



**Northwestern  
Bank**

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May 2, 2005

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal  
Reserve System  
20<sup>th</sup> Street and Constitution Ave., NW.  
Washington, DC 20551  
Attn: Docket Number OP-1220

Re: EGRPRA Burden Reduction Comments

Dear Madam:

The Northwestern Bank is a community bank located in Chippewa Falls, Wisconsin. We have five branches that are located in LaFayette, Cornell, Boyd, Thorp, and Eau Claire, WI. As of December 31, 2004 our Statement of Condition shows the Bank to be at \$287 million. We appreciate the opportunity to comment on the proposed rule issued by the Federal Reserve and the other Federal financial institution regulatory agencies concerning outdated, unnecessary, or unduly burdensome regulatory requirements pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996.

Our letter offers comments in the area of anti money laundering (AML) regulations and the Bank Secrecy Act (BSA). Because of the many and sometimes unclear regulatory requirements in these areas our costs to insure compliance have doubled both monetarily and in personnel time.

### **Money Laundering Regulations**

The Northwestern Bank strongly supports the goals of the BSA and its related regulations and recognizes the significant value these rules provide in the fight against the financing of terrorism and other illicit enterprises. While addressing the issues raised by BSA and AML compliance cannot be resolved in a brief period of time, we strongly believe there are recommendations that can be implemented in a relatively short period of time that provide much needed and more immediate regulatory relief in the area of compliance.

We would encourage the Agencies to reconsider rules relating to Currency Transaction Reports, Suspicious Activity Reports, and Money Service Businesses. First, the \$10,000 threshold for CTRs should be increased. At a minimum, the increase should reflect inflationary pressures in effect since its introduction in 1979. The tremendous increase in

the number of CTRs filed in this range today, only contributes to the clogging of the filing and reporting system and the dilution of the quality and value of information the government receives.

This low CTR threshold is causing Banks to file a much greater number of SARs. We must file a SAR when a customer deposits, possibly inadvertently, amounts of cash below but close to the \$10,000 threshold because those deposits could conceivably be deemed to be an attempt to circumvent reporting requirements by structuring cash transactions. This means that we are now obligated to fulfill other due diligence, reporting and recordkeeping requirements. Instead of being expected to file a SAR every 90 days after the initial SAR filing the requirement should be relaxed so follow-up SAR filings are necessary only if suspicious activity is believed to be taking place.

The purpose for the filing and reporting requirements pursuant to CTRs and SARs ought to have wider focus. It is easier to detect a pattern of potentially illegal or improper activities when data is analyzed over an extended period of time, such as biweekly or monthly. This will decrease the volume of filings and resources spent by financial institutions and the Agencies alike.

With regard to MSBs, the filing requirements are triggered when an individual conducts \$1,000 or more in money services on any given date. For small accounts or an account where this event is sporadic, filing and recordkeeping requirements can be burdensome. We strongly encourage the Agencies to change the language in this rule such that the triggering event is where the \$1,000 or more threshold in money services is a standard practice.

Because other BSA and AML issues are more complex and require a long-term approach, the BSA and AML efforts ought to be centralized. The Agencies, and the government in general, should assume a more proactive approach to this important issue of money laundering and terrorist financing.

We believe that a multifaceted approach to a financial institution's review of the section 314(a) list is necessary to allow for more expeditious and efficient handling of such requests. We strongly encourage that the Agencies allow key data processing vendors to have access to the section 314(a) list directly on behalf of their financial institution clients. In that way, a review of the list is accomplished with a mainframe data processing solution, much like OFAC reviews are accomplished.

Currently there are several different regulatory agencies imposing similar but sometimes different standards, interpretations, and examination procedures for the BSA and AML laws. This lack of a unified approach to BSA and AML compliance, and lack of standard guidance by the Agencies and government alike, has contributed to confusion in the banking industry. For example, all of the rules for filing SARs are essentially turning financial institutions into criminal investigation bureaus.

It has been documented that a very small fraction of SAR filings receive follow up by the appropriate agencies. We strongly encourage the Agencies to coordinate training and guidance with other appropriate government agencies. Perhaps issuing a publication on a regular basis that highlights elements, events, or circumstances that prompted further investigation by the investigating governmental body would be helpful to the industry. Out of so many filing, knowing what exactly made certain filings worthy of investigation will benefit the industry and perhaps reduce the volume of filings.

In addition, a safe harbor and clear guidance is needed addressing Regulation B concerns when attempting to comply with BSA's Customer Identification Program requirements. For instance, the copying of a photo ID in order to verify the identity of a customer may be part of the recordkeeping for deposit accounts, but could easily result in a Regulation B violation of illegal discrimination in lending.

Another unresolved issue that should be addressed by a unified approach deals with whether or not the disclosure of SAR information to the institutions board of directors should eliminate the protections afforded by SAR safe-harbor rules. If the institution's policies allow for the sharing of SAR information to board members and the information is not disclosed or shared with others outside the board of director's meeting, then this sharing should fall within the protection of the safe-harbor rules.

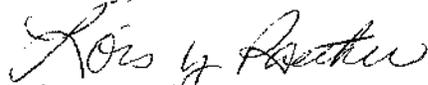
#### **Appraisal Standards for Federally Related Transactions**

Much like CTRs and SARs, Safety and Soundness rules are primarily contingent on a rigid monetary threshold and should be revised to be more representative of today's economy and better reflect its realities. We strongly encourage the Agencies to increase the \$250,000 appraisal threshold to reflect historical and current inflationary pressures and to routinely make cost-of-living adjustments. Since 1994 the threshold has not been adjusted.

#### **Conclusion**

The Northwestern Bank appreciates the opportunity to comment and make recommendations concerning this most recent review of money laundering and other rules. We strongly encourage the Agencies not to overlook short-term approaches to provide some much needed regulatory relief, particularly in the area of AML. Given the costs incurred by our financial institution to comply with these rules, more specific guidance resulting in a reduction in the volume of filing is needed. Thank you for your consideration of our comments.

Sincerely,



Lois Y. Raether

Assistant Vice President

Deposit Compliance Officer