



# ACAMS U.S. Capital Chapter Winter 2020

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## 3rd Annual Financial Institution & Law Enforcement Partnership Forum

Sepideh Behram

On August 21, 2019, the U.S. Capital Chapter held its third annual private and public sector partnership forum to bring together financial institution, law enforcement and regulatory agency representatives for an opportunity to learn about emerging trends through various presentations and panel discussions and to network with key industry representatives.

This year's event kicked off with remarks from Rohit Sharma, Managing Director and President of ACAMS. Rohit emphasized the commitment of the national ACAMS organization to its local chapters and ensuring members have the support and engagement that makes ACAMS such an effective organization. He provided highlights of ways in which ACAMS is looking to increase the value of membership including additional conferences and certification programs as well as continuing to identify ways to enhance partnership opportunities across the industry.

The day's presentations and panel discussions started off with an enlightening overview and discussion by Michael N. Emmerman,



Intelligence Analyst of The Special Operations Support Group. Michael discussed the global criminal network and how local criminal activity may involve global criminal organizations and current trends of transnational criminal activity. He focused on the importance of recognizing the cultural impact of criminal organizations and how they have influence across the world to facilitate movement of money and goods.

This presentation was then followed by case studies, first a highlight of enforcement actions taken by the Department of Justice against financial institutions for gaps in their BSA/AML programs as presented by David Rybicki, Deputy Assistant Attorney General USDOJ Criminal Division. Next, Kenneth Schaeffer (pictured left), Special Agent Homeland Security Investigations, described a money laundering scheme that he investigated in Los Angeles that resulted in a \$68 million cash seizure involving black market peso exchange, funnel accounts and trade-based money laundering.

The case studies were followed by a special update from Capitol Hill provided by Danielle Camner Lindholm, Director of National Security Policy, U.S. House Financial Services Committee. Danielle highlighted the legislative proposals that are being discussed as a part of BSA reform efforts currently underway to modernize the regulatory requirements. Then the attendees enjoyed listening to a keynote presentation by Don Im, Assistant Special Agent in Charge, Special Operations Division, U.S.

### Note from Chapter Co-Chairs

Dennis Lormel & Sepideh Behram

The U.S. Capital ACAMS Chapter is dedicated to delivering high quality, relevant training events to its members. The Chapter holds timely and topical learning events intended to inform and educate its members and attendees on emerging issues, as well as recognizing industry leaders. Periodically the Chapter recognizes leaders in the industry for their Distinguished Service and this year the Chapter introduced an award for Excellence in Private-Public Partnership for law enforcement and private sector representatives. Steve Gurdak was the recipient of the Law Enforcement award and Les Joseph was the recipient of the Private Sector award. Additionally, the Chapter awarded a Lifetime Achievement Award to Dennis Lormel and its annual Distinguished Service Award to Lauren Kohr. Congratulations everyone on your contributions to the industry.

If you are interested in volunteering for the Program Committee or the Chapter's Advisory Board, please contact us. You can reach us either through LinkedIn or via email at [USCapitalChapter@acams.org](mailto:USCapitalChapter@acams.org)

### 2020 Event Topics:

The Program Committee is finalizing plans for the 2020 training events. As Chapter members, please contact us either via email or social media and let us know what topics are of interest to you.

Please visit our website for up-to-date information:

<http://www.acams.org/acams-chapters/u-s-capital/#events>

### Our Board Members:

Dennis Lormel (Co-Chair), Sepideh Behram (Co-Chair & Editor), Kevin Anderson (Treasurer), Barbara Keller (Program Director), Bob Pasley (Communications Director), Rachele Byrne (Social Media Director), Lauren Kohr (Membership Director)

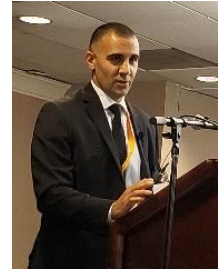
Members at Large: Don Temple, Ed Rodriguez, Lester Joseph, Steve Gurdak, John Wagner, and Jim Wright.



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Drug Enforcement Administration, discussing Chinese organized crime and global money laundering including the impact of China's crackdown on corruption.

