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MONTANA'S
CREDIT UNIONS

[Board of Directors] “General oversight of the credit union including adopting policies of credit union conduct, including compliance with the myriad of laws and regulations that govern your operations and implementing and maintaining effective accounting, financial, and operational risk controls.”

[Supervisory Committee] Monitor the actions of the board of directors and other officials and ensure that they are **acting properly** and **within their authority**, and that they are **carrying out their responsibilities in a timely and competent fashion**.

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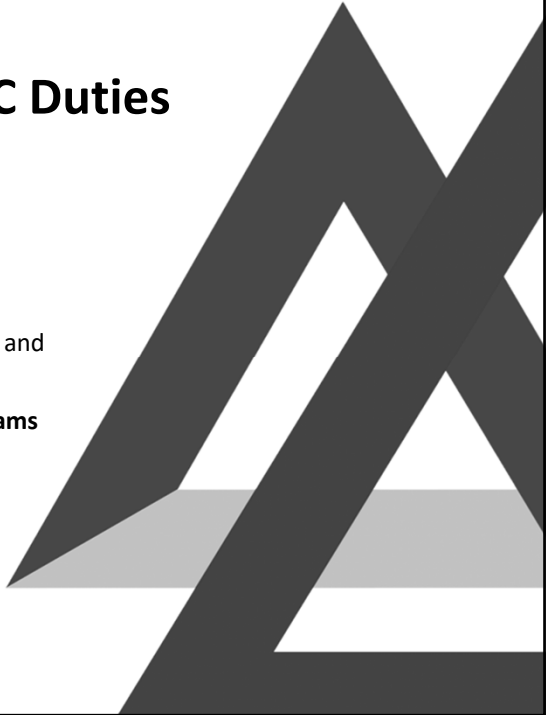
Montana ARM on SC Duties

MONTANA'S
CREDIT UNIONS


The supervisory committee shall:

- (a) Verify that **adequate internal controls** are established and maintained to safeguard the credit union's assets;...
- (g) **Understand, support, and monitor compliance programs related to the Bank Secrecy Act of 1970 and the Money Laundering Control Act of 1986.**

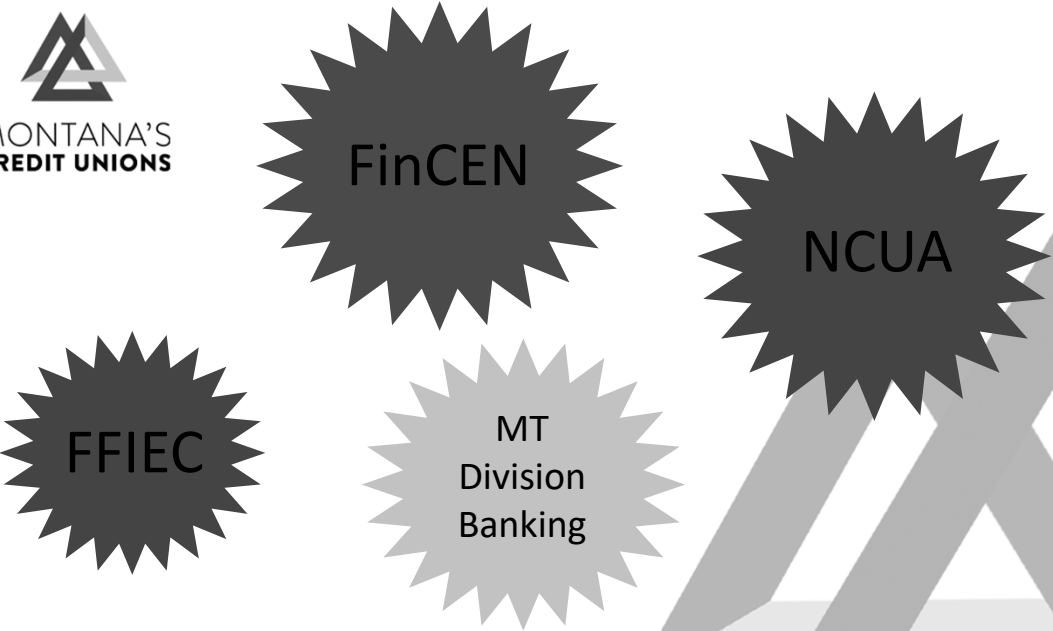
Applies to **state-chartered** credit unions



