

Bank Secrecy Act for Board Members (2021)

“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.**”

CUNA Mutual Group *What Every Director Need to Know*

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
 - 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”

Board BSA Oversight

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

Program Components

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

RISK ASSESSMENT

- Field of Membership
- Services

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- Geographic Area
- Products
- HIDTA Areas (Cascade, Flathead, Gallatin, Lewis & Clark, Missoula & Yellowstone Co)
- Interstate Corridors and Reservations
- Local Demographics
- Crime Statistics

BSA COMPLIANCE OFFICER

Designated in board minutes and policy by name or title

Not only employee responsible; manages BSA compliance

Needs sufficient time, resources, and authority

Additional training and certification may be expected

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*

INDEPENDENT TESTING (AUDIT)

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

12-18 month cycle

Report should be reviewed by supervisory committee and/or board

TRAINING

At least annually **for all board members**, supervisory committee*, and staff

Records of who attended, what was taught, etc.

Training should relate to the role within the credit union

MEMBER DUE DILIGENCE

Understanding member well enough to recognize activity outside 'normal' that might be suspicious

Questions at account opening

Monitoring of high-risk accounts

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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

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***

enforcement

RECORDKEEPING

5-year retention

Supporting documentation

Identification documents

Beneficial ownership form

Audit reports

Training records

Board minutes = permanent

MRB Considerations

Credit union should have a **board-approved policy** detailing whether you will serve marijuana-related, hemp, CBD, or other businesses

- What about employees of dispensaries?
- How will you handle finding accounts already open?
- Will you serve businesses who serve MRBs? If so, how much?

Keep discussion open as this evolves!

MT Marijuana map: http://www.macun.coop/wp-content/uploads/2021/07/July2021_MJ_County_Map.png

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Montana's Credit Unions

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