

# Are You Prepared?

## Defining the right mix of software automation and FTE in today's regulatory environment

If you work in the BSA/AML compliance field, you're already aware that there has been a significant increase in the total number of suspicious activity report (SAR) filings in recent years. Not only is suspicious activity on the rise, but financial institutions are also getting better at detecting it. For example, SARs filed at depository institutions increased from 713,930 to 886,927 from 2013 to 2014. That's a 24 % jump in one year.

However, it's important to point out that the average number of full-time BSA employees has not increased at the same pace. These days, financial institutions are left trying to do more with less. As workloads grow, we're often asked "What is the 'normal' or 'average' number of FTEs for our industry?" Institutions want to know if they are in line with industry standards.

Unfortunately, there is no magical equation that applies across the board. The correct number of FTEs at your institution depends on a variety of factors including asset size, customer base, technology (automated compliance software), geographic location and more.

But no matter their organizational structure or asset size, almost all financial institutions can agree on one thing. The overwhelming majority of compliance departments believe



that they do not have an adequate number of FTEs to meet their objectives.

Our recent poll of BSA Officers found that of those surveyed, only 8% believed they have the proper number of employees on staff. The other 92% believe they are understaffed, and not a single one claimed to have too many FTEs.

There are multiple reasons for this industry-wide problem, including an increased workload, budget constraints, customer makeup and organizational setup. In some institutions, the BSA staff handles all fraud while in others that is handled by a separate department. Even the responsibilities and job functions can differ from bank to bank, making it hard to provide a "one-size-fits all" answer.

# Digging Deeper

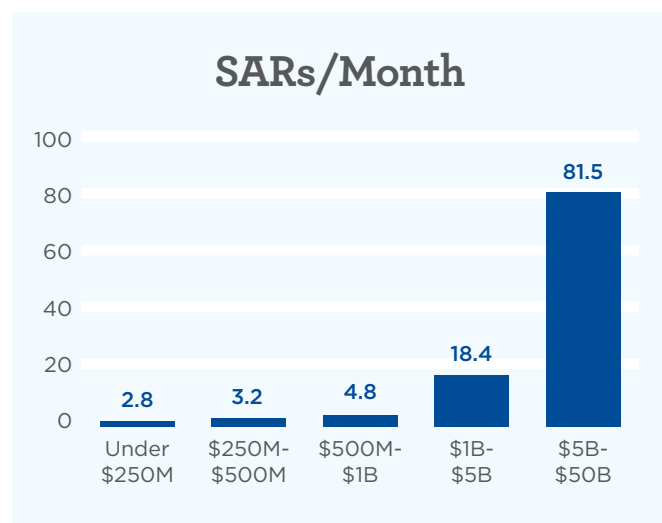
## 2015 Survey Results

Although no two institutions are exactly the same, we wanted to take a deeper look at the current SAR and FTE trends across the country in order to provide helpful information and assist banks meet their objectives.

In May of 2015 we surveyed financial institutions with asset sizes ranging from less than one million to \$50 billion. We looked at the average number of SARs and CTRs per month, as well as the number of full-time employees (FTEs) dedicated to BSA compliance and compared them across five asset size tiers. The key findings are discussed below.

### Average SARs/Month Per Asset Size

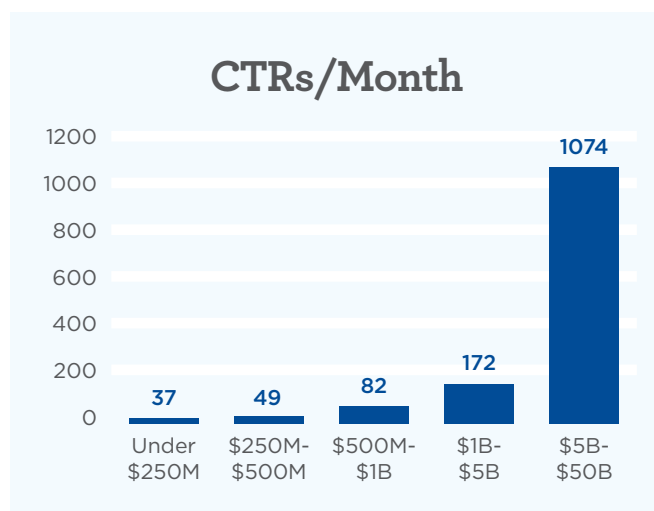
When comparing the average number of SARs per month to an institution's asset size the overall trend follows a predictable pattern. As its size increases, the SAR filings also increase.



