

Supporting Statement
Bank Secrecy Act/Money Laundering Risk Assessment
OMB Control No. 1557-0231

A. Justification.

1. Circumstances that make the collection necessary:

The OCC conducts an annual data collection, known as the Money Laundering Risk (MLR) System, from community banks (which include both national banks and federal savings associations) to assist OCC examiners in supervising Bank Secrecy Act (BSA) and sanctions compliance. The MLR system enhances the ability of examiners and bank management to identify and evaluate BSA/money laundering and Office of Foreign Assets Control (OFAC) sanctions risks associated with banks' products, services, customers, and geographies. At this time, the OCC is requesting to renew the MLR community bank data collection.

In 2005, the OCC began to gather and analyze uniform information from OCC-supervised community banks under the MLR System. The MLR information provides OCC examiners with the ability to identify higher-risk products, services, and customers for examination scoping, planning, and transaction testing. The MLR is an important tool for the OCC's BSA/Anti-Money Laundering (AML) and OFAC supervision activities because it allows the agency to better identify those institutions, and areas within institutions, that pose heightened risk. This information assists the OCC in allocating examination resources, improves examination scopes, augments transaction testing capabilities, and provides for enhanced and effective bank supervision. Some banks use the data as a part of their own risk assessment processes.

2. Use of the information:

The OCC uses the information generated through the MLR to evaluate and examine money laundering and terrorist financing risks associated with each bank's products, services, customers, and geographies. The OCC evaluates this information on a strategic level (i.e., across the population of all supervised banks), at the OCC district level, at the OCC supervisory office level, and on an individual bank basis. As new products and services are introduced, existing products and services change, and banks expand through mergers and acquisitions, banks' evaluation of money laundering and terrorist financing risks is expected to evolve as well. The MLR risk assessment allows the agency to better identify those institutions, and areas within institutions, that pose heightened risk and to allocate examination resources accordingly.

The OCC uses MLR data on an annual and multiyear basis to evaluate BSA/money laundering and OFAC risks in individual banks. The OCC also provides MLR bank-specific and anonymized peer group information to each individual reporting bank. Peer group data can be used by banks to determine outliers, inconsistencies, or deviations from

standard norms. Banks can also conduct comparison and trend analyses concerning their data and peer data.

3. *Consideration of the use of improved information technology:*

Banks that report MLR information may use a variety of information technology formats that permit review by OCC examiners. The format of OCC's annual Risk Summary Form (RSF) is fully automated, making data entry quick and efficient and providing an electronic record for all parties. Additionally, the MLR RSF online system allows bankers to upload an XML file to complete the RSF. This XML file must comply with formatting style and validation requirements to be accepted into the OCC's secure system. If the file is valid, the RSF is prepopulated with data ready to be submitted to the OCC.

4. *Efforts to identify duplication:*

The required information is unique, permits systemic analysis, is not duplicative or redundant, and is not collected in any other format from OCC-supervised institutions. Wire transaction and automated clearing house (ACH) data obtained from the Federal Reserve Banks for OCC-supervised institutions is not sufficiently granular for MLR purposes. Wire transaction data is limited to domestic wires only and does not include international wires, geographic locations, or whether the wires were sent Payable Upon Proper Identification. Similarly, ACH data is limited to domestic ACH data and does not include cross-border ACH or international ACH data or geographies. In addition, not all OCC-supervised institutions may initiate/send or receive international wires or ACH transactions through a Federal Reserve Bank.

5. *If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden:*

We received feedback from community banks, many of which are small entities, that the burden for reporting MLR data is minimal. The community banks expressed that reporting MLR data is not an onerous process. The OCC believes most of the data requested for MLR purposes is readily available and will not require substantial investment in technology or systems to collect and report. The OCC does not require the acquisition of additional software to collect and report MLR data. Many community banks collect and organize data on Excel spreadsheets using existing bank reports received on a daily, weekly, or monthly basis, as the reports become available throughout the time covered by the reporting period. The MLR data being provided to the OCC generally derives from the bank's own BSA risk assessment. Feedback received from banks reporting MLR data indicates that the MLR process has the positive impact of enhancing or confirming the accuracy of the bank's risk assessment.

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

The annual data collection cycle is closely related to the OCC's statutory examination cycle requirements. In addition, conducting the MLR less frequently would be harmful to the OCC's risk-based supervisory approach by making it more difficult to determine which banks pose the greatest BSA/money laundering and sanctions risk and thus making examinations less efficient. It would also impede community banks from being able to address appropriately their unique BSA/money laundering risks.

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

The information collection will be conducted in a manner consistent with 5 CFR part 1320.

8. Efforts to consult with persons outside the agency:

The OCC issued a notice for 60 days of comment concerning the collection on May 10, 2019, 84 FR 20701. No comments were received.

9. Payment or gift to respondents:

None.

10. Any assurance of confidentiality:

The information will be kept private to the extent permitted by law.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

The OCC estimates the burden of this collection of information as follows:

Community Bank population (includes federal branches and agencies):

Estimated Number of Respondents: 1,088.

Estimated Number of Responses: 1,088.

Frequency of Response: Annually.

Estimated Annual Burden: 6,528 hours.

Total Estimated Annual Burden: 6,528 hours.

Cost of Total Estimated Annual Burden:

Total Estimated Annual Burden: 6,528 hours

Estimated Hourly Compensation: \$85/hour

Cost of Total Estimated Annual Burden: 6,528 hours x \$85/hour = \$554,880.

To estimate wages, we reviewed data from May 2018 for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for depository credit intermediation (NAICS 522100). To estimate compensation costs associated with the rule, we used \$85 per hour, which is based on the average of the 90th percentile for nine occupations adjusted for inflation (2.3 percent), plus an additional 30.5 percent to cover private sector benefits for financial activities.

13. Estimate of total annual costs to respondents:

Not applicable.

14. Estimate of annualized costs to the federal government:

Not applicable.

15. Change in burden:

Former Burden: 10,752 hours.

Current Burden: 6,528 hours.

Difference: -4,224 hours.

The change in burden was due to the decrease in the community bank population, and the removal of estimated burdens for the midsize and large bank populations and federal branches and agencies. As part of ongoing efforts to enhance the efficiency and effectiveness of BSA and anti-money laundering compliance, the OCC will continue working to develop an optimal framework for MLR data collection from midsize and large bank populations and federal branches and agencies that will support OCC's risk-based supervision.

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

The OCC has no plans to publish the information for statistical purposes.

17. Reasons for not displaying OMB approval expiration date:

The OCC is not requesting permission to avoid displaying the OMB approval expiration date.

18. Exceptions to the certification statement:

None.

B. Collections of Information Employing Statistical Methods.

Not applicable.