

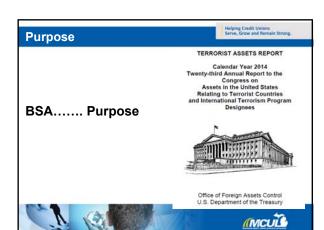


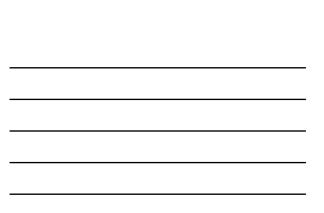


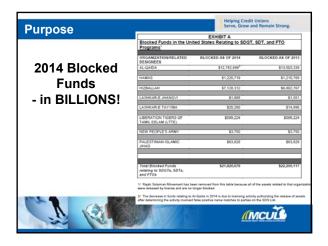


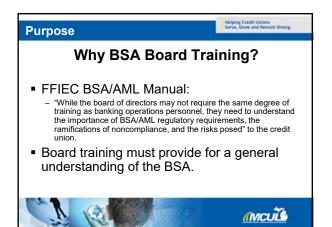
Purpose What is the purpose of the BSA Laws? • To help identify the source, volume and movement of currency and other monetary instruments transported or transmitted into or out of the U.S. or deposited into financial institutions • To aid in the investigation of money laundering, tax evasion, international terrorism and other criminal activity

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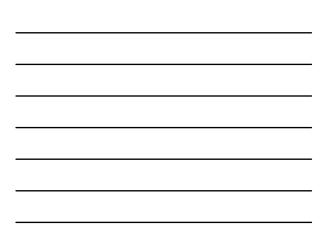










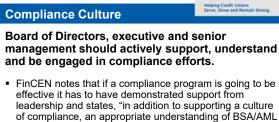




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FinCEN's latest guidance:

 On August 11, 2014 the Financial Crimes Enforcement Network issued Advisory FIN-2014-A007. The guidance was provided due to shortcomings in compliance due to a lack of involvement from institutions' senior management. It pointed to the poor culture of compliance which existed in part due to a lack of leadership to improve and strengthen organizational compliance with Bank Secrecy Act (BSA) obligations.



obligations and compliance will help an organization's leadership make informed decisions with regard to the allocation of resources." FinCEN defines the leadership of a credit union as: Board of Directors, executive and senior management, and management.

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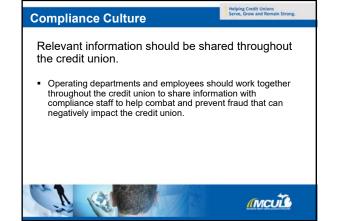
Compliance Culture

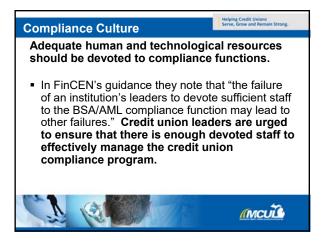
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Managing and mitigating BSA deficiencies and risks should not be compromised by revenue interests.

 The new FinCEN guidance directs that compliance staff should be empowered to implement the credit union's BSA compliance program and have the authority and autonomy to work independently and take appropriate actions to address and mitigate the credit union's BSA/AML risks.

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Compliance Culture

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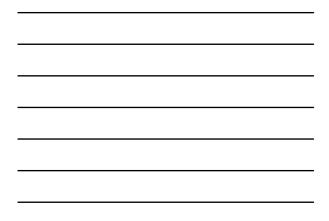
Credit union leadership and staff should understand the purpose of BSA efforts and reporting.

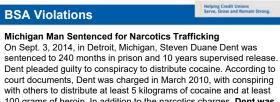
 In addition to having staffing resources sufficient to manage the credit union's compliance program, FinCEN also requires that credit union leadership and staff be trained to understand the importance of compliance with BSA and its importance to safeguarding our nation.





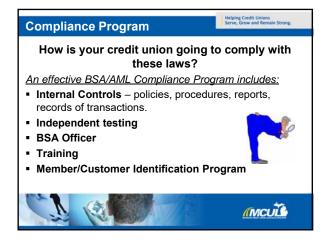


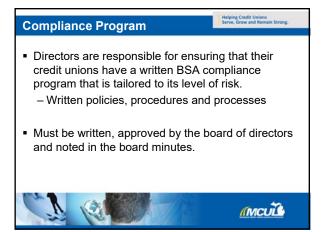




100 grams of heroin. In addition to the narcotics charges, **Dent was also charged with money laundering based on his purchase of 54 money orders using the proceeds of drug sales. These purchases totaled more than \$98,000.** Dent was charged with conducting these transactions in an effort to conceal and disguise the true nature of the funds and in a manner that would avoid the transaction reporting requirements under federal law.

