



SIFMA Anti-Money Laundering & Financial Crimes Conference
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Welcome and Opening Remarks as prepared for delivery
Ira D. Hammerman
Executive Vice President and General Counsel, SIFMA

Good morning, and welcome to SIFMA's 16th Annual Anti-Money Laundering and Financial Crimes Conference.

As everyone in this room knows, robust and effectively implemented AML programs are integral to a firm's overall compliance efforts. As we face the various challenges that have brought new scrutiny, new regulations, and new 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.

Let me share some stats with you. Across the industry, firms are investing literally billions of dollars to build up their compliance departments – improving compliance and technological systems and processes, and hiring thousands of new employees. In a Dow Jones Risk & Compliance survey conducted in conjunction with ACAMS from November 2015, 60% of the 1,000+ respondents reported that their organizations had increased AML staff levels in the preceding year, continuing an increase in staffing growth rates since 2012. In fact, an annual financial benchmarking survey conducted by McLagan found that, in 2013-2014, AML compliance saw an average increase of up to 35% in headcount. In addition to new hires in AML compliance, professionals throughout firms are being reoriented to support AML and financial crimes compliance activities. According to a Wall Street Journal article last week, JPMorgan Chase now has about **9,000** employees dedicated to AML. That's more than **one in thirty**



employees across its global workforce. Not just one in thirty professionals within compliance – but **one in thirty across its total of over 240,000 employees worldwide**. I understand that this includes individuals working in functions outside of compliance, such as KYC, ops and IT. That is staggering.

By a show of hands, how many of you are involved in the compliance function? Please keep your hands up for a second. And of this group, how many of you worry about your potential for personal liability or exposure in terms of the government, or SROs, coming in and second-guessing the job you've done? OK, you can rest your arms now.

For this group, and so many more compliance and legal professionals with whom I speak regularly, there is an increasing perception of second-guessing by regulators and law enforcement. And after all, as we have learned time and time again, "perception is reality." It's not enough to hear prosecutors and enforcement attorneys say, "We don't target compliance officers," or "We've brought only a handful of cases over the last decade against compliance professionals," or "Compliance officers named in enforcement matters were triple-hatted and engaged in misconduct." Because what the compliance professional is seeing and experiencing is that regulators are looking over her shoulder and demanding that she justify every SAR filing, or decision not to file, and every other AML-related decision she makes. We all know that hindsight is 20/20. And we all can imagine that a compliance officer being dragged in to testify on the record with lawyers, exhibits from years earlier and cross-examination can be a very, very uncomfortable and life-altering experience.

I remember the early days of the application of AML requirements to broker-dealers, soon after the terrible events of 9/11. The message from regulators at the time was, "We're not here to play 'gotcha.' We're going to test your systems and ensure that you have a reasonably designed program, but we understand that no program is perfect." Unfortunately, the pendulum seems to have swung quite far from this approach, and the scrutiny and second-guessing of compliance determinations are a troubling trend.

At a time when our industry sorely needs talented, hard-working professionals on the front lines of compliance, I worry that the perceptions of compliance professionals



regarding the priorities and actions of multiple regulatory and law enforcement authorities, armed with the ability to impose civil and criminal penalties, will result in a race to the bottom. The talented professionals will say, “Who needs this?” and go into less risky areas or perhaps even different industries altogether. In fact, it’s already happening. I recently heard about one industry veteran – whose work in the AML space goes back to the mid-’90s – who in recent years has turned down more senior AML roles in a large global financial institution. Why? To a significant extent because of the increased risk of personal liability, and the focus this has caused within the firm on mitigating regulatory risk – a focus that comes at the expense of efforts that could, and should, be spent understanding new money laundering typologies. To paraphrase an industry executive quoted in the Journal just last week, instead of looking for needles in haystacks, our system now seems to demand that financial institutions turn over every piece of hay to find a needle.

