



November 29, 2018

The Honorable Mike Crapo  
Chairman  
Committee on Banking, Housing, and Urban  
Affairs  
U.S. Senate  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban  
Affairs  
U.S. Senate  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of the Consumer Bankers Association (CBA), we thank you for convening today's hearing, entitled "Combating Money Laundering and Other Forms of Illicit Finance: Regulator and Law Enforcement Perspectives on Reform." CBA is the voice of the retail banking industry, whose products and services provide access to credit for consumers and small businesses. Our members operate in all 50 states, serve more than 150 million Americans, and collectively hold two-thirds of the country's total depository assets. CBA's members also serve the critical function of monitoring, identifying and reporting suspicious activity to law enforcement, and our membership is grateful that the Senate Banking Committee is holding this hearing to review the current anti-money laundering and counter terrorist financing regime.

CBA's members promote national security interests and deter financial crimes by committing significant resources towards compliance with the Bank Secrecy Act (BSA), the USA PATRIOT Act, and related anti-money laundering (AML) laws and regulations. Our members believe the current BSA/AML framework must be modernized to produce more useful information for law enforcement, alleviate compliance burdens on limited resources, and ensure BSA/AML serves as an effective tool in preventing criminals from accessing the financial system. The following recommendations for improving the BSA/AML framework will enable our members to better protect the integrity of the U.S. banking system.

#### **Amend Reporting Thresholds**

CBA supports raising the reporting threshold for financial institutions from \$5,000 to \$10,000 for suspicious activity reports (SARs) and from \$10,000 to \$30,000 for currency transaction reports (CTRs). The current thresholds, established decades ago, have not been adjusted for inflation or otherwise amended. Because these thresholds remain low, more reports are generated than originally intended. Today, technological innovation has enabled our nation's financial institutions to process millions more transactions than ever before, and the volume of reports generated by outdated BSA/AML thresholds has dramatically increased. Despite the increase in the volume of reports that are filed, however, only a small percentage of reports are ultimately relied upon by law enforcement for prosecution. CBA believes that amendments to the reporting thresholds will help financial institutions align resources to better identify financial activity linked to crime by reducing the unnecessary volume of reports and relieving the burdens that are imposed at the lower thresholds.

### **Require Beneficial Ownership be Verified at the Time a Legal Entity is Formed**

Shell companies with anonymous ownership provide shelter for criminals and every effort should be made to prevent these entities from accessing the nation's financial system. CBA strongly encourages the Committee to consider measures that would require beneficial ownership information to be collected and verified by a government agency at the time a legal entity is formed and before corporate owners attempt to access the financial system at account opening. Stronger laws governing the beneficial ownership information that must be supplied at the time a legal entity is formed will better equip financial institutions with reliable and useful information at account opening, lessen the burden on financial institutions to collect this information, and prevent criminals from accessing the financial system under a cloak of secrecy.

### **Streamline Reporting Requirements and Encourage Technological Innovation**

It is CBA's position that FinCEN, the banking agencies, and law enforcement should periodically conduct a formal review of the reporting requirements under the BSA and its implementing regulations to ensure the information reported by and collected from financial institutions has a high degree of usefulness to law enforcement. For example, such reviews would be beneficial in identifying the categories, types and characteristics of SARs and CTRs that are most valuable to law enforcement, as well as identifying ways to improve the reporting process in response to emerging trends. Additionally, such reviews would provide an opportunity for stakeholders to periodically assess whether banks should be permitted to share SARs and CTRs more widely than is currently permissible. Further, these reviews would provide meaningful opportunity for the federal agencies responsible for overseeing the BSA/AML regime to create or review no-action letter processes and to encourage technological innovations that improve anti-money laundering programs.

### **Conclusion**

Thank you for conducting today's hearing. Congress and FinCEN have the authority to modernize the BSA/AML statutory and regulatory framework, and should act swiftly to address outdated reporting measures and weaknesses in collecting beneficial ownership information, and to identify areas in the current regime where improvements and innovation may be appropriate. Updating BSA/AML laws and regulations periodically is necessary to fulfill Congress' initial intent in enacting the BSA and the USA PATRIOT Act: to support law enforcement efforts and foster interagency and global cooperation against domestic and international financial crimes, and to provide U.S. policy makers with strategic analysis of domestic and worldwide trends and patterns.

Sincerely,



Richard Hunt  
President and CEO  
Consumer Bankers Association