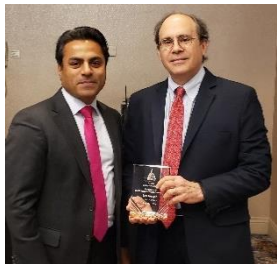
The afternoon comprised 3 panel discussions to address current issues and emerging trends with a focus on the importance of public and private sector partnerships. The first panel covered information sharing under section 314 of the USA PATRIOT Act as presented by Lester Joseph, Manager of Global Financial Crimes Intelligence Group at Wells Fargo; Raymond Villanueva, Special Agent in Charge for Homeland Security Investigations; Matthew Thomas (pictured right), Senior Client Manager of Strategic Accounts at Thomson Reuters; and Lt. Col. Sargis Sangari (pictured left), CEO of the Near East Center for Strategic Engagement. The panel focused on how to leverage these information sharing opportunities to further enhance an investigation and how to build collaboration amongst financial institutions as well as between financial institutions and law enforcement.



The second panel was an overview from the law enforcement agencies on their current priorities and initiatives as well as trends they are noting resulting from their review of SARs and investigations. The panel was composed of Dennis Lormel, President DML Associates; Kelly R. Jackson, Special Agent in Charge of IRS-Criminal Investigation; Todd Porter, Assistant Chief of the Terrorist Financing Operations at the Federal Bureau of Investigations; and Shawn Polonet, Assistant Special Agent in Charge, Homeland Security Investigations.

Lastly, the third panel, composed of Lauren Kohr, Senior Vice President/Chief Risk Officer at Old Dominion National Bank; Jennifer E. Ambuehl, Acting Chief of the Bank Integrity Unit, Money Laundering and Asset Recovery Section at U.S. Department of Justice's Criminal Division; Stacey Ivie, Task Force Officer at Washington Baltimore HIDTA SAR Review Team; and Sepideh Behram, Principal Vice President/BSA Officer at Burke & Herbert Bank provided tips for subpoena compliance. The panel discussed the importance of communication between the financial institution and the agency issuing the subpoena to ensure appropriate documents are produced and internal collaboration amongst various departments within a financial institution to establish consistency and accuracy in the information produced.

The event was highlighted with the first annual award presentations, presented by Rohit, in recognition of the private and public sector partnerships the recipient helped foster. The first award was for the recognition of a law enforcement representative who has demonstrated strong partnership efforts in helping build collaboration. Steve Gurdak (pictured right), Group Supervisor, Northern Virginia's Financial Initiative, received the Excellence in Private and Public Sector award. The second award was for a private sector representative, as nominated by law enforcement representatives, who has demonstrated stellar partnership in supporting law enforcement in their investigations. Lester Joseph (pictured left), Manager of Global Financial Crimes Intelligence Group at Wells Fargo, was the recipient of the Excellence in Private and Public Sector award for his continued efforts of communicating and collaborating continually with law enforcement.



Lastly, the Lifetime Achievement award was presented to Dennis Lormel (pictured right), President DML Associates. Dennis has not only been instrumental in the creation of the Terrorist Financing Operations Section of the FBI after 9/11, but has been integral in providing training to both the private and public sectors post-retirement to ensure collaboration and partnerships continue to thrive.





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## Model Governance & Validation

Bob Pasley

On October 10, 2019, the ACAMS U.S. Capital Chapter held a learning event discussing Model Governance and Validation. The event was sponsored by Regulatory DataCorp (RDC). The presentation was moderated by Chapter Board member Barbara Keller and the two presenters were Michael Brien, Managing Director Regulatory, Forensics & Compliance at Deloitte, and Cindy Ellers, Senior Director of Growth at RDC. First, they set forth the definition of a model as described in both the Federal Reserve and Office of the Comptroller of the Currency (OCC) guidance. Then they explained how to create a model and incorporate an appropriate risk profile into the model, for instance, customer screening and politically exposed persons screening and the need to tailor such models to the financial institution's risk appetite.



The presenters also referenced OCC's Bulletin 2011-12, issued on April 4, 2011, as a good guide for "Model Risk Management." In creating modeling, the presenters noted the need to know what the financial institution is trying to validate and that it is critical that the institution maintain extensive documentation to demonstrate what it has done, what it has looked at and how the model works. Documentation is also critically important because the institution's regulators will want to review the creation, background and working of the model during an examination.

In creating a model, the financial institution needs to functionally test and calibrate it based on the financial institution's risk profile, understanding that no model is foolproof or all-encompassing. In addition, the financial institution needs to take into consideration what types of external or internal events would trigger re-validation of the model. An example of this might be too many false positives or too many missed red flags. The speakers recommended that institutions establish model governance committees, especially larger institutions that have many models.

