



ACAMS US Capital Chapter Winter 2016/2017

Year End Review and Predictions for 2017

Megan Cerveney and Michael Loughnane

On December 6, 2016, the ACAMS U.S. Capital Chapter in partnership with Deloitte was delighted to host an event as a year-end review and preparation for 2017 featuring three panels: regulator, banker, and law enforcement.

Barbara Keller moderated the regulator panel which discussed the lessons learned and challenges within the regulatory anti-money laundering (AML) environment and provided a thoughtful government perspective. Challenges continue in improving testing processes for suspicious activity monitoring systems and improving coordination with law enforcement.

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The recent Financial Action Task Force (FATF) Mutual Evaluation was promising, noting the improvements and challenges that remain from the previous 2006 assessment. The United States showed high marks in both technical compliance and effectiveness, and high marks for government oversight. The United States continues to work on challenges related to beneficial ownership, and “gatekeepers” such as lawyers, accountants, and real estate agents. FATF praised the United States for the effectiveness of its law enforcement and prosecution of money laundering activity.

In the Banker’s Panel we had the opportunity to hear the insights of Jim Candelmo, Deputy Chief, AML Officer, Capital One; Lauren Kohr, FIU Senior Manager, Governance, Risk and Quality Control, Pentagon Federal Credit Union; and John Davidson, Senior Vice President and Global Head of AML,

Note from Chapter Co-Chairs Dennis Lormel & Sepideh Behram

The US Capital ACAMS Chapter would like to congratulate Emeritus member Jim Wright on receiving this year’s US Capital Chapter Lifetime Achievement Awards for his outstanding contributions to the Chapter as one of its original founding members. We also welcome Lauren Kohr and Megan Cerveney to the Board.

This past fall the Chapter held four learning events highlighted throughout this newsletter ending the year with 7 learning and networking events.

The Chapter is continuing to develop learning event topics and future events may include a focus on challenges facing community banks and credit unions and law enforcement.

We welcome Chapter member feedback and ideas on topics you would like to hear about. You can reach us either through LinkedIn or via email at USCapitalChapter@acams.org

Tentative Upcoming Events

Behind the Scenes: FBI’s Money Laundering Unit

Opioid Epidemic: “Chasing the Dragon”
Specific dates and locations to be announced, please visit our website:

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



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E*TRADE Financial. Moderator John Byrne asked the panelists about some of the risks and challenges the banking industry is facing in the coming year.

The panel commented that a potential impact of de-risking may be transferring risk from larger institutions to smaller institutions. While increased detail and corroboration in customer information has resulted in de-risking activity, questionable or illicit actors may be moving to points of least resistance--smaller institutions with access to fewer compliance tools and resources. In a related discussion, smaller institutions are experiencing Customer Identification Program challenges in opening accounts for the large influx of refugees. They may have tax identification numbers, but they present increased risk because it is difficult to understand who they really are.

A dramatic impact on charitable work as a consequence of de-risking was raised by the panel in a brief discussion of non-profit organizations. Because of the risks associated with charities, including international charities serving high risk or OFAC-sanctioned areas, some de-risking models would deny them as customers. The panel noted that, while this may in fact be the right business decision for the institution, the work of charities is impacted, and, in the real world, if a charity cannot achieve its mission, people may suffer and die.

In describing other challenges moving forward, the panel responded with one word, "cyber." When the BSA was first passed, its primary issue of concern was the "War on Drugs," but, as time wore on, it expanded to meet the challenges of terrorism and other financial crimes. Presently, fraud, particularly in identity theft, elderly and health care, and business e-mail compromise, present major areas of concern. As these concerns develop, banks need clearer regulatory guidance to develop a better understanding of the expectations for building effective and compliant programs.

The panel also raised the question of training in this environment--getting "great people" with the requisite skills will be paramount to meeting the businesses challenges stated. In the cyber environment, for example, having staff that understands information system security is critical. Another concern was raised about whether the business structures we built to meet the objectives of the multitude of requirements, such as models, are in fact stifling innovation as we spend time to identify the knowns and may fail to seek the new illicit processes and unknowns.

