

Anti-Money Laundering and Countering Terrorist Financing Video

A Practical Guidance® Practice Note by
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 [Video: Anti-Money Laundering and Countering Terrorist Financing](#)

This video provides a brief overview of money laundering and terrorist financing, and how they are both addressed by the U.S. government and the financial industry through applicable anti-money laundering (AML) or countering the financing of terrorism (CFT) requirements.

Video Transcript

AML and Countering Terrorist Financing

(00:05:29)

John Geiringer:

Hi, my name is John Geiringer, and I will be discussing Anti-Money Laundering and Countering Terrorist Financing.

In this video, I provide a brief overview of money laundering and terrorist financing, and how they're both addressed by the US government and the financial industry through applicable Anti-Money Laundering, AML, or Countering the Financing of Terrorism, CFT, requirements.

What are money laundering and terrorist financing?

Money laundering is the process by which criminals attempt to disguise the proceeds, sources, or nature of their illicit activities. They do this by processing illegally obtained funds through a series of transactions so that they appear to be derived from legal activities.

Money laundering generally involves three steps:

- Placement, when illegal funds are introduced into the financial system
- Layering, when those funds are moved throughout the financial system –and–
- integration, when those funds are withdrawn from the financial system to make purchases

Unlike traditional criminal activity motivated by financial goals, terrorism is intended to intimidate or coerce a civilian population or to influence the policy of a government by engaging in threatened or actual violent activities.

Terrorists fund their activities using legitimate sources such as charitable donations, but frequently also require additional funding through illicit means that require money laundering to facilitate.

What are the primary US government agencies that counter the financing of terrorism?

The Treasury Department maintains an Office of Terrorism and Financial Intelligence (TFI) which is responsible for

providing policy, strategic, and operational direction to the Treasury Department on issues relating to AML and CFT. Through the TFI, the Treasury Department frequently publishes threats, vulnerabilities, and risks associated with money laundering and terrorism financing. TFI oversees two significant agencies, namely the Financial Crimes Enforcement Network (FinCEN) and the Office of Foreign Assets Control (OFAC).

FinCEN safeguards the US financial system from illicit use, combats money laundering, and promotes US national security through the collection, analysis, and dissemination of financial intelligence and the strategic use of financial authorities. FinCEN promulgates rules, regulations, and guidance that govern AML and CFT requirements for US financial institutions.

OFAC administers and enforces economic and trade sanctions programs against certain targeted countries, entities, and individuals based on US foreign policy, national security goals, and applicable domestic and international authorities. OFAC maintains and publishes an evolving list of blocked individuals, groups, companies, and government entities called the Specially Designated Nationals and Blocked Persons list.

What efforts should financial institutions take to counter the financing of terrorism?

Institutions should maintain risk-based procedures through a customer information program (CIP) to verify the identity of its customers and the beneficial owners of certain entities to the extent reasonable and practical. The CIP must include procedures for determining whether the customer appears on any list of known or suspected terrorists or terrorist organizations. Institutions also should adopt and implement risk-based customer due diligence policies, procedures, and processes for all customers, particularly those presenting a higher risk for money laundering and terrorist financing, which require enhanced due diligence. These ongoing diligence efforts enable institutions to understand the nature and purpose of customer relationships, to identify the types of transactions in which their customers are likely to engage, and to determine when transactions are potentially suspicious.

Financial institutions are required to file suspicious activity reports with respect to apparent criminal violations and other transactions that have no business or apparent lawful purpose or are not the type of transaction in which

customers normally would be expected to engage with no reasonable explanation for the transactions. FinCEN has established a 24/7 hotline for financial institutions to voluntarily report to law enforcement suspicious transactions that may relate to recent terrorist activity against the US.

With certain exceptions, financial institutions must file a currency transaction report for each transaction and currency of more than \$10,000 by, through, or to the institution.

Financial institutions must develop a risk-based compliance program that is reasonably designed to assure and monitor compliance with these AML CFT record keeping and reporting requirements. Such programs, which should be written and approved by the institution's board of directors, should include:

- A system of internal controls to assure ongoing compliance
- Independent compliance testing
- A designated compliance officer –and–
- An appropriate training program

Financial institutions must assess the potential risks of their products, services, customers, and geographic areas in which they operate to develop an effective risk-based compliance program.

Related Content

Resource Kits

- [Compliance with OFAC, AML, and USA Patriot Act Resource Kit](#)

State Law Comparison Tool

- [Financial Service Regulation State Law Comparison Tool](#)

Practice Notes

- [Bank Secrecy Act, USA PATRIOT Act, AMLA, OFAC, and other Anti-money Laundering / Anti-terrorism Regulations](#)
 - [Bank Reporting Requirements under the Bank Secrecy Act and OFAC Sanctions Laws](#)
 - [Customer Identification and Due Diligence Requirements Pursuant to the Bank Secrecy Act](#)
 - [The Corporate Transparency Act and Beneficial Ownership Reporting Requirement](#)
 - [Sanctions and Penalties for Violations of the Bank Secrecy Act and OFAC Requirements](#)
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Practice Videos

- [AML Fraud Red Flags Video](#)
- [AML Red Flags in Human Smuggling and Human Trafficking Video](#)
- [Drug Trafficking Organization Activity and AML Video](#)
- [Transnational Criminal Organization Activity Video](#)

Checklists

- [Bank Secrecy Act \(BSA\), USA PATRIOT Act, AMLA, OFAC, and Other Anti-money Laundering / Anti-terrorism Regulations Compliance Checklist](#)
- [Complying with the Corporate Transparency Act Checklist](#)
- [Know Your Customer Checklist](#)
- [SAR Filing Requirements Checklist](#)
- [Ukraine/Russia-Related Sanctions and Response Plan for Financial Institutions](#)

Treatises

- 1 Bank Secrecy Act and Anti-Money Laundering Service § 1.01 (2023)
- 2 Banking Law Manual § 18.01(3rd 2023)

Secondary Sources

- 31 U.S.C.S. § 5312
- 31 C.F.R. 1010.100
- 31 C.F.R. 1010.810
- 31 U.S.C.S. § 5324
- 107 P.L. 56, 115 Stat. 272 (2001)
- 116 P.L. 92, 133 Stat. 1198 (2020)

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John is a nationally recognized banking attorney who advises financial institutions on regulatory, governance, and investigative matters. He regularly provides focused training sessions to boards and management on a wide range of legal and risk management topics. Working at the forefront of banking law and regulation, John is a thought leader in the field, primarily through teaching, writing, and frequent media interviews.

As the Regulatory Section Leader of BFKN's Financial Institutions Group, John advises a wide variety of financial institutions around the country about the full spectrum of legal, regulatory, and supervisory issues that they face. He is a frequent speaker and author in the financial institutions area on issues surrounding banking regulations, examinations, and enforcement actions, as well as on cybersecurity.

John devotes significant time to anti-money laundering, counter-terrorist financing, and related national security issues. In this regard, he lectures and advises institutions around the country, engages with relevant organizations, and has published on the subject.

Prior to joining BFKN in 1999, John worked as a bank regulator and also as a compliance consultant. He served as legal counsel for the Illinois bank regulatory agency, now the Illinois Department of Financial and Professional Regulation. John also obtained practical experience with respect to bank operations and compliance issues as a regulatory consultant with a regional accounting firm, performing compliance reviews and training for a variety of financial institutions.

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