CU policy PRO Newsletter

October 2013

Dear CU PolicyPro Clients,

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Content FAQs

Q: A member came in to the credit union to make a deposit of more than $10,000. When I told him that I had to complete a currency transaction report for the transaction he wouldn't complete the transaction. What should I do?

A: Attempting to avoid reporting is a violation of the Bank Secrecy Act. Because the member tried to structure the transaction and did not deposit the funds as originally intended you need to file a Suspicious Activity Report. Your credit union's BSA Officer should be able to assist you in completing this.

Q: Where can I get more information on Suspicious Activity Trends?

A: FinCEN publishes a bi-annual publication called SAR Activity Review – Trends, Tips and Issues that reviews trends and analysis, law enforcement cases, issues and guidance on BSA, and an industry forum to address specific issues.

Technical FAQ

Q: Is there a way to block the printing option on the published manual? Our manual is very long and we don't want to waste paper.

A: No, unfortunately there isn't any way to suppress the print option, but here are some alternative ideas that may help:

1. Use the "Welcome Message" on the home page to add some reminder verbiage about thoughtful printing. You can suggest printing specific page ranges if your staff needs a printed policy (use "File > Print Preview" to determine the page ranges).

2. Use the "Additional Text" box in the publishing options to include some reminder verbiage about thoughtful printing.

3. You can break the full manual into shorter mini-manuals by chapter. If your staff does

print, it will be just the chapter rather than the entire manual (this can also make it easier for staff to find what they are looking for).

4. If you have this capability on your computer – print to PDF and use the Adobe PDF settings to prevent printing, then upload through STORAGE to make the document available to staff. Please keep in mind this option may not be available to all clients. You can talk to your IT staff to see if this option would be available for you.

If you have additional questions, please contact the CU PolicyPro support staff at hrsupport@cusolutionsgroup.com.

For more frequently asked questions, visit the CU PolicyPro FAQs page which includes all FAQs featured in previous newsletters, as well as many others!

Monthly OPS Notes Release: Bank Secrecy Act

Consistently one of the top ten credit union examination focuses is the Bank Secrecy Act. This Act and its enforcement are regulated by the Financial Crimes Enforcement Network (FinCEN) and guidance on the requirements can be found in 31 USC 5315 the Bank Secrecy Act and the USA PATRIOT Act. The purpose of the Bank Secrecy Act (BSA) is to help identify the source, volume and movement of currency and other monetary instruments transported or transmitted into or out of the U.S. or deposited into financial institutions. Over its history the BSA has aided in the investigation of money laundering, tax evasion, international terrorism and other criminal activity.

This year there have been significant changes to the BSA with new requirements for electronic filing. Based on input form FinCEN the benefits of e-filing include:

- A streamlined BSA form submission process;
- Faster routing of information, better accomplishing the mission of protecting the US financial system from illicit actors and activities;
- Greater data security and privacy compared with paper forms and traditional mail delivery; and
- Long-term cost savings to both financial organizations and the government.

The Bank Secrecy Act includes several requirements including:

Compliance Program

Credit unions must establish and maintain a written compliance program for fulfilling the requirements of the BSA. The credit unions' compliance program needs to be tailored to the level of risk a credit union is exposed. A credit union's BSA compliance program needs to include four key elements:

- A system of internal controls;
- Designation of a BSA/AML Compliance Officer
- Independent testing; and
- Training.

System of Internal Controls: Credit unions must have appropriate internal control procedures to allow them to detect money laundering. The means of monitoring

transactions as an internal control will vary based on the size, complexity and operations of the credit union. Small credit unions may be able to monitor member transactions by hand through a series of reports while large credit unions will need to employ monitoring programs to ensure that all currency and suspicious transactions are flagged for review. These procedures must provide, among other things, a credit union with the ability to identify and report: currency transactions that meet certain threshold requirements for reporting; and member transactions that are suspicious in nature.

Designation of a BSA/AML Compliance Officer: A credit union must designate a credit union employee as the BSA compliance officer. This officer should have day-to-day responsibility for the BSA compliance program and should be known to all employees in the event they need assistance with issues related to the Bank Secrecy Act (BSA) or need assistance with suspicious activity reporting.