There are a number of factors that contribute to the increased number of SAR filings including lifestyle, advances in technology and better detection programs at financial institutions. Not only do smaller banks have fewer overall transactions as larger institutions, but they also tend to have fewer high-risk customers.

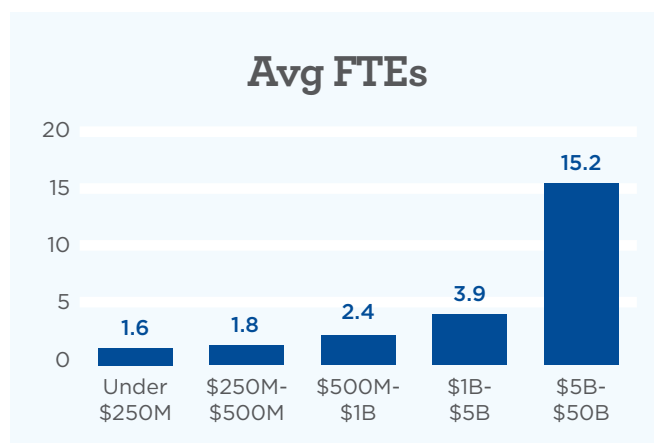
### Average Number of CTRs Per Month

As expected, the increasing pattern of CTRs looks similar to that of the SARs filed per month. The larger the institution, the more CTRs per month.



### Average # of FTE Dedicated to BSA

Although answers varied, the overall results of FTEs showed an upward trend. As asset size increased, the number of FTEs dedicated to compliance also increased. Because there is more risky activity, additional employees are needed to research, follow up and file reports. Of course, despite the overall increasing trend the overwhelming majority of banks still feel understaffed when it comes to BSA/AML compliance.



## Increased Workload for FTEs a Widespread Challenge

According to the Dow Jones Risk & Compliance 2015 Global Anti-Money Laundering Survey, “shortages of trained staff...has become a widespread issue.” Three-quarters of AML professionals report increased personal workloads, and roughly the same number predict further increases in workloads in the coming year. Among the top reasons for the increase are “rising regulatory expectations” “increased areas of responsibility” “increased AML focus by senior management” and “new/expanded government regulations.”

Additionally, smaller financial institutions (asset size under \$250 million) often wear multiple hats. From our survey only 12.5% of respondents in that asset size reported that BSA is their ONLY job. The other 87.50% handled multiple other tasks. In the asset tier size \$250-\$500M, 53.33% reported that BSA is their only job.

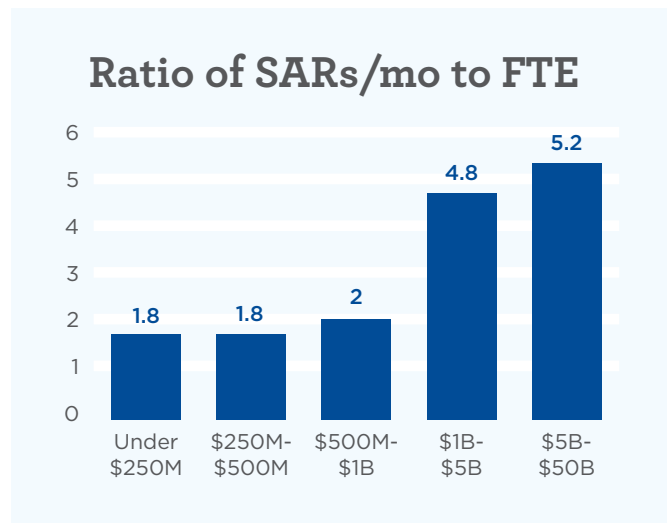
## Did you derisk in the last 12 months?

