# CENTENNIAL BANK

## Proposal and Comment Information

**Title:** Anti-Money Laundering and Countering the Financing of Terrorism Programs, R-1835

**Comment ID:** FR-0000-0133-02-C45

## Submitter Information

**Organization Name:** Centennial Bank

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Comment Letter Attached

September 8, 2026

**Submission to**: Board of Governors of the Federal Reserve System
**Docket**: R-1835; **RIN**: 7100-AG78
**RE**: Anti-Money Laundering and Countering the Financing of Terrorist Programs (Proposed Rule)

## Introduction

In response to the Board of Governors of the Federal Reserve System ("Board") invitation for comment related to the proposed rule titled *Anti-Money Laundering and Countering the Financing of Terrorism Programs* ("AML/CFT" programs), this letter is being submitted with appreciation for the opportunity to provide input on this consequential regulatory change. Centennial Bank ("Bank"), asset size $23B, provides financial services at numerous locations across Arkansas, Alabama, Florida, New York, Tennessee, and Texas. Generally, the Bank supports this initiative to update and modernize AML/CFT regulations in a way that allows financial institutions to use risk-based decision making for efficiency improvements without compromising the core objective of effective support of law enforcement and their published *National Priorities*.

## Comments

While the Bank agrees that updating program requirements to be driven by risk is better aligned with supporting law enforcement objectives, operationalizing the 'risk assessment processes' and 'prompt' program updates resulting from these processes will require very specific guidance with clear expectations set. Today, evaluating the qualitative and quantitative considerations in assessing threats (from published or internal factors identified), risk assessing applicable threats, updating policies to address new or changed risks, updating procedures to align with policy changes, training on new procedures, tuning monitoring systems/customer risk rating systems to account for the changing risk landscape, and feeding outcomes back into the risk assessment is done on a generally prescribed basis (the 'annual risk assessment update'). Given that the *Proposed Rule* is changing the language from historical guidance that provided for 'bank defined trigger' risk assessment updates and 'regular risk assessment review/update' generally understood to be at least on an annual basis, to the simple language of 'prompt', similar guidance as was historically provided to help financial institutions create reasonable timelines and executable processes will be needed.

Further, the *Proposed Rule* frequently notes that much of the risk assessment process is already in place for most financial institutions. Centennial Bank agrees that this is true; however, it leaves out how much time, expertise, and experience is required to maintain AML/CFT risk assessments – especially with consideration to the multiple processes in place to do so. Developing a version of the risk assessment workflow that can be 'promptly' applied based on the number of factors provided in the *Proposed Rule* will create additional burden within AML/CFT risk assessment staffing, even while other elements of the rule would reduce burden in other ways. Here, again, clear guidance on how quickly risk assessment processes should be operationalized into actual monitoring and customer risk 'daily work' to satisfy 'prompt' response will be needed for the Bank's compliance program to sufficiently determine resourcing[1] needs.

[1] While not intended to be a response to Question 2, concerns highlighted related to resourcing is related to this question.

## Numbered Questions – Responses

Establishing and Maintaining (Implementing in all material respects)[2]

It is understood that both *establishing* and *maintaining* are ongoing processes under the *Proposed Rule*. However, it is unclear how to interpret the definition of *maintaining* as 'implementing in all material respects'. The use of the term 'material' is subjective and does not provide the Bank with the clarity necessary to have confidence that the implemented program satisfies this requirement. It would be beneficial to financial institutions to more clearly understand what components of the Program would be considered material with respect to ongoing establishment vs ongoing maintenance. Such knowledge would provide efficiencies in building templates and/or frameworks with unchanging 'material respects' set with general permanence and allowing more attention to the 'material respects' that require more frequent upkeep – i.e. installing a dedicated AML/CFT Compliance Officer vs updating policies and procedures resulting from a change in institutional risk.

