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OCC eases anti-money laundering requirements for community banks

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New guidance from the Office of the Comptroller of the Currency reduces Bank Secrecy Act and anti-money laundering (BSA/AML) requirements for US community banks.

The OCC said the levels of money laundering and terrorist financing risk are generally low at community banks, and the agency's actions will reduce these institutions' regulatory burden, putting community banks in a better position to help drive economic growth. The moves were detailed in separate Nov. 24 announcements, one of which clarified BSA/AML examination procedures and the other noted the end of a data collection requirement designed to assess money laundering risk at community banks.

The OCC will tailor BSA/AML exam requirements to the risk level of the institution as opposed to relying "on minimum examination procedures that are unduly burdensome for banks and examiners and provide limited benefit," the agency said in a news release. Examiners will have discretion to carry forward the previous exam conclusions for one cycle if there have been no "significant changes to the bank's risk profile." The guidance also gives examiners discretion to require transaction testing or limit the testing to analytical reviews. Transaction testing typically involves reviewing specific transactions or files, while analytical reviews include higher-level information without transaction or file details.

In its other announcement, the OCC stated that it would cease collecting data from community banks for its annual Money Laundering Risk System. While this system had helped the OCC to understand BSA/AML risks at community banks, the agency said there are less burdensome ways to assess this risk. One such approach is making tailored requests for information in connection with on-site examination activities, the agency said. It also noted that the OCC was the only regulator collecting this information from community banks, and "discontinuing the MLR System would harmonize BSA-related data collection processes across the federal banking agencies."

"The OCC will continue to expect community banks to adequately understand the (money laundering and terrorist financing) risks of their business operations and to comply with applicable laws and regulations, including those issued pursuant to the BSA," the agency said.

Separately, the OCC announced a request to gather more information about community banks' challenges related to core service providers and other third-party providers. The agency wants to understand how the challenges impact community banks' ability to remain competitive and how the agency can address these challenges. The OCC will accept public comments on the matter for 60 days after the request is published in the Federal Register.

The trio of actions is meant to "relieve community banks of unnecessary regulatory requirements and seek to better position them to help fuel job creation and economic development in local communities," said Comptroller Jonathan Gould in a statement.

The actions follow the OCC's October guidance and proposed rules to make community banks' examination frequency more flexible and exams less strenuous, provide faster approvals for M&A and branch expansions, and more.

Further changes related to community bank regulations are expected, including a reduced community bank leverage ratio requirement, which "will be announced soon," the OCC said. Meanwhile, the Federal Deposit Insurance Corp. voted to propose a rule related to the community bank leverage ratio at its board meeting on Nov. 25.

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