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MONTANA'S
CREDIT UNIONS




FinCEN

NCUA

FFIEC

MT
Division
Banking



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MONTANA'S
CREDIT UNIONS

Since Last Year...

- Global pandemic
- Montana legalized recreational marijuana
- New state and federal administrations
- COVID-related fraud
- Examiners updated BSA manual and promise risk-focused exams



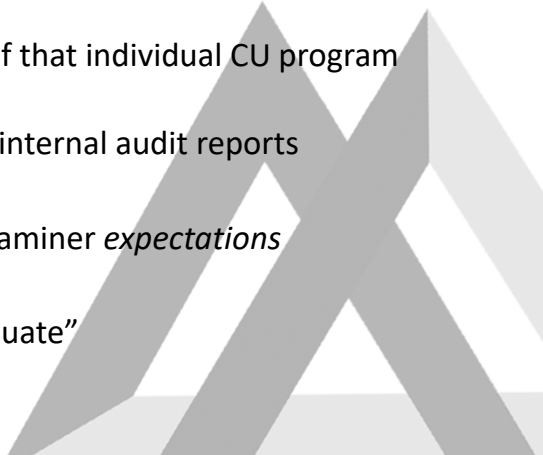
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MONTANA'S
CREDIT UNIONS

Exam Shift?

- Move to use risk assessment as focal point of that individual CU program
- Scope may vary depending on risk level and internal audit reports
- Distinguish regulatory *requirements* from examiner *expectations*
- “May be minor deficiencies and still be adequate”




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**MONTANA'S
CREDIT UNIONS**

BSA Oversight

- Program approval (annually)
- Review components and updates
- Document all discussions
- Reputation
- Follow up on audit/exam findings
- Adequate funding & resources




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**MONTANA'S
CREDIT UNIONS**

Program Components

- **Risk Assessment**
- **Written Policy**
 - ✓ BSA Compliance Officer
 - ✓ Internal Controls
 - ✓ Independent Testing
 - ✓ Training
 - ✓ Member Identification
- **Member Due Diligence & Beneficial Ownership**
- **Reporting**
- **Recordkeeping**



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Risk Assessment




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Risk Considerations

- Field of Membership
- Services
- Geographic Area
- Products
- HIDTA Areas*
- Local Demographics
- Crime Statistics
- Interstate Corridors



*Cascade, Flathead, Gallatin, Lewis & Clark, Missoula & Yellowstone Counties

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MONTANA'S
CREDIT UNIONS

BSA Officer

- Designated in board minutes and policy by name or title
- ***Not only employee responsible***; manages BSA compliance
- May have reporting authority to your committee
- Needs sufficient time, resources, and authority
- Additional training/certification may be expected

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MONTANA'S
CREDIT UNIONS

Internal Controls

- Incorporate the risk assessment along with any changes in those risks
- Provide for **program continuity** despite changes
- **Facilitate oversight** of resources
- Provide for timely updates in response to changes in regulations.
- Incorporate **dual controls** and **segregation of duties** where possible
- *Include mechanisms to identify and inform the board of directors and senior management of BSA compliance initiatives, identified compliance deficiencies, and corrective action taken*

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MONTANA'S
CREDIT UNIONS

Independent Testing

- Performed by qualified and independent person
 - Understands Bank Secrecy Act and
 - Does not handle transactions subject to BSA at the credit union
 - Can collaborate with other credit unions to complete
- Every 12-18 months
- Engagement and report review by supervisory committee

