

# Bsa Risk Assessment Template

SAMPLE BANK BSA/AML BANK RISK ASSESSMENT (April 2013)

	High Risk Scored as "3"	Moderate Risk Scored as "2"	Low Risk Scored as "1"	Rating	Score	Comments
1	Large and growing customer base in broad and diverse market areas and/or customer base increased more than 30% over prior year	Customer base increased more than 15% but no more than 30% compared to prior year due to branching, strategic growth plan, merger or acquisition	Stable, known customer base with 15% or less total deposit growth over prior year		1	
2	More than 10 branches between 4 and 10	Between 3 and 10 branches	Three or fewer branches			
3	Many foreign private banking accounts or foreign correspondent accounts, pouch activity or payable through accounts (PTA) in high-risk areas, representing more than 15% of total deposit base	Few foreign correspondent banking accounts from low-risk areas and minimal PTA and pouch activity or US dollar draft services representing more than 5% but 15% or less of total deposit base	Foreign private banking or correspondent account representing less than 5% of total deposit base		1	Measured by comparing foreign private banking or correspondent accounts to total deposit base
4	Large number of international accounts with unexplained currency activity, representing more than 15% of deposit base	Moderate level of international accounts with unexplained activity of more than 5% but less than or equal to 15% of deposit base	Few international accounts and very low volume of international activity representing less than 5% of total deposit base		1	Measured by comparing international accounts to total deposit base
5	Large number of noncustomer funds transfer transactions and payable upon proper identification (PUPID) transactions. Frequent fund transfers from personal or business accounts to or from personal or business accounts in high-risk areas, representing more than 15% of total wire transfers	Moderate number of funds transfers with a few international transfers from personal or business accounts in low-risk areas representing 15% or less of total wire transfer activity	Limited number of funds transfers for customers, noncustomers, limited third party transactions and no foreign fund transfers		1	Measured by comparing funds transfers (incoming and outgoing separately calculated) to total funds transfers for the past 12 months
6	Identified a large number of high-risk customers and businesses, with relationships totaling more than 30% of total loans and deposits	Moderate number of high-risk customers and businesses, representing more than 10%, but not more than 30%	Few high-risk customers and businesses, representing less than 10% of total deposits and loans		1	Measured by comparing high-risk customer total relationships to total bank customer relationships (calculating deposits and loans separately)
7	Institution experiences a high volume (> 30%) of large currency or structured transactions relative to total cash activity	Institution experiences a moderate volume (> 15%, but < 30%) of large currency or structured transactions relative to total cash activity	Institution experiences a low volume (< 15%) of large currency or structured transactions relative to total cash activity		2	Measured by calculating percentage of transactions appearing on large dollar cash report compared to total cash activity for sample months
8	Institution experiences a moderate volume of reportable monetary instrument sales for cash (>\$3,000 but < \$10,000) with total reportable transactions for the bank averaging > \$100,000 monthly	Institution experiences a moderate volume of reportable monetary instrument sales for cash (>\$3,000 but < \$10,000) with total reportable transactions for the bank averaging < \$100,000 monthly but > \$50,000	Institution experiences a low volume of reportable monetary instrument sales for cash (>\$3,000 but < \$10,000) with total reportable transactions for the bank averaging < \$50,000 monthly		1	Measured by calculating percentage of reportable monetary instrument sales for cash transactions during the past 12 months
9	More than 15 Phase II Currency Transaction Reporting (CTR) Exemptions	Fewer than 15 but more than 5 Phase II Exemptions	Five or fewer Phase II Exemptions			
10	Significant growing domestic and international private banking or trust and asset management products or services. Investment and trust accounts are predominantly nondiscretionary representing more than 15% of total deposits and/or loans, as applicable	Limited domestic private banking services or trust and asset management products or services with investment discretion supportive of a strategy to grow trust business representing more than 5% but no more than 15% of total deposits and/or loans, as applicable	Limited private banking services, trust services and asset management services with combined deposits and/or loans of < 5% of total deposits and/or loans, as applicable		1	Measured by calculating private banking, trust and asset management deposits and/or loans as a percentage of total deposits and/or loans, as applicable
11	More than 30% of branches located in an HDTA/HFCA* with large number of fund transfers or account relationships involving HDTA/HFCA	More than 15% but less than 30% of branches located in an HDTA/HFCA* with some transfers or accounts involving HDTA/HFCA	No more than 15% of branches located in HDTA/HFCA* with no fund transfers or account relationships involving HDTA/HFCA		1	Measured by comparing branch locations to recent HDTA and HFCA area listings
12	Significant volume of transactions conducted by more than 15% of our customers within high-risk geographic locations	Minimal high-risk transactions conducted by more than 5% but less than 15% of our customers within high-risk geographic locations	Less than 5% of our customers send transactions to or receive transactions from transactions high-risk geographic locations		1	This refers to wires, ACH, or other transactions coming in from or being sent to high risk areas
13	Wide array of e-banking products and services including account transfers, bill payment, remote deposit capture, wire transfer origination with high customer activity, more than 30% of total customers actively using e-banking	Limited e-banking products and services with moderate customer activity, more than 15% but less than 30% of total customers actively using e-banking	Less than 15% of our customers are enrolled in e-banking products or services, or institution web site is completely non-transactional		2	

