

February 22, 2021

VIA E-MAIL ONLY

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C., 20551
Docket No. R-1738, RIN 7100-AG08
regs.comments@federalreserve.gov

**RE: Proposed Exemptions to Suspicious Activity Requirements: Docket No: R-1738,
RIN 7100-AG08**

Dear Secretary Misback,

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 220 state and nationally chartered banks, savings and loan associations, and savings banks. WBA appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (FRB's) proposed rule that would modify the requirements for state member banks, edge and agreement corporations, U.S. offices of foreign banking organizations supervised by FRB, and bank holding companies and their nonbank subsidiaries.

The proposed rule would amend FRB's Suspicious Activity Report (SAR) regulations to provide for the issuance of exemptions from the requirements of those regulations, in full or in part. The proposed rule is intended, among other things, to facilitate supervised institutions in meeting Bank Secrecy Act (BSA) requirements more efficiently and effectively, including through development of innovative solutions. WBA appreciates the opportunity to comment on the proposed rule.

Discussion of the Proposed Rule

The proposed rule would provide for the issuance of exemptions from the requirements, in full or in part, of FRB's SAR regulations. Upon receiving a written request from an FRB-supervised institution, FRB would determine whether the exemption is consistent with safe and sound banking.

FRB would also seek the Financial Crimes Enforcement Network's (FinCEN's) determination whether the exemption is consistent with the purposes of BSA, as applicable, where an exemption request involves an exemption from the requirements to file a SAR required by FinCEN regulations that implement the BSA. The proposed rule would require FRB to seek FinCEN's concurrence regarding any exemptions that involve SAR provisions relating to potential money laundering or violations of the BSA or other unusual activity covered by FinCEN's SAR regulation.

The proposed rule allows FRB to consult with FinCEN regarding other exemption requests and with other state and federal banking agencies before granting any exemption. An approved exemption under the proposed rule may apply to only certain parts of SAR requirements. It may

be conditional or unconditional, may apply to particular persons or to classes of persons, and may apply to transactions or classes of transactions. In addition, the proposed rule provides that FRB may grant an exemption for a specified time period or extend the time period of a previously granted exemption. Finally, the proposed rule provides that FRB may, in its sole discretion, revoke previously granted exemptions.

The changes made by the proposed rule would add a new paragraph (I) to § 208.62 of Regulation H (12 CFR 208.62), which concerns the SAR filing obligations of member banks. Sections 211.5(k) and 211.24(f) of Regulation K (12 CFR 211.5(k) and 211.24(f)) and § 225.4(f) of Regulation Y (12 CFR 225.4(f)) make § 208.62 of Regulation H applicable to edge and agreement corporations, the U.S. branches and agencies of foreign banks (except a federal branch or federal agency or a state branch that is insured by the Federal Deposit Insurance Corporation), a representative office of a foreign bank, and bank holding companies and their nonbank subsidiaries, respectively. The changes applicable to member banks will also be applicable to the SAR responsibilities of domestic and foreign banking organizations supervised by FRB, including bank holding companies, edge corporations, and the U.S. branches and agencies of foreign banks.

WBA appreciates the efforts of FRB to create a process for FRB-supervised institutions to obtain an exemption from SAR filings as a result of industry innovations. We offer the following suggestions to the proposal:

- FRB need work together with the other prudential banking regulators and FinCEN to create one standard and one system for any institution to use when applying for an exemption. While technically the agencies have their own SAR regulations, the similarities greatly outweigh the one-off differences to justify separate application processes for each agency. A unified system for applications and agency determinations is necessary to create consistency for the industry regardless of charter.
- FRB need work together with the other prudential banking regulators and FinCEN to create a single-filing process whereby an FRB-supervised institution files solely with FRB and any need for a FinCEN approval involving the same application be obtained by FRB. The institution should not have to separately file with both FRB and FinCEN. A single-filing process will help make the process efficient and less burdensome overall.
- FRB need provide more information about the application itself, including what questions need be answered when applying, what factors FRB is to consider in its determination, and what supplemental information need be provided with the application. Knowing upfront what need be answered and supplied will help make the process efficient and limit denials due to incomplete information.
- FRB need provide a clear timeline for response to an application for exemption. WBA recommends a timeline not to exceed 45 days from the date of filing a completed application with FRB.
- FRB need create an appeal process so that an applicant may make changes and re-submit without having to completely re-apply for an exemption.



- FRB need publish exemption decisions, so the industry is aware of FRB's analysis and decision regarding a particular process or new technology.

Once again, WBA appreciates the opportunity to comment on FRB's proposal.

Respectfully,

A handwritten signature in black ink, reading "Rose Oswald Poels". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Rose Oswald Poels
President/CEO