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MONTANA'S
CREDIT UNIONS

Training

- At least annually for all board members, supervisory committee*, and staff
- Records of who attended, what was taught, etc.
- Training should relate to role within the credit union

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**MONTANA'S
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Member Identification


1. Name
2. Physical address
3. Date of birth
4. Tax ID number

Non-documentary options

'Reasonable Belief' standard



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**MONTANA'S
CREDIT UNIONS**

Member Due Diligence

- Understanding member well enough to recognize activity outside 'normal' that might be suspicious
- Questions at account opening
- Risk rating
- Monitoring of high-risk accounts

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MONTANA'S
CREDIT UNIONS

Beneficial Ownership

- Mid-2018 requirement | Exam focus
- Beneficial ownership of legal entity members
- Complete **form** to show >25% ownership or significant managing control
- Not required for any accounts opened prior to effective date, unless changes made

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MONTANA'S
CREDIT UNIONS

Reporting

- **CTR | Currency Transaction Report** (>\$10k cash)
- **SAR | Suspicious Activity Report**
 - subjective
 - highly confidential
 - reported to board monthly
 - triggers include insider abuse, \$5k or more identified suspect, \$25k or more no suspect, violation of BSA or ***any time information might be useful to law enforcement***
- **Information Sharing (314a & 314b)**

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MONTANA'S
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Recordkeeping

- 5-year retention
 - Supporting documentation
 - Identification documents
 - Beneficial ownership form
 - **Audit reports**
 - Training records
- Board minutes = permanent


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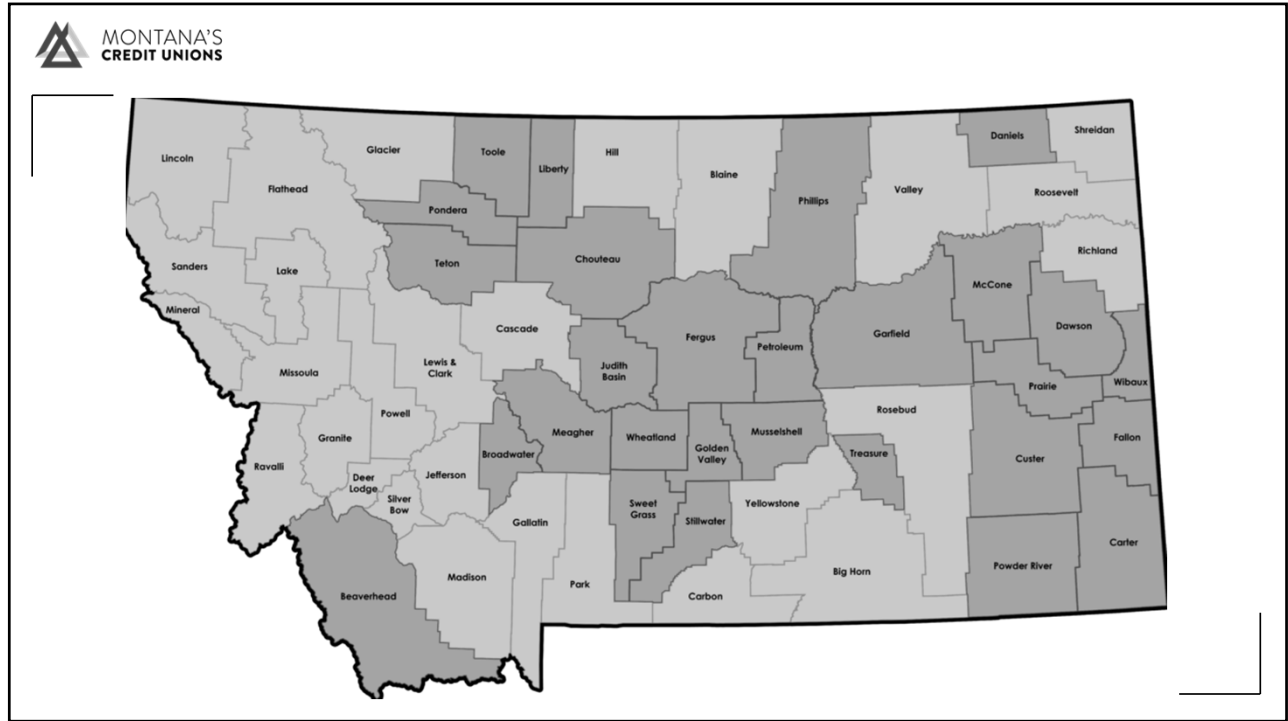
MONTANA'S
CREDIT UNIONS