**BSA risk assessment template** is a critical tool for financial institutions seeking to comply with the Bank Secrecy Act (BSA) and other related regulatory requirements. The BSA requires financial institutions to establish anti-money laundering (AML) programs, which must include a risk assessment of the institution's exposure to money laundering and terrorist financing risks. A well-designed risk assessment template can streamline this process, making it easier for institutions to identify, mitigate, and monitor risks effectively. In this article, we will delve into the importance of a BSA risk assessment template, the key components to include, and best practices for its implementation.

# The Importance of a BSA Risk Assessment Template

A BSA risk assessment template serves several vital functions within a financial institution:

1. **Regulatory Compliance:** Financial institutions are required to conduct risk assessments to comply with BSA and AML regulations. A comprehensive template ensures that institutions meet these obligations systematically.
2. **Identifying Vulnerabilities:** The template helps identify areas where the institution may be vulnerable to money laundering and terrorist financing, allowing for targeted policies and controls to mitigate these risks.
3. **Enhancing Decision-Making:** By providing a structured framework, the template enables decision-makers to evaluate risk more effectively and allocate resources accordingly.
4. **Facilitating Training and Awareness:** A risk assessment template can also serve as an educational tool, helping employees understand the risks associated with their roles and the institution as a whole.
5. **Continuous Improvement:** Regularly updating the risk assessment template allows institutions to adapt to changing regulatory requirements, emerging threats, and evolving best practices in risk management.

## Key Components of a BSA Risk Assessment Template

A comprehensive BSA risk assessment template should include several key components:

### 1. Executive Summary

The executive summary provides an overview of the risk assessment process, including the methodology used, the scope of the assessment, and key findings. It should summarize the institution's overall risk profile and highlight significant areas of concern.

### 2. Risk Assessment Methodology

This section outlines the approach taken to conduct the risk assessment, including the data sources used, the analysis techniques employed, and any

relevant regulatory guidance followed. It should also define the criteria used to evaluate risk levels.

### **3. Risk Factors**

The risk factors section should detail the various elements that contribute to the institution's risk profile. Common risk factors include:

- Customer Risk: Assessing the risk associated with different types of customers, including individuals, businesses, and high-risk entities.
- Product/Service Risk: Evaluating the risk associated with various financial products and services offered by the institution, such as loans, wire transfers, and foreign currency exchange.
- Geographic Risk: Considering the risks associated with the locations where the institution operates or has customers, particularly areas known for high levels of criminal activity.
- Transaction Risk: Analyzing the types and volumes of transactions conducted by the institution to identify unusual or suspicious patterns.

### **4. Risk Assessment Matrix**

A risk assessment matrix is a visual representation that helps categorize and prioritize risks. It typically includes:

- Inherent Risk: The level of risk before any controls are applied.
- Residual Risk: The level of risk remaining after controls are implemented.
- Risk Rating: A scoring system (e.g., low, medium, high) to indicate the severity of each identified risk.