BSA Level	I don't know	No	Yes
High Risk	9.09%	72.73%	18.8%
Moderate Risk	3.64%	11.65%	61.17%
Low Risk	2.15%	89.25%	8.60%

## How frequently do you talk to Law Enforcement?

BSA Level	Never	At least 1/month	Once in a while (less than 1/month)
High Risk	18.8%	27.27%	54.55%
Moderate Risk	27.18%	11.65%	61.17%
Low Risk	5.23%	4.55%	60.23%

## Ratio: Average SAR per FTE



It's also interesting to note that as financial institutions get larger, despite the fact they have more employees the ratio of SAR reports per month to FTE's also increases. The reason for this is that larger institutions have processes in place to mass-produce SARs. For example, larger institutions have division of labor where one group only does investigation while another group solely writes SAR narratives (similar to an assembly line at a car manufacturing plant).

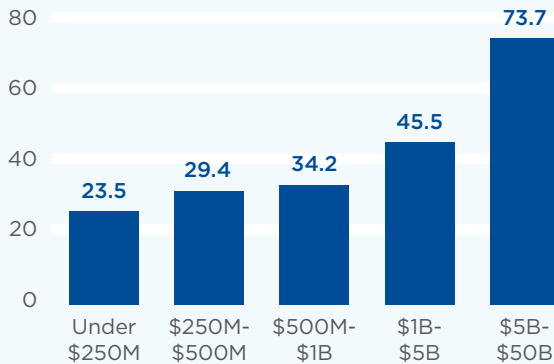
In our data set an FTE at a small institution (asset size under \$250 million) files an average of 1.8 SARs per month, compared to one at larger institution (asset size \$5-\$50 billion), who files an average of 5.2 SARs per month.

The increased workload is not only due to the sheer volume of transactions, but also the type of customers. Larger institutions typically handle more high-risk customers and see a higher amount of suspicious activity, so there are more cases to research and reports to file.

## Ratio: Average CTR per FTE

Similarly, the average number of currency transaction reports filed by each FTE increased as asset size grew.

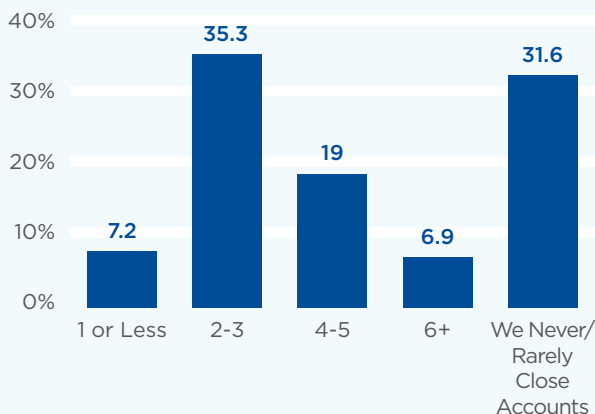
### Ratio of CTRs/mo to FTE



## Repeat SARs?

Finally, we asked how many repeat SARs do you file before you consider closing an account?

### Repeat SARs filed before considering closing an account



The highest response was “2-3” with “We never/rarely close accounts” at a close second. These answers show that employees are filing multiple SARs time and again on the same customers, which increases their workload and decreases efficiency.

## Are You Prepared?

It’s now more important than ever for banks to have a sound BSA/AML compliance program that effectively and efficiently detects suspicious activity. It not only saves institutions time and money, it also protects them from regulatory enforcement actions, fines and the negative publicity that can accompany them.

However, that’s just the beginning. Having the right tools are important, but even the very best software doesn’t run itself. It’s just as critical to have the right number of properly trained staff in place to meet today’s increased compliance demands.

Regardless of asset size, there are specific things all financial institutions need to have in order to meet growing compliance expectations:

- Automated, customized software
- Adequate number of trained FTE
- Culture of compliance

If your institution doesn’t currently have all three of the above it’s critical to reevaluate and put the proper tools and people in place. Don’t be complacent or accept “just good enough.” That type of thinking does not sit well with customers – or examiners for that matter. It’s not advised to wait until a poor exam forces change. It’s more cost effective to invest the time and resources and be proactive now, instead of waiting and being reactive later.

And consider this, the universe of SAR activity is increasing and the trend is not going to reverse. If that’s the case and given the data just presented, how should you plan for your department’s future? What should your FTE head count be in a five-year plan? How will you begin acclimating your executive team to the required needs of a prepared BSA/AML compliance department?



For questions, comments or additional resources about BSA/AML compliance please contact Banker’s Toolbox directly.

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