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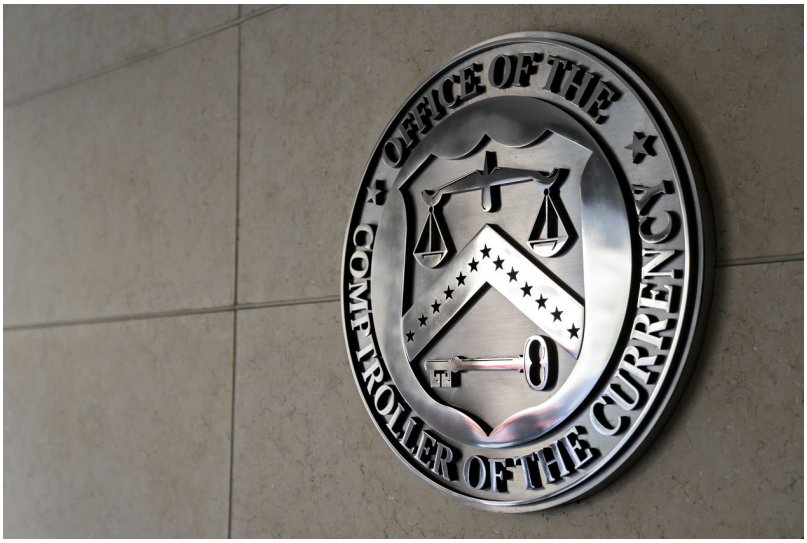
RISK & COMPLIANCE JOURNAL

U.S. Bank Supervisor Sees Weaknesses in Compliance With Due Diligence Rule

Some banks don't have adequate policies or procedures in place, a senior official from the Office of the Comptroller of the Currency said



An official with the Office of the Comptroller of the Currency said bank examiners have observed weaknesses in compliance with the anti-money-laundering rule.

PHOTO: ANDREW HARRER/BLOOMBERG NEWS

By Kristin Broughton

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WASHINGTON—Some banks have failed to put in place adequate policies to comply with a rule that requires them to identify the owners of corporate accounts, a senior regulator said Thursday.

The customer due-diligence rule requires financial institutions to collect information such as names and addresses for the beneficial owners of certain businesses. The rule, which took effect in May 2018, targets anonymous shell companies, or limited liability companies with no significant assets or operations that can be used as a vehicle to launder money.

Grovetta Gardineer, senior deputy comptroller for bank supervision policy at the Office of the

in compliance.

"What we are seeing, and we have cited some violations here, are not having the policies and procedures in place that really reflect what the regulation expects or what we believe is important from a supervisory perspective," Ms. Gardineer said during an appearance at an anti-financial crime conference.

Some banks haven't included in their corporate policies a time frame for validating customer identities, or spelled out how they plan to validate the information they collect, she said. Those provisions are core to compliance with the rule, she said.

While weaknesses exist within the industry, they aren't widespread, according to Ms. Gardineer. It is "nothing systemic that is a five-alarm fire," she said.

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