Independent Testing: Credit unions are required to have their BSA program independently tested on an annual basis. The testing can be conducted by the credit union's internal audit department, outside auditors, or third party consultants. The audit program should:

- Attest to the effectiveness and integrity of the BSA/AML compliance program, including policies, procedures and processes;
- Review the credit union's risk assessment for reasonableness given the credit union's risk profile (based on products, services, members, and geographic locations);
- Provide appropriate transaction testing to verify the credit union's adherence to the BSA record-keeping and reporting requirements (Customer Identification Program (CIP), Suspicious Activity Reports (SARs), Currency Transaction Reports (CTRs), CTR exemptions, and 314(a) and (b) Information Sharing);
- Evaluate management's efforts to resolve violations and deficiencies noted in previous audits and regulatory examinations, including progress in addressing outstanding supervisory actions, if applicable;
- Review staff training for adequacy, accuracy, and completeness;
- Review the effectiveness of the suspicious activity monitoring systems (manual, automated or a combination) used for BSA/AML compliance. Reports reviewed may include, but are not limited to:
- Suspicious activity monitoring reports;
- Large currency aggregation reports;
- Monetary instrument records;
- Funds transfer records;
- Nonsufficient funds (NSF) reports;
- Large balance fluctuation reports;
- Account relationship reports; and
- Assess the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness and effectiveness of the credit union's policy.

Audit findings should be incorporated into a report for senior management and review by the Board of Directors. The credit union must ensure that appropriate follow-up is completed.

Training: Credit unions must provide training to employees on the Bank Secrecy Act regulatory requirements, as well as related internal policies and procedures. The training programs should be tailored to an employee's specific responsibilities, and all new employees should receive (at least) an overview of BSA/AML requirements.

Training must also be provided to the Board of Directors so that they understand: the importance of BSA/AML requirements, the risks posed if an adequate BSA program is not in place, and the consequences of noncompliance.

Reporting

There are several reporting requirements for credit unions and other financial institutions under the BSA. Among these requirements are the Currency Transaction Report (CTR), and Suspicious Activity Report (SAR).

Currency Transaction Report: Credit unions must file a CTR on each deposit, withdrawal, payment, transfer or other transaction involving cash of more than $10,000.00. If multiple transactions are made by or on behalf of any person in a day, the credit union must aggregate the transactions and report them as one transaction if the total exceeds $10,000.00. If deposits are made at night or over a weekend or holiday, that transaction must be treated as if it was made on the next business day.

Suspicious Activity Report: SAR's are an important way for law enforcement to aggregate data from around the country to identify patterns and criminal involved in financial crimes. Credit union employees must be able to recognize that certain transactions are suspicious in nature. A credit union must know its members to be able to make an informed decision as to the suspicious nature of a particular transaction and whether to file a Suspicious Activity Report (SAR).

SAR reports are required to be made for:

- The discovery of insider abuse involving any amount;
- Violations aggregating $5,000 or more where a suspect can be identified; Violations aggregating $25,000 or more regardless of a potential suspect; or
- Transactions aggregating $5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act.

FinCEN has mandated that the CTR and SAR reports be filed **electronically** through the BSA E-Filing System.

Recordkeeping

To meet BSA requirements credit unions must retain numerous records. The general retention period under the BSA is five (5) years; however, specific record keeping requirements can be found in §103.33 of the BSA (31 CFR 103.33).

Following is a list of some of the records which must be kept.

- Extensions of credit in excess of $10,000;
- Currency transaction in excess of $10,000 to or from any person, account, or place outside the United States;

- Cash sales of monetary instruments (e.g., money orders, traveler's checks, cashier's checks) between $3,000 and $10,000;
- Each certificate of deposit sold or redeemed;
- Each document granting signature authority;
- Each statement;
- Each share draft of more than $100;
- The name, address and taxpayer identification number of any person purchasing or redeeming a certificate of deposit; **and**
- Numerous, detailed records with respect to a funds transfer of $3,000 or more (§103.33(e)).

In addition, credit unions must keep copies of Suspicious Activity Reports, along with supporting documentation and Currency Transaction Reports.

This edition of OPS NOTES was prepared by the Michigan Credit Union League.

Questions?

If you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact hrsupport@cusolutionsgroup.com.

If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, contact hrsupport@cusolutionsgroup.com.

Thanks and have a great week!