Evolution of Regulatory Expectations – Taking Your BSA/AML Program to a Higher Level
February 19, 2019
St. Peter’s University, Jersey City, NJ

Moderator: Laura Goldzung, CAMS, CFE, AMLCA, CPAML, CCRP
President & CEO, AML Audit Services, LLC

Panelist: Kenneth Lee, CAMS, VP, BSA/AML Officer, Kearny Bank

Panelist: Tonia Thompson, SVP/BSA Officer, First Commerce Bank
• Does your Program meet the minimum standard of compliance? Are you reactive, adequate or proactive?
• How do you reach world class, going above and beyond, setting new standards for others in the industry?

This panel session will explore opportunities to rise above reactive and minimum standard compliance, advancing to proactive compliance with a view to becoming world class.
Kearny Bank Facts

• Est. 1884 | Headquartered in Fairfield, NJ
• $6.7 Billion in Assets
• FDIC Regulated
• Publicly Traded on NASDAQ (KRNY)
• 54 Branches (2 in NY and 52 in NJ)
• Full Service, Mortgage, Commercial Lending
• Approved for 14 FTEs (BSA)
First Commerce Bank Facts

• Est. 2006 | Headquartered in Lakewood, NJ
• $1.0 Billion in Assets
• FDIC Regulated
• Privately Held
• 10 Branches (in NJ)
• Full Service, Commercial Lending
• Approved for 12 FTEs (BSA)
Where do you see your Program?

<table>
<thead>
<tr>
<th>Non-Existent</th>
<th>Reactive</th>
<th>Minimum Standard</th>
<th>Proactive</th>
<th>World Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ad Hoc</td>
<td>• Fight fires</td>
<td>• Basic Assessment of Risk</td>
<td>• Effective governance over Program</td>
<td>• Meeting Regulatory Expectations above and beyond what is required</td>
</tr>
<tr>
<td>• Undefined</td>
<td>• Basic management processes</td>
<td>• Set Thresholds</td>
<td>• Understand costs</td>
<td>• Setting new standards for others in the industry</td>
</tr>
<tr>
<td>• Undocumented</td>
<td>• Frequent alerts and escalations</td>
<td>• Predict Problems</td>
<td>• Integrated management and Assessment of Risk</td>
<td></td>
</tr>
<tr>
<td>• Unpredictable</td>
<td>• Multiple manual controls</td>
<td>• Initial Workflow Automation</td>
<td>• Effective monitoring based upon Assessment of Risk</td>
<td></td>
</tr>
<tr>
<td>• Lacks business continuity</td>
<td>• Lacks Business Continuity</td>
<td>• Defined Process</td>
<td>• Integrated compliance with business processes</td>
<td></td>
</tr>
<tr>
<td>• No formal Program</td>
<td></td>
<td>• Documented Procedures</td>
<td>• Robust technology systems to meet compliance and customer needs</td>
<td></td>
</tr>
</tbody>
</table>

Where is your current program trending?

What do you think is the regulatory expectation?
Discussion: What are some of the extras regulators have come to expect?

• *Really EDD!*

• CDD anticipated activity and valuations, risk validations that examine the big picture of CDD as a whole

• Understanding your Risk Models

• How many BSA FTEs does it take? Do you know?

• Implementation of QA/QC programs

• Enhancing Risk Assessments (i.e. more risk factors, concentration of HR customers, detailed Board reporting, etc.)
Key Takeaways

Advancing your program will lead to more effective risk management.

*Enhance* your enhanced due diligence by strategically digging deeper.

Consider engaging a BSA staff analysis to identify the resources needed to effectively manage your program.

Moving from “minimum standard” (adequate) to proactive status will demonstrate to your leadership that you take pride in your craft and may lead to greater professional opportunities.

Consider the new CDD rule an invitation to enhance the entire CDD process.