting more of them in that game may just result in fewer trunk loads of evidence being let go to drive on down the road. 

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