

SUPPORTING STATEMENT
PROCEDURES FOR MONITORING BANK SECRECY ACT COMPLIANCE
(OMB No.3064-0087)

INTRODUCTION

The FDIC is requesting a renewal of the currently approved collection of information captioned above without any change in the substance or in the method of collection. The collection of information requirements is contained in § 326.8(b)(1) and (c) of FDIC's regulation 12 C.F.R. 326.

A. JUSTIFICATION

1. Circumstances that make the collection necessary

As required by Section 8(s) of the Federal Deposit Insurance Act (12 U.S.C. § 1818(s)), the FDIC's 12 C.F.R. § 326.8(b) (1) and (c), requires all insured nonmember banks to establish and maintain procedures designed to assure and monitor their compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311 et seq.) and the Treasury's implementing regulations at 31 C.F.R. Chapter X.

An institution's compliance program must be reduced to writing, approved by the institution's board of directors and noted in the minutes of the board meeting. The compliance program must consist of a system of internal controls to assure ongoing compliance and provide for independent testing for compliance to be conducted by bank personnel or by an outside party. The bank must also designate an individual or individuals responsible for compliance, and provide for the training of appropriate personnel.

2. Use of the information of information collected

The information is reviewed by the FDIC during the course of bank examinations to verify compliance with statutory and regulatory requirements. The agency report of examination will describe any problem with the compliance program, including the procedures followed by an insured bank.

3. Consideration of the use of improved information technology

Banks may use any appropriate technology to prepare and maintain their written procedures. However, the applied technology must not impede the examination process.

4. Efforts to identify duplication

There is no duplication in the requirements to prepare and maintain written plans for Bank Secrecy Act compliance. Each Federal banking agency requires the banks it supervises to prepare written procedures as required by the Bank Secrecy Act (31 U.S.C. 5311 et seq.) and the Treasury's

implementing regulations at 31 C.F.R. Chapter X

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities

All banks are subject to the same requirement to prepare and maintain written procedures as part of this program to assure and monitor compliance with the Bank Secrecy Act (31 U.S.C. 5311 *et seq.*) and the Treasury's implementing regulations at 31 C.F.R. Chapter X. The burden in preparing and maintaining written procedure is likely proportionate to the size and complexity of the bank's operations.

6. Consequences to the Federal program if the collection were conducted less frequently

As a sound practice, a bank's board of directors should update the written procedures, at least annually, to incorporate procedural changes and to ensure the program's effectiveness.

7. Special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR Part 1320

There are no special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR Part 1320.

8. Efforts to consult with persons outside the agency

The FDIC published a *Federal Register* notice seeking public comment on this collection for a 60-day period on February 9, 2017 (82 FR 10004). No comments were received.

9. Payment or gift to respondents

None.

10. Any assurance of confidentiality

Information will be kept private to the extent allowed by law.

11. Justification for questions of a sensitive nature

This collection does not contain information of a private and sensitive nature.

12. Estimates of Hour Burden and Annualized Cost

The FDIC estimates that the annual recordkeeping burden of approximately 3,787 FDIC regulated institutions will vary, depending on the size, complexity, and type of bank. The burden is calculated as follows:

| | Estimated Number of Respondents | Estimated Time per Response | Frequency of Response | Total Estimated Annual Burden | Cost to Respond | Cost per Response |
|------------------------|---------------------------------|-----------------------------|-----------------------|-------------------------------|-----------------|-------------------|
| Small Institutions | 3,011 | 35 hours | On Occasion | 105,385 hours | \$5,705,719 | \$1,894.96 |
| Medium Institutions | 747 | 250 hours | On Occasion | 186,750 hours | \$10,110,954 | \$13,535.41 |
| Large Institutions | 29 | 450 hours | On Occasion | 13,050 hours | \$706,549 | \$24,363.76 |
| Total Estimated Burden | 3,787 | | | 305,185 hours | \$16,523,222 | |

Cost of Hour Burden to Respondents:

To estimate wages, we used data from the May 2015 National Industry-Specific Occupational Employment and Wage Estimates for the Depository Credit Intermediation sector. We used the 75th percentile wages as a conservative estimate of the costs. See Table 1.

Table 1: 75th Percentile Wages by Occupation, Depository Credit Intermediation Sector

| <u>Occupation (Std. Occupational Classification code)</u> | <u>Hourly Wage</u> |
|--|--------------------|
| Top Executives (111000) | \$83.87 |
| Compliance Officers (131041) | \$38.40 |
| Executive Secretaries & Executive Administrative Assistants (436011) | \$31.76 |

Source: BLS Specific Occupational Employment and Wage Estimates (May 2015).

We observed that the initial burden estimate did not adjust wages to account for the cost of benefits and inflation. Consequently, we have adjusted this nominal wage data to more accurately reflect the labor costs borne by covered institutions. According to December 2016 estimates from the BLS, benefits are 35.2 percent of total compensation, on average, across all occupations in the nation. The inflation rate from May 2015 and December 2016 was 2.5 percent. Consequently, the adjusted wages are as follows:

Table 2: Wages by Occupation, Adjusted for Benefits and Inflation

| <u>Occupation</u> | <u>Adjusted Hourly Wage</u> |
|------------------------------|-----------------------------|
| Top Executives (111000) | \$132.76 |
| Compliance Officers (131041) | \$60.78 |

Executive Secretaries & Administrative Assistants (436011) \$50.72

Note: Using the nationwide 75th Percentile wages for the Depository Credit Intermediation Sector.

Sources: BLS Specific Occupational Employment and Wage Estimates (May 2015), Employer Cost of Employee Compensation (December 2016), and the BLS CPI-U (February 2017)

Using the estimate of total burden hours, the adjusted wage data, and the new count of recordkeepers, the total estimated burden for the information collection is:

Table 3: Total Burden

| <u>Occupation</u> | <u>Percent of Burden Hours</u> | <u>Total Burden Hours</u> | <u>Hours per Occupation</u> | <u>Adjusted Wage</u> | <u>Cost Burden</u> |
|--|--------------------------------|---------------------------|-----------------------------|----------------------|---------------------|
| Top Executives (111000) | 1% | | 3,052 | \$132.76 | \$405,126 |
| Compliance Officers (131041) | 29% | | 88,504 | \$60.78 | \$5,379,139 |
| Executive Secretaries & Executive Administrative Assistants (436011) | 70% | | 213,630 | \$50.72 | \$10,738,957 |
| <i>Total</i> | <i>100%</i> | <i>305,185</i> | <i>305,185</i> | | <i>\$16,523,222</i> |

Note: Because of rounding error, the Cost Burden does not equal the product of Hours per Occupation and Wages, and the sum of Hours per Occupation does not equal the Total Burden Hours.

13. Estimate of total annual costs to respondents (excluding cost of hour burden in Item #12)

None.

14. Estimate of annualized costs to the Federal government

None.

15. Reasons for change in burden

There is no change in the method or substance of the collection . The decrease in burden of 5,215 hours is an adjustment that reflects a decrease of 529 in the number of respondents due to a decrease in the number of insured state nonmember banks and state savings associations.

16. Information regarding collections whose results are to be published for statistical use

The FDIC does not intend to publish this collection of information for statistical use.

17. Reasons for not displaying OMB approval expiration date

No exceptions are requested.