**SUPPORTING STATEMENT**

**PROCEDURES FOR MONITORING BANK SECRECY ACT COMPLIANCE**

**(OMB No. 3064-0087)**

**INTRODUCTION**

The Federal Deposit Insurance Corporation (FDIC) is requesting OMB approval of a three-year extension without change of the information collection entitled “Procedures for Monitoring Bank Secrecy Act Compliance” (OMB Control No. 3064-0087). This information collection consists of recordkeeping requirements contained in subsections 326.8(b)(1) and (c) of FDIC's regulation 12 C.F.R. Part 326. This information collection expires on September 30, 2023.

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:**

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:**

The information collected is unique to each institution and does not duplicate information existing elsewhere.

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 proportionate to the size and complexity of the bank’s operations.

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

Banks are expected to collect relevant information as frequently as is necessary to keep abreast of its operating condition. Non-compliance with Bank Secrecy Act requirements exposes banks to statutory penalties, fines and sanctions. Less frequent collection of this information would hinder the agency’s ability to assess the safety and soundness of FDIC-supervised institutions.

7. **Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):**

None. The information is collected in a manner consistent with 5 CFR 1320.5(d)(2).

8. **Efforts to consult with persons outside the agency:**

The FDIC published a notice in the *Federal Register* seeking comment for a 60-day period on renewal of this information collection on May 3, 2023 (88 FR 27891). No comments were received.

9. **Payment or gifts to respondents:**

None.

10. **Any assurance of confidentiality:**

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

11. **Justification for questions of a sensitive nature:**

Not applicable. No sensitive information is collected.

12. **Estimate of hour burden including annualized hourly costs:**

The FDIC estimates that the annual recordkeeping burden of approximately 3,038 FDIC supervised institutions will vary, depending on the size, complexity, and type of bank. The burden is calculated as follows:

|  |
| --- |
| **Table 1-** **Summary of Annual Burden**  |
| **Information Collection Description** | **Type of Burden** | **Obligation to Respond** | **Estimated Number of Respondents** | **Estimated Frequency of Responses** | **Estimated Time per Response (Hours)** | **Estimated Annual Burden (Hours)** |
| **Procedures for Monitoring BSA Compliance – *Small Institutions******(Less than $500 million)*** | Recordkeeping | Mandatory | 2,013 | On Occasion | 35 | 70,455 |
| **Procedures for Monitoring BSA Compliance – *Medium Institutions******($500 million -$10 billion)*** | Recordkeeping | Mandatory | 964 | On Occasion | 250 | 241,000 |
| **Procedures for Monitoring BSA Compliance – *Large Institutions******(0ver $10 billion)*** | Recordkeeping | Mandatory | 61 | On Occasion | 450 | 27,450 |
| **Total Estimated Annual Burden**  | **338,905 hours** |

*Annualized Cost of Internal Hourly Burden:*

**Estimated Hourly Cost**

The estimated hourly cost used in the 2020 ICR was $43.00.[[1]](#footnote-2) This estimate was derived using an assumption that Management Occupations would conduct 1 percent of the hourly burden associated with this collection, Compliance Officers would conduct 29 percent, and Office and Administrative Support Occupations would conduct 70 percent.

The FDIC assumes labor allocation remains the same. To estimate the hourly cost of compliance, FDIC uses the 75th percentile hourly wages reported by the Bureau of Labor Statistics (BLS) National Industry-Specific Occupational Employment and Wage Estimates (OEWS) for the relevant occupations in the Depository Credit Intermediation sector. However, the latest OEWS wage data are as of May 2021 and do not include non-wage compensation. To adjust these wages for use in the memo, FDIC multiplies the OEWS hourly wages by approximately 1.51 to account for non-wage compensation, using the BLS Employer Cost of Employee Compensation (ECEC) data as of March 2021 (the latest published release prior to the OEWS wage data). It then multiplies the resulting compensation rates by approximately 1.10 to account for the change in the seasonally adjusted Employment Cost Index for the Credit Intermediation and Related Activities sector (NAICS Code 522) between March 2021 and December 2022.

Table 2 shows the labor allocation and hourly cost estimate for each of the three line items in this ICR.