Model validation is defined within regulatory guidance as "the set of processes and activities intended to verify that models are performing as expected, in line with their design objectives, and business uses." It also identifies "potential limitations and assumptions, and assesses their possible impact." Model validation addresses the following factors:

- Conceptual Design - model's ability to meet business and regulatory needs and the unique risks facing a bank
- System Validation - all technology and automated systems implemented to support models have limitations
- Data Validation – whether the data is accurate
- Process Validation – whether the output results are accurate

## LAW ENFORCEMENT CORNER

### Becoming a Partner Steve Gurdak

"What is being done with our SARs" is one of the most common questions law enforcement is asked at industry events. While there is consensus for the need for a public/private partnership there is less clarity as to how that is supposed to actually work. Our private sector folks should take note that the Justice Department requires that nearly all Federal Districts have SAR Review Teams or Task Forces in place. The good news is that all three areas in the DMV (the Metro DC area) have an active and enthusiastic SAR review team in place. If you are not familiar with the initiative in your area it may be beneficial for you to reach out and find out more. You will find out that things are being done with your SARs. You'll also find out a lot more can be done when you become a more active participant in this partnership. You can contact any of the following offices:

U.S. Attorney:  
Virginia (703) 299-3700  
DC (202) 252-1900  
Maryland (410) 209-4800





# ACAMS U.S. Capital Chapter Winter 2020

## **Cyber Crime and the Illicit Use of Cryptocurrencies and Level 2 Testing Hot Topics**

Sepideh Behram

On November 5, 2019, the ACAMS U.S. Capital Chapter had the opportunities to hear from industry experts on two emerging issues, first Level 2 Testing Hot Topics presented by Michaela Soctomah of KPMG and next the topic of cyber crimes trends related to cyptocurrency presented by Robert Lee, FBI Cyber Division Unit Chief.

Ms. Soctomah highlighted the importance of collaboration and partnership between the three lines of defense, not just reliance solely on the third line to identify program gaps. This approach helps to demonstrate how an institution takes a risk-based approach. She reviewed some of the recent enforcement action cases to help demonstrate the lessons learned from these actions. She noted that reliance solely on the independent testing pillar to identify issues related to an institution's program poses heightened risk and is a common pitfall experienced by financial institutions based on a review of the enforcement actions. She noted that regulator expectations are that a Level 2 Testing program include sample sizing and methodology, have a risk-based test plan and include documentation of remediation of findings.

Mr. Lee provided the participants a highlight of the role of the National Cyber Investigative Task Force. He discussed the trends related to cybercrime which often include the utilization of cryptocurrency. He reviewed the continued rise of business email compromise and ransomware as the leading cybercrime threats. There are several issues leading to complexities with establishing appropriate oversight of cryptocurrency, including the process of crypto-jacking or use of mixing services or tumblers to further increase the anonymity of cryptocurrency. Mr. Lee also noted that the lack of a consistent regulatory framework to establish appropriate oversight of cryptocurrency increases the AML risks as sanctioned countries are putting forth efforts to create their own virtual currencies.

## **Year-In-Review**

Barbara I. Keller

On December 11, 2019, the ACAMS U.S. Capital Chapter held its fifth annual "Year-in-Review" followed by a networking reception. The event featured a series of one-on-one chats with a variety of speakers - industry practitioners, government representatives, law enforcement and Capitol Hill.

Danielle Camner Lindholm, Director of National Security Policy for the House Financial Services Committee, was interviewed by U.S. Capital Chapter co-chair Sepideh Behram. She provided an update on congressional efforts underway related to improving the BSA effectiveness. She discussed the bills passed, including Corporate Transparency and the SAFE Bank Act, both of which received bipartisan support by the House in late 2019. Although these have passed in the House, they still have to be introduced and discussed in the Senate before a vote on final passage. She hopes that the Senate will take up the bills in 2020 and commented that many in the AML field believe there is truly hope for passage.

Suzanne Williams, Deputy Associate Director at the Federal Reserve, provided a regulatory update in a discussion with Chapter Board member John Wagner. She said that the Bank Secrecy Act Advisory Group had formed an Effectiveness Working Group in 2019 with the focus to increase private/public collaboration and identify potential reform opportunities to the BSA examination process, keeping in mind the unprecedented pace, scope and breadth of BSA changes. Regulators are also working to make the focus of examination more risk-based. Updates are in the works for the *FFIEC BSA/AML Examination Manual*. Drafters are taking a phased approach to introducing updates, with the first phase of updates being released in early 2020.