### **5. Controls and Mitigation Strategies**

In this section, institutions should outline the existing controls in place to mitigate identified risks and any additional measures needed. This can include:

- Policies and Procedures: Documentation of internal controls and processes designed to prevent money laundering and terrorist financing.
- Training Programs: Initiatives aimed at educating employees about AML regulations and the institution's risk assessment findings.
- Monitoring and Reporting: Systems for ongoing monitoring of transactions and reporting suspicious activities to the appropriate authorities.

## **6. Risk Assessment Review and Update Process**

This section should detail the process for regularly reviewing and updating the risk assessment. Institutions should outline the frequency of assessments, who is responsible for conducting them, and how changes in regulations or business operations will be incorporated into the assessment.

## **Implementing a BSA Risk Assessment Template**

Implementing a BSA risk assessment template effectively involves several best practices:

### **1. Involve Key Stakeholders**

Engaging stakeholders from various departments, such as compliance, audit, and operations, ensures a more comprehensive assessment. Their diverse perspectives can help identify risks that may not be apparent to a single department.

### **2. Use Data-Driven Analysis**

Incorporating quantitative data into the risk assessment process enhances its accuracy. This can include transaction data, customer demographics, and historical trends related to money laundering and terrorist financing.

### **3. Tailor the Template to the Institution**

While templates provide a useful framework, institutions should tailor them to fit their specific needs, taking into account their size, complexity, and risk profile. A "one size fits all" approach may not adequately capture the unique risks associated with each institution.

### **4. Ensure Compliance with Regulatory Requirements**

Stay informed about changes to BSA and AML regulations and ensure that the risk assessment template aligns with these requirements. This may involve regular training for compliance staff and updates to the template as regulations evolve.

## **5. Foster a Culture of Compliance**

Promoting a culture of compliance within the organization is essential. This includes encouraging employees to report suspicious activities and providing ongoing training to reinforce the importance of risk management practices.

## **Conclusion**

A BSA risk assessment template is an indispensable tool for financial institutions aiming to comply with regulatory requirements and effectively manage risks associated with money laundering and terrorist financing. By incorporating key components such as risk factors, a risk assessment matrix, and mitigation strategies, institutions can develop a comprehensive understanding of their risk profile. Additionally, by following best practices for implementation, organizations can enhance their ability to detect and prevent illicit activities, ultimately contributing to a safer financial system. Regular reviews and updates to the risk assessment template will ensure that institutions remain vigilant and prepared to address emerging threats in an ever-changing regulatory landscape.

## **Frequently Asked Questions**

### **What is a BSA risk assessment template?**

A BSA risk assessment template is a structured document used by financial institutions to identify, assess, and mitigate risks associated with money laundering and terrorist financing as part of their compliance with the Bank Secrecy Act (BSA).

### **Why is a BSA risk assessment template important for financial institutions?**

It helps institutions systematically evaluate risks, ensuring compliance with regulations, improving internal controls, and providing a basis for the development of effective anti-money laundering (AML) programs.

### **What key components should be included in a BSA risk assessment template?**

Key components include identification of risk categories (e.g., customer risk, geographic risk, product/service risk), assessment of risk levels, control measures in place, and action plans for risk mitigation.

## **How often should a BSA risk assessment be conducted?**

A BSA risk assessment should be conducted at least annually and also whenever there are significant changes in the institution's operations, products, services, or regulatory environment.

## **Can a BSA risk assessment template be customized for different institutions?**

Yes, a BSA risk assessment template can and should be customized to reflect the specific risk profile, operations, and regulatory requirements of each financial institution.

## **What tools can be used to create a BSA risk assessment template?**

Tools such as Microsoft Excel, Google Sheets, and specialized compliance software can be used to create and manage BSA risk assessment templates.

## **What is the role of senior management in the BSA risk assessment process?**

Senior management is responsible for overseeing the risk assessment process, ensuring that it is comprehensive, that resources are allocated for effective implementation, and that findings are addressed promptly.

## **How can technology enhance the BSA risk assessment process?**

Technology can streamline data collection, enable real-time risk monitoring, automate reporting, and facilitate collaboration among compliance teams, making the assessment process more efficient and effective.

## **What should be done with the findings from a BSA risk assessment?**

Findings should be documented, reviewed by management, and used to inform updates to policies, procedures, training, and risk mitigation strategies to enhance the institution's overall compliance framework.

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