

What's Changing, What's Coming Next, and How Banks Are Responding





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With sharper regulatory lenses and faster-moving threats, even long-standing compliance practices are being reexamined and reengineered—and institutions that once relied on static models are now embracing dynamic, risk-informed strategies to keep up.

This Whitepaper Covers:



New Approach to SARs



Regulatory **Expectations**



Verification and Onboarding



Organizational Structures

Modern Trends in BSA/AML Compliance: Navigating Complexity, Regulation, and Scrutiny

As financial crimes grow more complex—with fraud rings deploying synthetic identities, mule networks, deepfake documents, and encrypted channels—financial institutions (FIs) are rethinking their BSA/AML strategies from the ground up. At the same time, FIs must navigate mounting regulatory scrutiny, rapid tech evolution, and increasing demands for transparency, all while managing leaner teams and rising caseloads across suspicious activity reporting (SARs), transaction monitoring, due diligence, and governance.

Account closures – once considered a routine operational step within BSA/AML programs – are now drawing heightened scrutiny from regulators, lawmakers, <u>and the media</u>. Institutions are increasingly being asked to justify why certain accounts are

Auriemma Roundtables' Expertise

This white paper explores how leading banks and credit unions are evolving their BSA/AML programs—shifting from volume-based metrics to risk-informed strategies, adopting emerging technologies with caution, and strengthening governance and collaboration across business lines. Drawing on insights from Auriemma Roundtable participants and broader industry trends, the report offers a detailed look at the practices, challenges, and innovations shaping today's compliance landscape.

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closed, even when those closures are not tied to formal SAR filings. This shift has brought political and reputational risk into the compliance conversation, particularly when closures involve sensitive customer segments or controversial industries. In response, financial institutions are reevaluating their closure processes, making them more prescriptive, enhancing documentation standards, and expanding internal review or appeal mechanisms to ensure decisions can withstand external inquiry. What was once a quiet compliance function is now a visible and consequential risk decision.

Evolving the Approach to SARs and Monitoring

Suspicious Activity Reports (SARs) remain a central component of every BSA/AML program, but the approach to these filings is changing rapidly. In June 2025, Deputy Treasury Secretary Michael Faulkender announced that the Treasury is exploring ways to simplify the SAR filing process as part of a broader initiative to modernize BSA enforcement.



This will likely be very welcome news for institutions: Between July 2023 and December 2024, there was an 18.5% increase in SAR filings, according to FinCEN data. This aligns with what Auriemma Roundtables is observing in BSA/AML Roundtable member organizations: 75% of member organizations noted higher SAR volumes between Q3 2024 and Q4 2024.

"The operational burden primarily around SAR filing is a major topic at every Roundtable meeting," said Troy Huth, Senior Director of the BSA/AML Roundtable. "Often, companies feel like they over file or make the narrative of the SAR filings too detailed, which is a big operational burden. This burden worsens if there's an environmental reason that's pushing the volume of SAR filings up."

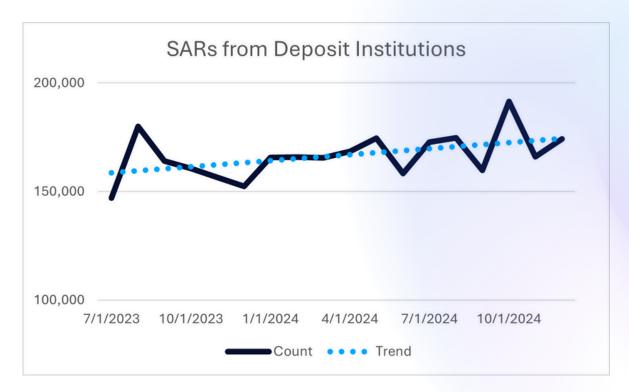
In response, compliance teams are working to focus more on quality over quantity of SARs. While a decline in SAR volumes would historically be cause for concern among senior leaders, institutions are working to reframe the narrative – showing that any reduction reflects improved risk focus rather than diminished vigilance. Documentation of training programs and quality assurance metrics are being used to demonstrate

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continued oversight and effectiveness.