The third panel of the day was moderated by Dennis Lormel and brought forward law enforcement experts: Jeff Cannon, Chief of the Terrorist Financing Operations Section, FBI; Supervisory Special Agent Matthew Taylor, Money Laundering Unit, Criminal Division, FBI; and Jim Cox, Supervisor, Fairfax County Police Department.

The panel discussed how law enforcement outreach to the financial industry and increased transparency in how law enforcement uses the information provided by the financial industry has improved the quality



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of the information provided and has also served to ease industry concerns. Jeff Cannon noted that, in some terrorism-related cases, information that was pertinent to the investigation was available for law enforcement as the case was launched, which resulted in faster and more effective investigative responses. The FBI's recently relaunched Money Laundering Unit demonstrates the significant importance of the issue as well as using a significant skill set to combat money laundering. The networks that exist to support illicit actors, including lawyers, accountants, real estate agents, and corporate service providers are gatekeepers to the financial industry. They enable illegal activity and have far reaching impacts. The Money Laundering Unit is targeting these services for hire groups, as well as trade-based money laundering, automobiles, and precious metals and gems to attempt to stem the flow of illicit funds.

A sobering note was raised by Supervisor Jim Cox who commented on the significant increase of opioid use in Fairfax County. From the perspective of ACAMS members, he noted how important it is to look for possible suspicious activities in the medical industry as doctors run "pill mills" or build illicit business structures to sell opioids illegally.

With regard to investigating terrorism activity, a dramatic point was raised about the changes everyone is facing in identifying terrorist financial activity. The methods used by Al-Qaeda were largely long-term in nature, resulting in large-scale coordinated attacks. The FBI is very good at the counter-measures required to combat these activities. ISIS, on the other hand, is more of a grassroots or inspired movement and the activity observed in the business model for finance is much shorter in duration and money moves in smaller amounts. The activities of "lone wolves" have always been a challenge to detect, and this type of financial activity is becoming more common. In investigating this type of terrorism activity, suspicious activity reports are more important than currency transaction reports.

Finally, law enforcement panelists emphasized the necessity of efforts to improve coordination and bank outreach. Suspicious activity reports are some of the most valuable intelligence that they gather, and the most important part of the relationship. A long-standing effort to obtain security clearances for select members of the financial industry to improve information-sharing and expertise continues to move forward.

The collaboration of these panels provided an interesting and valuable overview of the AML/CFT world from multiple perspectives, and we are grateful to our panelists for taking the time to share their knowledge with the U.S. Capital Chapter. Understanding all sides of the issues helps to remind us not only about the importance of AML/CFT technical compliance, but also that the underlying purpose of the BSA is to prevent crime and keep our communities safe.



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Fraud, Corruption & Identification of Bad Guys, Jim Wright

In October, 2016, the US Capital Chapter hosted a learning event with Thomson Reuters which focused on a host of topics involving fraud and corruption and new methods of customer identification. Pascale Dubois, Chief, Suspension and Debarment Officer, World Bank discussed efforts to bar World Bank contractors who commit fraud. She also commented on the link between her efforts and the fight against money laundering. Steve Kraus, Director of Corporate Investigative Solutions, Thomson Reuters, discussed the new risk analysis being developed for 2017. Elizabeth Gelsomino, Esq., Public Records Product Specialist, Thomson Reuters, discussed the Thomson Reuters Foundation and their efforts to teach media professionals throughout the world about how to report on corruption.

In the Spotlight

Chapter Partnership with George Mason University

In July, members of the US Capital Chapter began a partnership with George Mason University's (GMU) Terrorism Transnational Crime and Corruption Center (TraCCC). The first objective is assisting TraCCC in training law enforcement and AML professionals from other countries. A second objective is facilitating ACAMS membership in Tanzania. The third objective is designing programs to attract GMU students to careers in AML/CFT and membership in ACAMS. In September, three chapter members served as instructors to a delegation of Tanzanian law enforcement and FIU staff on a number of anti-money laundering and investigation subjects. As a follow up, the Chapter is helping to arrange for AML professionals in Tanzania to obtain CAMS certification. As GMU develops training programs for other countries, an expanded number of chapter members will serve as instructors. To stimulate GMU students' interest in AML/CFT, the university will be offering a class in the fall of 2017 on a host of AML/CFT subjects. The course will be taught by US Capital Chapter Board Member Les Joseph.