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Rick Small, Executive Vice President and Director of Financial Crimes at the newly created Truist Financial (formerly BB&T), talked with AML RightSource's John Byrne about the financial institution perspective on emerging issues. Rick stressed that leadership is critical which starts with setting the tone for AML compliance at the top of the institution. In situations where financial institutions are in the midst of a merger, the institutions need to look for economies of scale and ways to leverage resources. Many institutions are considering combining Fraud and BSA/AML departments given the similarities in the investigative processes and leveraging both human and system resources.

Tim White, Vice President of Business Development and Sanctions at AMLRightSource, discussed developments in the sanctions area with Chapter co-chair Dennis Lormel. Tim said there has been a sea change in sanctions against Cuba since the Obama Administration. Many of these restrictions are back in place. In May 2019, OFAC issued a compliance document titled "A Framework for OFAC Compliance Commitments." This was a pivotal release due to the fact that it provides for a risk-based approach to OFAC and describes the need for tone at the top and discusses personal liability. In his view, institutions need to put more resources into training. Also, sanctions are not just a bank issue anymore - OFAC is taking enforcement actions against all types of businesses. He predicted that there will be heightened focus on imposing sanctions going forward as sanctions are being used more and more as a foreign policy tool.

Michael Hertzberg, Assistant Director at U.S. Department of the Treasury's Office of Terrorist Financing and Financial Crimes (TFFC), provided a perspective from Treasury in a discussion with Chapter board member Barbara Keller. The two primary roles TFFC plays are leading the U.S. delegation to the Financial Action Task Force (FATF) and engaging in specific efforts to counter threats like money laundering, proliferation financing, and terrorism. Mike encouraged attendees to read not only the National Money Laundering Risk Assessment but also the National Terrorist Financing Risk Assessment, both of which were issued most recently in December 2018. With regard to FATF, the U.S. held the presidency from July 2018 through July 2019, during which time the U.S. focused most on virtual currencies, terrorist financing, and weapons of mass destruction. China now has the presidency and is focusing on supervision, wildlife trafficking, and digital identity.

Chapter Board member Steve Gurdak, from the Washington/Baltimore HIDTA discussed the emerging threats for federal and state/local law enforcement with Jamarle Worilds, Unit Chief at Department of Homeland Security Investigations. Both discussed that cash is still king and represents the biggest threat because of the nature of anonymity and because there is still a lot of bulk cash being smuggled. Other threats include digital assets, third-party money laundering, financial fraud, human trafficking, and money services businesses.

Chapter Board member Lauren Kohr discussed the emerging trends facing financial institutions with Dan Stipano, Partner at Buckley LLP. Dan commented that Fintech companies are using technology to develop traditional banking services. These companies create vulnerabilities because they do not have mature compliance programs and their activities may cause AML risk exposure which does not receive appropriate regulatory oversight. Additionally, given they are often registered at the state level as a Money Services Business, another risk is state regulations and obligations often differ. Technology development is leaving regulators in the dust too. Dan also outlined areas where he thinks changes are warranted because they are outdated. For example, the CIP rule does not make sense in the digital world of 2019 and other opportunities include modernization of SAR filing obligations and ways in which information sharing is permitted.



*Thank you to our speakers and sponsors: Jennifer Ambuehl, Sepideh Behram, Michael Brien, John Byrne, Danielle Camner Lindholm, Jeffrey Cannon, Cindy Eilers, Michael Emmerman, Steve Gurdak, Michael Hertzberg, Don Im, Stacey Ivie, Kelly Jackson, Les Joseph, Barbara Keller, Lauren Kohr, Robert Lee, Dennis Lormel, Todd Porter, David Rybicki, Sargis Sangari, Kenneth Schaeffer, Rick Small, Michaela Soctomah, Dan Stipano, Matthew Thomas, David Thompson, Ray Villanueva, John Wagner, Tim White, Suzanne Williams, Jamarle Worilds, AMLRightSource, KPMG, PALMERA Consulting, RDC, Thomson Reuters, Refinitiv, and Thomson Reuters Special Services.*