|  |
| --- |
| Table 2. Summary of Hourly Burden Cost Estimate (OMB No. 3064-0087) |
| Information Collection (Obligation to Respond)  | Hourly Weight (%) | Percentage Shares of Hours Spent by and Hourly Compensation Rates for each Occupation Group (by Collection) | Estimated Hourly Compensation Rate |
|
| Exec. & Mgr. ($133.82) | Lawyer ($165.76) | Compl. Ofc. ($64.61) | IT ($102.64) | Fin. Anlst. ($101.15) | Clerical ($37.83) |
|
| 1. Procedures for monitoring BSA compliance, small institutions (< $500 million in total assets),12 CFR 326.8(b)(1) and (c) (Mandatory) | 20.79 | 1 | 0 | 29 | 0 | 0 | 70 | $46.56  |
| 2. Procedures for monitoring BSA compliance, medium institutions ($500 million to $10 billion in total assets),12 CFR 326.8(b)(1) and (c) (Mandatory) | 71.11 | 1 | 0 | 29 | 0 | 0 | 70 | $46.56  |
| 3. Procedures for monitoring BSA compliance, large institutions (> $10 billion in total assets),12 CFR 326.8(b)(1) and (c) (Mandatory) | 8.10 | 1 | 0 | 29 | 0 | 0 | 70 | $46.56  |
| ***Weighted Average Hourly Compensation Rate:*** | ***$46.56***  |
| Source: Bureau of Labor Statistics: 'National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)' (May 2021), Employer Cost of Employee Compensation (March 2021), and Employment Cost Index (March 2021 and December 2022). Standard Occupational Classification (SOC) Codes: Exec. And Mgr = 11-0000 Management Occupations; Lawyer = 23-0000 Legal Occupations; Compl. Ofc. = 13-1040 Compliance Officers; IT = 15-0000 Computer and Mathematical Occupations; Fin. Anlst. = 13-2051 Financial and Investment Analysts; Clerical = 43-0000 Office and Administrative Support Occupations.  |
|
|
|
|
| Note: The estimated hourly compensation rate for a given collection is the average of the hourly compensation rates for the occupations used to comply with that collection, weighted by the share of hours spent by each occupation. The weighted average hourly compensation rate is the average of the estimated hourly compensation rates for all information collections, weighted by the share of hourly burden for each collection. These hourly weights, calculated as the estimated number of annual burden hours in a given collection over the total estimated number of annual burden hours across all collections, are shown in the “Hourly Weight” column of this table. |
|
|
|
|

**Total Estimated Annual Cost**

As shown in Table 3, the total estimated annual cost associated with this information collection is $15,779,417. This estimated cost is $2,752,352 higher than the estimated cost from the 2020 ICR. The higher estimated cost is a result of higher estimated burden hours in this renewal (338,905) relative to the 2020 ICR (302,955), as discussed previously. The higher wage estimate for this ICR as a result of wage growth ($46.56, relative to $43.00 in the 2020 ICR) also contributed to the higher annual cost estimate.

|  |
| --- |
| Table 3. Total Estimated Cost Burden (OMB No. 3064-0087) |
| Information Collection Request | Annual Burden (Hours) | Weighted Average Hourly Compensation Rate | Annual Respondent Cost |
| Procedures for Monitoring Bank Secrecy Act Compliance |  338,905  | $46.56 | $15,779,417 |
| ***Total Annual Respondent Cost:*** | ***$15,779,417***  |
| Source: FDIC. |

13. **Estimate of start-up costs to respondents:**

None.

14. **Estimate of annualized costs to the government:**

None.

15. **Analysis of change in burden:**

There is no change in the substance or methodology of this information collection. The estimated times per response used for the 2020 ICR are still appropriate estimates of the amount of time required to comply with the recordkeeping requirements in section 326.8(b)(1) and (c). The 2020 ICR included estimated times per response of 35 hours for small institutions, 250 hours per response for medium institutions, and 450 hours per response for large institutions. As shown in Table 1, FDIC estimates total annual burden of 338,905 hours associated with this ICR. This estimate is higher, by 35,950 hours, than the estimate of 302,955 burden hours in the 2020 ICR. The increase in estimated burden hours is a result of a higher portion of FDIC-supervised institutions in the higher-asset size categories for this renewal relative to the 2020 ICR, outweighing a decline of 306 in total estimated number of covered institutions. As stated previously, as of December 2022, 61 FDIC-supervised institutions (2 percent) have over $10 billion in total assets, and 964 FDIC-supervised institutions (31.7 percent) have $500 million to $10 billion in total assets. By comparison, for the 2020 ICR 47 FDIC-supervised institutions (1.4 percent) had over $10 billion in total assets and 774 (23.1 percent) had $500 million to $10 billion in total assets. The larger number of respondents in higher asset-size categories increases the estimated burden hours associated with the ICR since larger institutions are estimated to incur a greater hourly burden for developing procedures to comply with section 326.8(b)(1) and (c) than smaller institutions. The increase in the number of large institutions increases the estimated burden associated with this ICR by 6,300 hours, the increase in the number of medium institutions increases the estimated burden by 47,500 hours, and a decrease in the number of small institutions decreases the estimated burden by 17,850 hours, which amounts to a net increase of 35,950 estimated burden hours.

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

The information is not published.

17. **Exceptions to Display of expiration date:**

None.

18. **Exceptions to certification:**

None.

B. **COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.

1. This estimate was derived using the May 2018 75th percentile hourly wage rate for Management Occupations ($78.25), Compliance Officers ($42.00), and Office and Administrative Support Occupations ($20.92) reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment, and Wage Estimates. These wage rates were adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2018 and December 2019 (3.11 percent) and grossed up by 51 percent to account for non-monetary compensation as reported by the December 2019 Employer Costs for Employee Compensation Data. The hourly cost estimate is calculated as (0.01\*$121.88 + 0.29\*$65.42 + 0.70\*$32.59 = $43.00). [↑](#footnote-ref-2)