How can this type of outcome be in the best interests of investors, or indeed, the U.S. or global financial system? There are thousands upon thousands of true, consummate professionals in the compliance field, a representative sample of whom are here with us today. They spend their professional lives trying to do the right thing, and they should be given the benefit of the doubt – not Monday morning quarterbacked out of a job, reputational damage, or worse.

We have seen a variety of enforcement actions against compliance officers over the last several years. Plus, the New York State Department of Financial Services recently put forth a proposal that could make compliance officers criminally liable for AML violations. The naming of individual compliance officers in cases where compliance procedures fail is having an unintended consequence—while compliance is a critical function where experience is highly valuable, fewer people want to become or remain AML professionals among worries over personal liability. Despite increases in hiring, the shortage of trained AML staff was cited by 49% of respondents as the second most commonly identified challenge in the Dow Jones survey I mentioned earlier, behind increased regulatory expectations.



In fact, regulators are probing more than ever into firms' headcount and talent base in the areas of AML and financial crime compliance. We will find ourselves in quite the paradox when regulators are complaining about a lack of talent, when it will be their perceived undue focus on individual liability that has driven quality professionals out of this space. Let's work together to prevent that lose-lose scenario.

We must also remain mindful of the lack of clarity regarding individual liability among some of the many global regulators that impact our industry. Last year, two SEC commissioners made statements at odds with each other on this very issue. You may remember Commissioners Gallagher and Aguilar issued competing statements with regard to enforcement actions against compliance officers. If regulators cannot speak with one voice on this core issue, then how is the industry to understand the rules of the road?

We're asking the regulators to work with us on this critical issue, and we – the private sector – also need to do our part. SIFMA will continue to work with our regulators and law enforcement to ensure that the role of the compliance advisory function, and potential bases for individual AML and compliance officer liability, are clearly delineated as our industry, the financial markets, and the regulatory landscape evolve.

We also must continue our engagement with government to ensure that regulatory requirements enable us to focus on doing the right thing, and not just on checking the compliance box to minimize regulatory or examination risk. Instead of focusing on how many SARs a firm has filed or whether the narrative is high quality, we need to keep our eye on the ball, remaining vigilant against financial crimes. We all know how limited our precious resources are—to deploy them in a constant attempt to cover ourselves in paperwork 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.



At this our “Sweet 16” conference, we will hear from many of our regulatory partners, starting with today’s morning keynote speaker, Brad Bennett, Executive Vice President of Enforcement at FINRA. Tomorrow, we start the day with a keynote address from Jennifer Fowler, Deputy Assistant Secretary for Terrorist Financing at Treasury. And at tomorrow’s lunch, we will hear from Kara Brockmeyer, Chief of the FCPA Unit, in the SEC’s Division of Enforcement.

We appreciate the participation of these speakers, and of all of our moderators and other speakers over the next two days.

I want to take a moment to thank my colleague, Aseel Rabie, 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 conference that I hope each of you will enjoy and find informative.

I’d also like to thank Sterling Daines and Tara Loftus, who are this year’s co-chairs of the SIFMA AML & Financial Crimes Committee, and I ask that you join me in a round of applause to thank Meg Zucker, the outgoing co-chair of the Committee, for all of her work over the past two years.

Many thanks as well to all of our returning sponsors this year, as well as our new sponsors {show slide}, for helping us put on this event. We really appreciate your 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 very much.

And now it’s my pleasure to introduce Brad Bennett. Brad joined FINRA as Executive Vice President of Enforcement in January 2011, and is responsible for overseeing FINRA’s Department of Enforcement. In this capacity, he directs investigating and bringing all formal FINRA disciplinary actions against firms and their associated persons for violations of FINRA rules and federal securities laws. Brad was previously a partner



at the law firm Baker Botts in Washington, D.C., where he specialized in financial and securities law violations, and started his career at the SEC as a senior attorney in Enforcement. Brad received his undergraduate degree from St. Lawrence University and his J.D. from my alma mater Georgetown University Law Center. Please join me in welcoming Brad Bennett.