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M E M O R A N D U M

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To Our Clients and Friends

Re: New York Proposes New Anti-Money Laundering Regulation

The New York Department of Financial Services (“NYDFS”) is proposing a new anti-terrorism and anti-money laundering (“AML”) regulation to address shortcomings perceived by the NYDFS in recent investigations of bank and non-bank institutions regulated by the NYDFS (“Regulated Institutions”). A 45 day public comment period will begin upon publication of the proposal in the New York State Register.

The proposal imposes new monitoring and filtering program requirements as well as governance, oversight and accountability for such programs at senior levels. Regulated institutions will be required to:

- Maintain a transaction monitoring program that meets minimum requirements specified in the regulation.
- Maintain a watch list filtering program to interdict transactions, before their execution, that are prohibited by Office of Foreign Assets Control (OFAC) or other sanctions or watch lists that meets requirements specified in the regulation.
- The regulation specifies additional minimum requirements for these programs regarding data sources, data practices, program governance and management oversight, vendor selection, funding, qualification of personnel and training of all stakeholders.

A senior officer of the institution will be required to certify compliance with the regulation to the NYDFS annually. The regulation also authorizes criminal penalties or incorrect or false annual certifications, in addition to penalties applicable to institution for noncompliance.

A copy of New York DFS’s proposed rule can be found on our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker or Ben Gray at (202) 776-0700.