Further, 'failure' to *establish* and/or *maintain* an AML/CFT Program is relatively undefined. Today, financial institutions have relevant history of regulatory actions to help guide current programs, this history will be absent under the new structure. With the described fundamental changes related to this modernization, clear indication of what would be considered 'failures' in establishing, as well as in maintaining, the program should be included in the rule. While it is understood that time is needed to establish how AML/CFT programs will be examined after a Final Rule is published, financial institutions will be better positioned to lean fully into the 'risk driven' methodologies if the rule provides robust descriptions of what is expected from the Bank to have a successful established and implemented program.

Risk Assessment[3]

Categorizing, compiling, and evaluating factors for risk assessment is a significant undertaking for the Bank. The presentation in the *Proposed Rule* of the categories to consider – Customer, Geography, Product & Service, and Distribution Channel – are consistent with the targets advised by relevant expert training in AML/CFT risk assessment strategies. Further, with respect to the risk assessment process, it is reasonable to perceive multiple assessment processes with varying levels of complexity being employed to determine financial institution risk.

With respect to addressing National Priorities: since FinCEN's proposed rule does not prescribe, nor could it realistically be expected to prescribe, a specific number of National Priorities against which a financial institution could expect to refine an AML/CFT risk assessment, the expectation that a financial institution would be able to implement a practice to quickly pivot from one set of risk factors to another without clear guidance on expected timelines is cause for concern. Adding certain triggers, such as published FinCEN or other regulatory advisories, to the 'living' risk assessment update process further complicates estimation of 'reasonable' timing.

Depending on the complexity of a single factor to be assessed, the assessment may require up to a week[4] per factor and requires engagement by several different working groups within an AML/CFT program; i.e. risk professionals to assess the institutional threat, business intelligence professionals to quantify the threat, and investigative professionals to address identified targets within the customer-base related to

[2] Questions considered: 5, 21, 22
[3] Questions considered: 9, 12, 13, 14, 15, 16
[4] This estimate is based on performing assessments on FinCEN's advisories and other published notifications currently used for risk assessment updates today.

the threat. Should a dozen priorities be released for assessment, it is reasonable to estimate that weeks' worth of work would be created. Under today's regulatory framework, the risk-based processes used to evaluate material threats and implement appropriate controls are considered best practice; however, the Proposed Rule does not provide sufficient guidance regarding expectations for accelerated implementation timelines.

While the allowance to tailor the AML/CFT risk assessment to the 'current' National Priorities may seem to create a more efficient and effective process, there is a real possibility that it will actually result in an initially bloated risk assessment every time the priorities changed, and then a gradual decrease in risk as the assessment is reworked to adjust the previous priorities throughout the program. Similarly, the implemented program would initially increase in volume until program tuning could be executed to refocus monitoring output that better aligns with the current priorities. Clarification of the impact of National Priority focus on the "implementing" prong of the *rule* would reduce the concerns related to redirecting resources away from previous priorities (and other 'non-priorities').

<u>FinCEN NPRM Provisions</u>[5]
The absence of comment in the Board's *Proposed Rule* regarding the consultation and information sharing with FinCEN was immediately an omission of concern. Given the introduction of these new provisions, the Bank would look to our functional regulator to indicate alignment, as well as to provide a better understanding of how this new process would be expected to influence Board examination outcomes. For example: clarification around what the Board would consider a 'significant' action that would require such consultation and information sharing; clarification of how the Board would "...consider any input offered by FinCEN concerning the effectiveness of the bank's AML/CFT program..."; and further, clarity around how this additional review impacts regulatory action outcomes in practical terms.

<u>Effective Date</u>[6]
Based on existing processes, a reasonable timeline for transitioning the 'establishing' prong from current processes would more likely align with the current review cycle of 9-12 months. Today, this includes updates to the risk assessment followed by corresponding updates to policies (where needed), then procedural revision to comply with the updated policies. Another 9-12 months would be required to execute on the implementation of the established program. Today, this would include development of training to adhere to the updated procedures, monitoring methodology updates, and model tuning. With the addition of the cultural shift in how to comply (risk focus), time to provide staff guidance on how to prioritize workload would also be included here.

Establishing and Implementing a program in alignment with the *Proposed Rule*, therefore, should come with an Effective Date *no less than* 18 months, but ideally up to 24 months.

[5] Question considered: 23
[6] Question considered: 29