The State of Marijuana

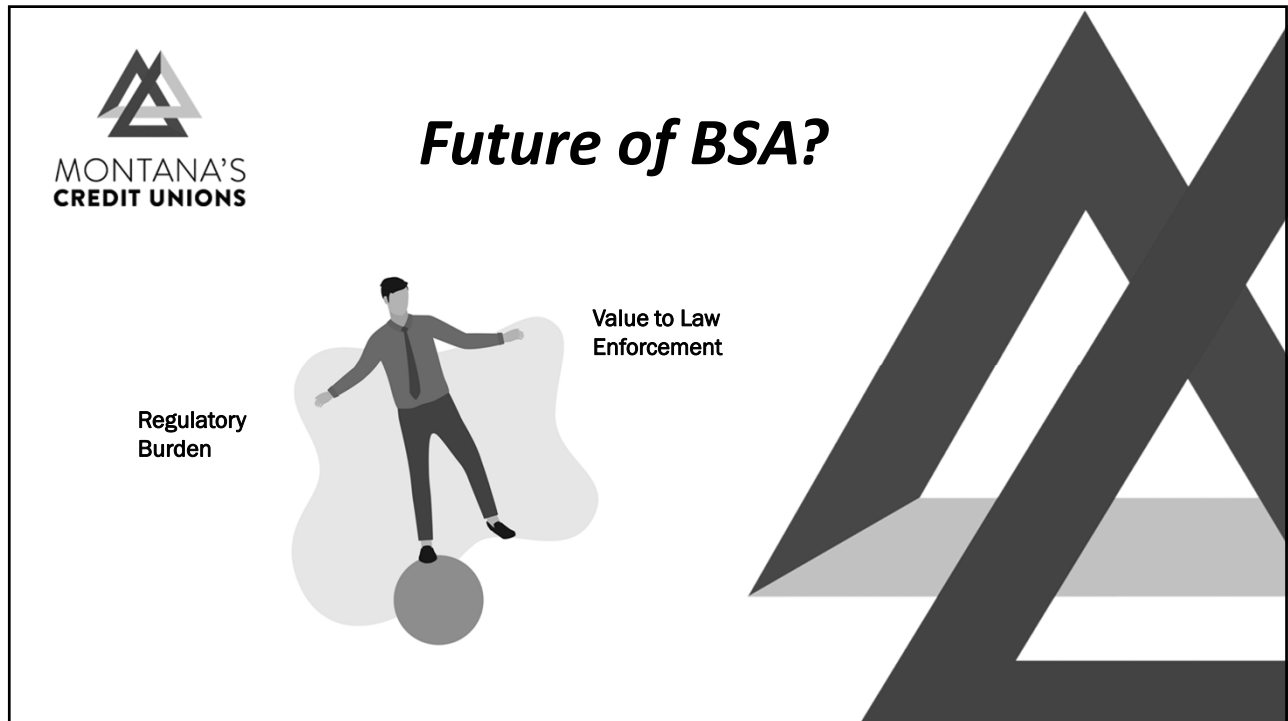
- Medical continues to be legal and growing industry
- Recreational legal as of Jan. 2022 in *some* counties
- Still controlled substance at federal level
- Programs subject to regulatory expectations



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