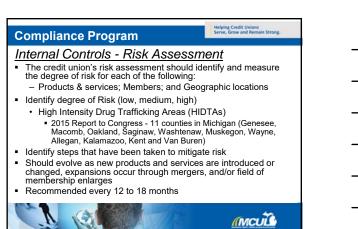












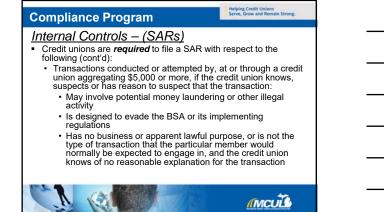
Compliance Program

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Internal Controls –

Suspicious Activity Reports (SARs)

- Credit unions are *required* to file a SAR with respect to the following:
 - · Criminal violations involving insider abuse in any amount
 - Criminal violations aggregating \$5,000 or more when a suspect can be identified
 - Criminal violations aggregating \$25,000 or more regardless of a potential suspect



Compliance Program

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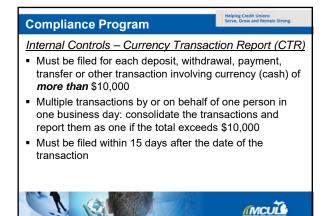
Internal Controls – SAR Safe Harbor

 Credit union directors, officers, employees and agents that report a suspicious transaction to the appropriate authorities (including supporting documentation) are granted a safe harbor from any civil liability under any law or regulation, regardless of whether such reports are filed pursuant to the SAR instructions.

• This safe harbor applies to SARs filed within the required reporting thresholds as well as those filed voluntarily on any activity below the threshold

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Compliance Program Different Controls – SAR Reporting SARs must be filed no later than 30 calendar days from the date of the initial detection of the suspicious activity 60 calendar days if no suspect can be identified Board must be notified that SARs have been filed NO disclosure to anyone involved in the transaction that a SAR has been filed May inform FinCen, law enforcement or federal banking agencies May share the SAR, or any information that would reveal the existence of the SAR, with an affiliate, provided the affiliate is subject to a SAR regulation Must be filed electronically





Compliance Program Independent Testing Must be "independent": internal auditor, outside auditor, consultants, or other qualified parties. Conducted every 12 to 18 months. Independent tester should report to the Board directly (or designated Board committee). Testing should assist the Board and Management in identifying areas of weakness or areas where there is a need for enhancements or stronger controls.



Compliance Program BSA Officer

- Board must designate a BSA Compliance Officer.
- Board must ensure that the BSA Officer has sufficient authority and resources to administer and effective program based on risk profile.

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- BSA Officer is responsible for coordinating and monitoring day-to-day BSA/AML Compliance and monitoring all aspects of the program generally, along with adherence to the BSA and implementing regulations.
- BSA Officer should have credit union and BSA expertise.





Compliance Program	Helping Credit Unions Serve, Grow and Remain Strong.
BSA Training	
 All staff, tailored to their specific res 	ponsibilities
 Should be ongoing, as regulations a (new hire orientation) 	and staff change
 Should include regulatory requirem credit union's internal policies, proc processes 	
 Inform Board and senior managem the BSA and the implementing regulation 	0
 Document training program 	
- Materials, dates and attendance recor	ds
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· MIP must provide for required identifying information that must be obtained for account opening.

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- Verify the identity of any person seeking to open an account (documentary vs. non-documentary).
- · All information used to verify the person's identity must be recorded and maintained.
- · Each new member's name must be screened against any government list of known or suspected terrorists.
- · Member Identification Program must be approved by the credit union's Board of Directors.



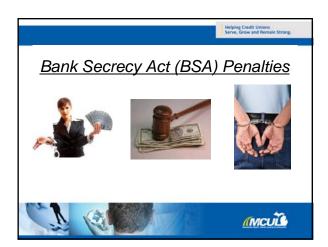


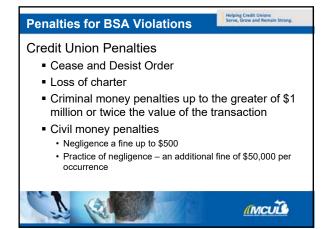


Helping Credit Unions Serve, Grow and Remain Stro OFAC Office of Foreign Assets Control (OFAC) Division of the US Treasury OFAC Risk Assessment OFAC Compliance Program Compare OFAC List to membership · Check new members before opening an account On-us checks? Independent testing Designated employee for OFAC Compliance Program

Training







Penalties for BSA Violations

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Individual Penalties

- Removal and bar from banking
- Criminal fine of up to \$250,000, five years in prison, or both for willful violations of the BSA and for structuring transactions to evade BSA reporting requirements
- Criminal fine of up to \$500,000, ten years in prison, or both for violating BSA and any other U.S. law or engaging in a pattern of criminal activity
- Civil money penalties

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BSA Violations

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North Dade Community Development FCU

- (\$4 million in assets 5 employees)
- \$300,000 Civil Money Penalty
- Revenue from money service businesses (MSBs) constituted 90% of their annual revenue.
- From 2009 through 2014, North Dade had significant deficiencies in all aspects of its AML program, including its internal controls, independent testing, training, and failure to designate an appropriate BSA compliance officer.

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