Building Strong Law Enforcement and Private Sector Partnerships, Rachele Byrne

On September 7th the Chapter hosted learning and networking event at Nationals Park sponsored by RDC. Prior to the game between the Washington Nationals and the Atlanta Braves, chapter members listened to a panel hosted by John Byrne about the importance of building partnerships between law enforcement and the private sector. The panel included Jim Cox, Second Lieutenant/Supervisor at Fairfax County Police, Abelardo Vecino, Supervisor of the Undercover Unit at the Federal Bureau of Investigations and Jim Candelmo, Acting Chief AML Officer at Capital One. All three panelists reiterated the importance of building and fostering relationships between law enforcement and financial institutions. Jim Cox stressed the importance of financial institutions, particularly smaller ones, getting to know their local law enforcement departments. Often times, federal law enforcement can't investigate cases until a certain monetary threshold is met. However, local law enforcement has more flexibility in the financial crimes cases it can pursue. Cox emphasized getting in contact with local law enforcement if potentially suspicious activity is identified as soon as possible.

After the panel, members were able to relax and network while taking in the game where the Nationals went on to beat the Braves 5-4.



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***Anatomy of a Banking Scandal*, Bob Pasley**

On September 15th, the Chapter hosted a book signing event at Gordon Biersch for *Anatomy of a Banking Scandal*, written by Bob Pasley. Bob was interviewed by John Byrne and, together, they explored the background of the book, which described the true story of the rise and fall of the First National Bank of Keystone, in Keystone, West Virginia.

In the 1990s, the bank got involved in the securitization of subprime mortgages, even though it had no idea what it was doing. In the end, every one of the bank's 19 securitization deals was a failure. To cover up its losses, the bank falsified its books and records, threatened the bank examiners in an effort to keep them from examining the bank too thoroughly, and even buried four truckloads of bank documents to keep them from being discovered. The insiders of the bank also stole from each other, falsifying yet more documents, including writing a fake codicil to steal money from the estate of the late president of the bank – days after he died.

For three years in the 1990s, the bank was touted by the *American Banker* as being the most profitable large community bank in the entire country, out of more than 5,000 similarly-sized banks. At this time, the bank was actually insolvent. When the examiners finally uncovered the fraud and the OCC closed the bank, the failure was projected to be one of the ten biggest failures in the history of the FDIC. After the bank's failure, the FDIC successfully sued the bank's nationally renowned accounting firm and prominent law firm for millions of dollars. Five insiders of the bank were prosecuted and convicted for obstruction of a bank examination, bank fraud and embezzlement – one insider died in prison and another served approximately 15 years in prison. Three other insiders were placed on probation. In addition to all of this, given the fact that the bank got involved in the overly risky area of securitizing subprime mortgages, it proved to be a harbinger of the 2007-2008 financial crisis. Congress recognized the bank's failure as a "wake-up call," but the regulators and the marketplace slept through it.



A Special "Thank You" to our fall 2016 speakers and sponsors: Thomson Reuters, RDC, Promontory and Deloitte, Pascale Helene Dubois, Steve Kraus, Jim Cox, Abelardo Vecino, James Candelmo, Bob Pasley, Spencer Doak, Sarah Green, Scott Rembrandt, Lauren Kohr, John Davidson, Jeff Cannon, and Matthew Taylor.

Chapter Information



Check out our LinkedIn group page for Chapter updates!

Did you Know...

Law enforcement and government employees receive added discounts to become chapter members? Contact the Chapter for more information.

Our Board Members:

Dennis Lormel (Co-Chair), Sepideh Behram (Co-Chair), Kevin Anderson (Treasurer), Barbara Keller (Program Director), Bob Pasley (Communications Director), Rachele Byrne (Social Media Director), Members at Large: Don Temple, Ed Rodriguez, Lester Joseph, Steve Gurdak, John Wagner, Lauren Kohr and Megan Cerveny and Emeritus Members: Mary Bashore and Jim Wright.