

Comments in Response to Proposed Extension for the Bank Secrecy Act/Money Laundering Risk Assessment ("MLR") System

Submitted on behalf of ICICI Bank Limited, New York Branch on January 16, 2013

Risk assessments are integral to a sound BSA-AML program. They enable institutions to conduct a thoughtful, analytical review of the risks posed by customers, products, activities, processes, and geographies to the institution. The method and outcome of a risk assessment is unique to an institution given its specific circumstances. Part of the risk assessment process inevitably involves the compilation and review of transaction data and customer information. These go to the core of a bank's purpose. However, simply because banks may all review the same type of information does not mean that it is necessarily worthwhile to require institutions to provide this information in a uniform fashion.

Risk management is not a universal exercise. What may be a proper evaluation of risks in one institution may greatly differ in another institution. This is not to say that either is correct or wrong in its assessment. An institution's management is permitted to tailor its risk assessment process to meet its unique needs. Inevitably, outcomes may differ. This is simply the product of different approaches and circumstances.

Transaction data has significant value at the institution level. Banks conduct institution-specific risk assessments. Customers, products, and geographies are evaluated based on factors that are determined by regulatory expectations, experience, and knowledge of the unique circumstances of each institution. Transaction data and customer characteristics are reviewed and utilized by institutions to determine various risk elements, as well as in the development of new products and expansion into new markets. It is also key in the monitoring of customer accounts for suspicious activity. Understanding the risks faced by the institution enables it to develop systems and rules that will capture activity that will lead to the filing of suspicious activity reports.

No two institutions are exactly alike. Customer bases, products, the value and volume of transactions processed, geographies served, staffing, and expertise inevitably vary among institutions. It is for this reason that there is no uniform risk assessment template, be it at a product, customer, or institution level. Banks are given latitude to determine risk because their circumstances require it. Otherwise, assessing risk would be an exercise with no real value.

When requesting and compiling the data of local, regional, national, and multinational institutions, the factors that are unique to individual institutions are lost. What remains is a mass of data that may be used to develop generalizations on risk that ignore the unique elements of financial institutions. This presents a great concern among institutions that the ability to assess specific risks in light of the particular facts and circumstances applicable to an institution will be eroded by the development of generic risk categorizations or assumptions about the appropriate risk an institution is to apply to a given product, customer, or geography. This will result in institution's not only employing a one size fits all risk categorization, but also will negatively affect the ability of institutions to monitor and detect suspicious activity, which goes to the core of a sound BSA-AML program.

Therefore, the OCC should not expand its data collection requirement to other institutions, and should consider eliminating it altogether.