Regardless of changes in SAR volumes, maintaining robust QA frameworks remains essential. Best practices for Roundtable members include:

Investing in integrated feedback loops between training and QA/QC teams to
ensure that SAR quality expectations are embedded from day one. These loops
allow institutions to identify common errors, clarify gray areas in investigative
judgment, and continuously refine both initial agent education and ongoing
professional development. Some institutions are embedding quality benchmarks
directly into training curricula and job aids, creating a continuous cycle of learning
and performance improvement.



Between July 2023 and December 2024, there was an 18.5% increase in SAR filings.

Source: FinCEN

• Experimenting with automation and artificial intelligence to streamline simple SAR filings, freeing up resources for more complex cases, such as using bots to pre-fill case narratives or queue cases for review, while maintaining manual oversight to ensure appropriate case resolution. Participants cited various use cases, such as extracting data from unstructured PDFs, scanning merchant documentation for red flags, and using AI to identify key elements for inclusion in SARs. Despite this progress, institutions remain conservative in their use of AI for sensitive filings, citing regulatory concerns and the need for explainable decision-making. For now, the integration of these tools is largely confined to low-risk areas until institutions gain more confidence in the technology and clearer regulatory guidance emerges.

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- Real-world automation use cases Include:
 - One participant reported success using a flow-through-of-funds rule that flags large withdrawals following deposits.
 - Other Roundtable members have adopted deviation-based rules that track month-over-month changes in transaction volume.

Navigating Regulatory Expectations and Political Uncertainty

Regulatory scrutiny continues to evolve as examiners – including OCC, Federal Reserve, and FDIC – are finding new issues in long-standing processes and are focusing particularly on internal controls, staffing sufficiency, and third-party oversight.

"REGULATORS AREN'T JUST ASKING IF YOU HAVE CONTROLS -THEY'RE ASKING HOW WELL THEY ACTUALLY WORK IN PRACTICE. IT'S A SHIFT FROM CHECKBOX COMPLIANCE TO **OPERATIONAL RESILIENCE."**

Troy Huth, Senior Director, BSA/AML Roundtable

Several Roundtable participants noted that regulators are now scrutinizing whether institutions are appropriately staffed to manage alert volumes and whether their QA/QC frameworks are scalable and effective. Third-party vendor management has also emerged as a key area of focus, with regulators urging improvements in reporting, oversight, and shared accountability.

"Regulators aren't just asking if you have controls—they're asking how well they actually work in practice," said Huth. "It's a shift from checkbox compliance to operational resilience."

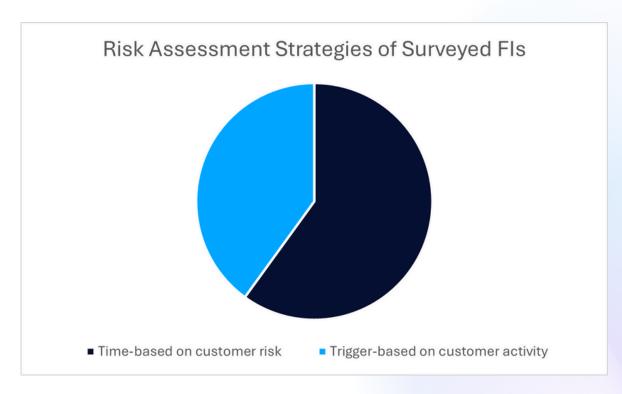
Institutions are also dealing with new legislation, such as the End Banking for Human Traffickers Act of 2024, which mandates enhanced training and monitoring protocols to detect and escalate transactions potentially linked to trafficking. These legislative developments are prompting institutions to reevaluate their prohibited business programs and monitor how political changes might affect enforcement.

Rethinking Risk, Verification, and Onboarding

Customer due diligence and risk assessment methodologies are evolving as institutions adopt more dynamic, event-driven models. Rather than relying solely on static onboarding data, many institutions are now integrating transaction behavior and

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external data sources to refresh customer risk profiles. For example, 40 percent of surveyed institutions conduct risk assessments based on significant behavior changes or new negative news alerts, as opposed to regularly scheduled reviews. The evolving tactic reflects a broader industry trend toward real-time risk management.



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Source: Auriemma Roundtables survey data

Verification processes are also becoming more sophisticated. Best practices include:

- Requiring exact matches for SSNs or TINs. Some FIs accept ITINs with additional documentation.
- Adopting tools that verify document authenticity or use geolocation metadata to confirm address validity. These changes reflect increasing concern over synthetic identities and fraudulent documentation, particularly in remote or digital onboarding environments.

