

U.S. federal banking agencies issue statement and RFI on model risk management principles and AML compliance

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The U.S. federal banking agencies have issued an interagency statement addressing industry questions on model risk management and AML compliance. Specifically, the statement clarifies the purpose of the “Supervisory Guidance on Model Risk Management” and how the MRM Guidance’s risk management principles should be applied to bank AML compliance systems. The FBAs also published a request for information on the extent to which the MRM Guidance supports AML and sanctions compliance.

The interagency statement and RFI appear to be the FBAs’ response to bankers’ concerns that the application of the MRM Guidance in the AML context has been unduly burdensome and has had unintended consequences, including impeding the implementation of system enhancements and stifling innovation. It is properly viewed as another in a series of AML reform measures that have been taken by the FBAs and FinCEN to increase the effectiveness and efficiency of AML compliance programs.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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