



**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 Annual Anti-Money Laundering & Financial Crimes Conference.

We've now been gathering this group every year since 2001 – 18 years total. Anyone with newborn kids at home during that first conference is now navigating those teenagers through the college application process.

Over this 18-year period, we've seen AML and financial crimes compliance programs evolve and mature, becoming highly complex, forceful and still ever-changing (much like a teenager, but even more sophisticated).

Consider also that the first meeting was in 2001 - before the USA PATRIOT Act and all the regulation it ushered in. Eighteen years ago, the securities industry had far more limited experience with AML compliance, largely tied to compliance best practices and the potential for criminal liability. However, as evidenced by the creation of this conference, the industry was out front in examining its role and vulnerabilities in the AML space. In fact, some of the largest broker-dealers already had AML programs. But for those firms, it was uncharted waters. There were no AML resources for the securities industry specifically. All the educational opportunities were bank-centric. These firms essentially had to build their own systems and determine how their programs should differ from those of banks.

One could imagine navigating these waters was likely a central conversation at that first event in 2001.

By the next conference, our industry was actively grappling with implementing the AML provisions established by the USA PATRIOT Act following the terror attacks on 9/11. We've come a long



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way, and the pace of that change is truly remarkable. Within a few years, broker-dealers went from having limited reporting and recordkeeping obligations to a robust and multifaceted set of obligations. And here we are today, gathering to discuss how to continue to do our best work to stop bad actors, assist law enforcement, and protect our clients and the integrity of the financial system, all in the interests of our national security.

The scope of the underlying problem is vast - according to the United Nations Office on Drugs and Crime, global money laundering transactions are estimated at 2-5% of global GDP, around \$1-2 trillion per year.

What's also huge are the challenges compliance professionals face each and every day to do their jobs effectively.

Obligations from duplicative, often over-lapping jurisdictions detract from the core function of AML compliance. If I may ask for a quick show of hands: how many of your firms have had to manage more than one AML exam at the same time?

The regulatory burden at some large firms has gotten so great that they feel the need for a separate team – aside from the staffing appropriate to run the AML and financial crime compliance function – just to deal with examinations and other regulatory inquiries.

This 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 the 2017 U.S. AML Insights Report by Thomson Reuters, respondents said their greatest operational challenges stem from increased regulatory expectations and additional regulations (at 38% and 37% respectively).

This was followed closely by concerns about having enough properly trained staff. In a similar survey conducted by Dow Jones last year, concern about having a properly trained staff was cited as the *main* organizational challenge facing companies.

Turnover among AML and other compliance staff is high, and competition for top talent is significant for both financial and non-financial services companies.



Unsurprisingly, with the May deadline for implementation of FinCEN’s customer due diligence rule fast approaching, beneficial ownership activities ranked second in the Thomson Reuters survey in terms of driving increased workload for compliance teams. According to the survey, 89 percent of organizations currently verify ultimate beneficial ownership information directly from the customer. But 58 percent of survey participants cite the inability to verify this data as their greatest operating challenge. In fact, only three in five said they are confident their organizations will be able to comply with FinCEN’s new rule by the upcoming May deadline.

To alleviate some of this burden, SIFMA is supporting legislative efforts in Congress that would help prevent the use of shell companies to launder money by increasing transparency in corporate formation. One of the current legislative proposals would require FinCEN to collect beneficial ownership information at the formation of certain legal entities, and would provide financial institutions with access to the collected information to assist them with their customer due diligence efforts.

However, in the short term, we call on regulators to issue much-needed guidance on implementation of the CDD rule.

Taking a step back, with changes in motion over this last year across the government and relatively new leadership at FINRA, I’d also like to call on policy makers and the regulatory community as a whole to 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 to 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 and increased reliance by regulators on the work product of their counterparts would go a long way to minimizing today’s duplication of effort. A dedicated focus at the supervisory levels would ensure 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 done, would be a tangible step



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toward enhancing the partnership between the public and private sectors in fighting money laundering and other financial crimes. 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 public sector and SRO partners over the next two days, starting this morning with Susan Schroeder, Executive Vice President and Head of Enforcement at FINRA. We'll also hear directly from industry regulators, policy makers and law enforcement from the SEC, FinCEN, FINRA, Treasury, DOJ, NASAA, the Southern District of New York, and the NYPD across several panels and keynotes. We appreciate the participation of each of our 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 Jim Fiebelkorn from Ameriprise and Cathy LaFalce from Citi, who are this year's co-chairs of SIFMA's AML & Financial Crimes Committee.

Many thanks as well to all of our returning sponsors this year, as well as our new sponsors, for helping us to 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.