Client onboarding remains a focal point for improvement, with institutions seeking a balance between security, compliance, and customer experience. Some define onboarding completion only after full CIP verification, while others vary their standards based on product type.

Institutions are particularly focused on validating small business legitimacy and detecting shell companies – especially those that show rapid in-and-out fund flows. To address these challenges, several participants are enhancing third-party data validation and using workflow automation to improve speed and accuracy.

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Organizational Structures and Staffing

Organizational structures within BSA/AML departments are evolving in response to recent consent orders and regulatory demands. Many institutions are reinforcing the separation between the first and second lines of defense while promoting collaboration across both.

In matrixed models, SARs filings and investigative work are conducted by the first line, while the second line provides oversight. Institutions are increasing integration across these lines, using cross-functional meetings to review trends and identify emerging risks.

This integration is seen as crucial for ensuring effective escalation processes and avoiding siloed risk management.

"We're being pushed to rethink both structure and staffing," said Huth. "Regulators want clear lines of defense, and that means investing in training, rethinking capacity models, and creating pathways to retain institutional knowledge."

Staffing remains a significant challenge. Institutions report difficulty in finding and retaining skilled personnel, especially in hybrid environments where mandatory in-office policies limit the talent pool. High attrition rates, particularly in compliance operations, have prompted some institutions to shift to capacity-based productivity metrics to optimize staffing levels. As compliance workloads increase, institutions are focusing on developing talent pipelines, improving training programs, and offering greater flexibility to retain experienced professionals.

Evolving Success Measurements

Measuring success in BSA/AML programs depends on the use of key performance indicators (KPIs) and key risk indicators (KRIs).

Institutions are tracking metrics such as:

- SAR processing time
- Alert resolution rates
- Completeness and accuracy of KYC documentation

Some institutions have developed Program Effectiveness Ratings based on inherent and residual risk assessments, while others use color-coded KRI dashboards to flag recurring issues. Reporting is tailored for



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different audiences – board, executive leadership, and operational teams – to ensure clarity and actionability.

Self-assessment processes vary but often include a combination of:

- Internal audits
- QA reviews
- · Risk identification questionnaires

Some institutions use external consultants to benchmark performance and identify gaps. Others rely on monthly quality reviews that directly inform training programs and policy updates. This dynamic approach helps institutions maintain program agility in the face of regulatory changes and evolving risks.

Finally, financial institutions are grappling with persistent challenges in data quality and collaboration. Poor data integration across systems continues to hinder effective monitoring and reporting. Institutions are investing in data governance frameworks to ensure consistency and accuracy, particularly in environments involving acquisitions or multiple legacy platforms. Collaboration between operational and compliance teams is also critical. Several institutions hold monthly joint meetings to share trends, address friction points, and promote a shared understanding of emerging risks. This spirit of collaboration is essential for building a unified compliance culture that can adapt to the increasing demands of modern BSA/AML oversight.

Conclusion

In summary, the BSA/AML landscape is undergoing a profound transformation. Institutions are moving away from volume-based metrics and toward outcome-driven frameworks that prioritize quality, agility, and accountability. The integration of technology - particularly AI and machine learning – offers promise, but institutions are proceeding cautiously, ensuring robust governance and transparency.

As regulatory expectations rise and political uncertainty persists, financial institutions must continue to invest in dynamic compliance strategies that are both scalable and resilient. Those who succeed will be those who treat compliance not as a back-office obligation but as a strategic pillar for trust, security, and long-term growth.

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How Can I Discuss These Issues with My Peers?

To go beyond the findings in this white paper and stay current on evolving BSA/AML practices, consider joining Auriemma's BSA/AML Roundtable. This member-only forum brings together senior compliance, risk, and operations leaders from top financial institutions for candid, peer-driven discussions on what's working—and what's not—in the fight against financial crime.

From regulatory exam experiences and technology pilots to staffing models and QA metrics, Roundtable meetings offer a unique opportunity to benchmark strategies, surface emerging risks, and shape more resilient compliance programs through real-time peer exchange.



For membership inquiries and to attend an upcoming Roundtable meeting:

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