SIFMA Anti-Money Laundering & Financial Crimes Conference
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Welcome and Opening Remarks as prepared for delivery
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Good morning, and welcome to SIFMA's 17th Annual Anti-Money Laundering & Financial Crimes Conference.

As everyone in this room knows, robust and effectively implemented AML and financial crime compliance programs are integral to a firm's overall compliance efforts. As we face the various challenges that continue to bring scrutiny, regulations, and questions from our regulators around the globe, institutions across our important industry have become increasingly aware that good compliance is essential to staying in business. This increased recognition of the importance of the compliance function, in turn, means that strengthening compliance departments has become a top priority – and that's a good thing. On behalf of SIFMA, I'd like to acknowledge the tremendous effort of our members and other industry participants on the front lines doing such hard work.

At the same time, I acknowledge that yours are not easy jobs, and, increasingly, your potential for exposure is rising in terms of different regulatory agencies, or SROs, coming in and second-guessing the job you've done. In addition, with all the demands on your time, and the result of duplicative, often over-lapping jurisdiction among your many regulators, there are many obligations you face that detract from the core function of anti-money laundering and financial crime compliance. The regulatory burden at some large firms has gotten so great that firms sometimes feel they need a separate team – aside from the staffing appropriate to run the core AML and financial crime compliance function – to deal with examinations and other regulatory inquiries. The constant regulatory flow gets in the way of doing the actual work of finding the bad actors, or figuring out where they're going and what they're doing.

In a 2016 Global Economic Crime Survey conducted by PwC, respondents cited concerns about the pace of regulatory change as the most significant challenge they face in the AML/CFT arena, tied at 19% with hiring experienced staff. In its summary of survey results, PwC noted that the supply of talent continues to fall behind demand. Turnover among AML and other compliance staff is high, and competition for top-shelf people is significant for both financial services and non-financial services companies. In addition, the survey highlighted another challenge for organizations wrestling with global AML/CFT compliance: that regulatory expectations are increasingly replacing legal requirements. According to the survey, this is most prominent in the areas of customer due diligence and transaction monitoring, where examiners may apply a standard to one institution based on the practices of another. This so-called "regulation by examination" challenges the risk-based approach that financial institutions are expected to apply. With multiple regulators having jurisdiction over different aspects of firms' activities, many in the industry are concerned that FinCEN's new CDD rule will similarly present regulatory risk once it becomes effective.

Over the years, SIFMA has developed a significant level of cooperation and collaboration with our industry's regulators. We very much appreciate the open and constructive lines of communication, and hope that we will be able to count on our regulatory partners as we address interpretive questions and implementation challenges related to the new CDD rule, as well as other key aspects of our AML and financial crime programs.

At the same time, with changes across the government as a result of the change in Administration and new leadership at FINRA, I'd like to call upon policy makers and the regulatory community as a whole to take a step back and make sure we are focused first and foremost on our shared goal of preventing and detecting financial crime and keeping our financial system safe. Let's continue and grow our collaboration, seek additional avenues for information sharing, and allow the talented AML officers and their staffs to use their time and resources to go after the criminals and make good faith attempts to anticipate the next problem or scheme. The way to this outcome? Smarter regulation with greater consistency across regulators, greater reliance by regulators on the work product of their counterparts at other regulatory bodies to minimize duplication of effort, and a dedicated focus at the supervisory levels on ensuring that examiners and investigators in the field do not play “gotcha,” give undue attention to technical violations that do not reflect material program weaknesses, or communicate new requirements or expectations through the examination and enforcement processes. Regulators sharing information of their exam findings with the industry, as FINRA has recently proposed, would be a tangible step toward enhancing the partnership between the public and private sectors in fighting money laundering and other financial crimes.

As this audience knows, SIFMA member firms are very committed to compliance. According to a McLagan survey, firms continue hiring staff to support expanded compliance departments. Overall Legal and Compliance saw an increase of 17% in headcount in 2015. Within Compliance, AML saw the most significant increase in headcount – up over 30% on average across the firms participating in the survey. In addition to new hires, some internal compliance staff is being reoriented to support AML and financial crime prevention activities. According to new figures from WealthInsight, global spending on AML compliance is set to grow to more than $8 billion by 2017 (a compounded annual growth rate of almost 9%).

Yet as we carry out our commitment to compliance, let’s make sure we deploy resources in the smartest way possible. We’re asking the regulators to work with us on this critical issue, and we – the private sector – also need to do our part. We obviously don’t know yet what direction the new Administration will take in terms of AML, economic sanctions, or other financial crime policy, but we will endeavor to work with them in the most constructive way possible to ensure we can keep our eye on the ball and remain vigilant in protecting our financial system. We all know that no compliance system is perfect and that our resources are finite. To deploy resources in a constant attempt to cover ourselves against regulatory or examination risk flies in the face of what we are trying to accomplish here. After all, we are all on the same side—trying to stay one step ahead of the bad guys who seek to exploit our financial system through new and more creative schemes every day. That is why we are gathered here today, and why this conference is so important to many of you and to us at SIFMA.

We will hear from many of our government partners over the next two days, starting this morning with Jamal El-Hindi, Deputy Director at Treasury's Financial Crimes Enforcement Network, in a one-on-one conversation with industry veteran Michelle Neufeld, who recently joined Banc of California as an Executive Vice President and Chief AML/BSA Officer. Tomorrow, we start the day with a keynote address from Susan Axelrod, Executive Vice President of Regulatory Operations at FINRA. At tomorrow's lunch, we will hear from Daniel Glaser, Treasury's former Assistant Secretary for Terrorist Financing, and tomorrow's closing keynote speaker is Stephanie Avakian, Acting Director of the SEC's Division of Enforcement. We appreciate the participation of each of our government speakers and firmly believe that gatherings such as this help foster our collective desire to have a safe financial system.

I want to take a moment to thank my colleagues, Aseel Rabie and Bernard Canepa, and the Conference Planning Task Force of SIFMA's AML & Financial Crimes Committee, for their help in putting together a truly substantive, thought-provoking and all-around great program that I hope each of you will enjoy and find informative.

I'd also like to thank Sterling Daines and Jim Fiebelkorn, who are currently the co-chairs of SIFMA's AML & Financial Crimes Committee, and I ask that you join me in a round of applause to thank Tara Loftus, last year's co-chair, for her work on behalf of the Committee.

Many thanks as well to all our returning sponsors this year, as well as our new sponsors {show slide}, for helping us put on this event. I encourage each of you to take some time over the next two days to stop by and visit with our sponsors, because this event would not be possible without their support.

Finally, on behalf of SIFMA, I want to thank each of you for your tremendous work and dedication. We are grateful for all that you do, each and every day, for SIFMA and our industry. So thanks for listening, and I wish you all a very successful conference. Thank you.

And now it's my pleasure to welcome to the stage Michelle Neufeld, Banc of California's new Executive Vice President and Chief AML/BSA Officer, and Jamal El-Hindi, FinCEN's Deputy Director.