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NY-DFS TO CONSIDER HOLDING BANK EXECUTIVES LIABLE FOR ANTI-MONEY-LAUNDERING CONTROLS

The New York Department of Financial Services (NY-DFS) Superintendent Benjamin Lawsky announced that New York may begin requiring senior bank executives to verify the adequacy of their bank's anti-money-laundering controls. This rule would be modeled after the Sarbanes-Oxley Act, which holds high level executives personally responsible for accounting fraud.

This new proposal would require senior executives to attest to the adequacy of their bank's systems for monitoring consumer transactions. This proposal may also require random audits of the bank's anti-money-laundering systems to determine whether those systems successfully identify suspicious transactions. Part of the audit would include running company transactions through the NY-DFS filtering system and comparing results with the company's filtering system. NY-DFS used this comparison audit approach on Standard Chartered's anti-money laundering systems, leading to, among other penalties, a \$300 million fine.

The NY-DFS has demonstrated an aggressive approach toward increasing individual accountability in addition to corporate accountability, choosing to hold executives personally responsible for company failings. Lawsky has defended this position by stating that an increased focus on individual accountability is the only effective way to prevent infractions. □

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