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“Banks must establish and maintain procedures reasonably designed to assure and monitor compliance with BSA regulatory requirements (BSA/AML compliance program). The BSA/AML compliance program must be written, approved by the board of directors, and noted in the board minutes. To achieve the purposes of the BSA, the BSA/AML compliance program should be commensurate with the bank’s risk profile.”

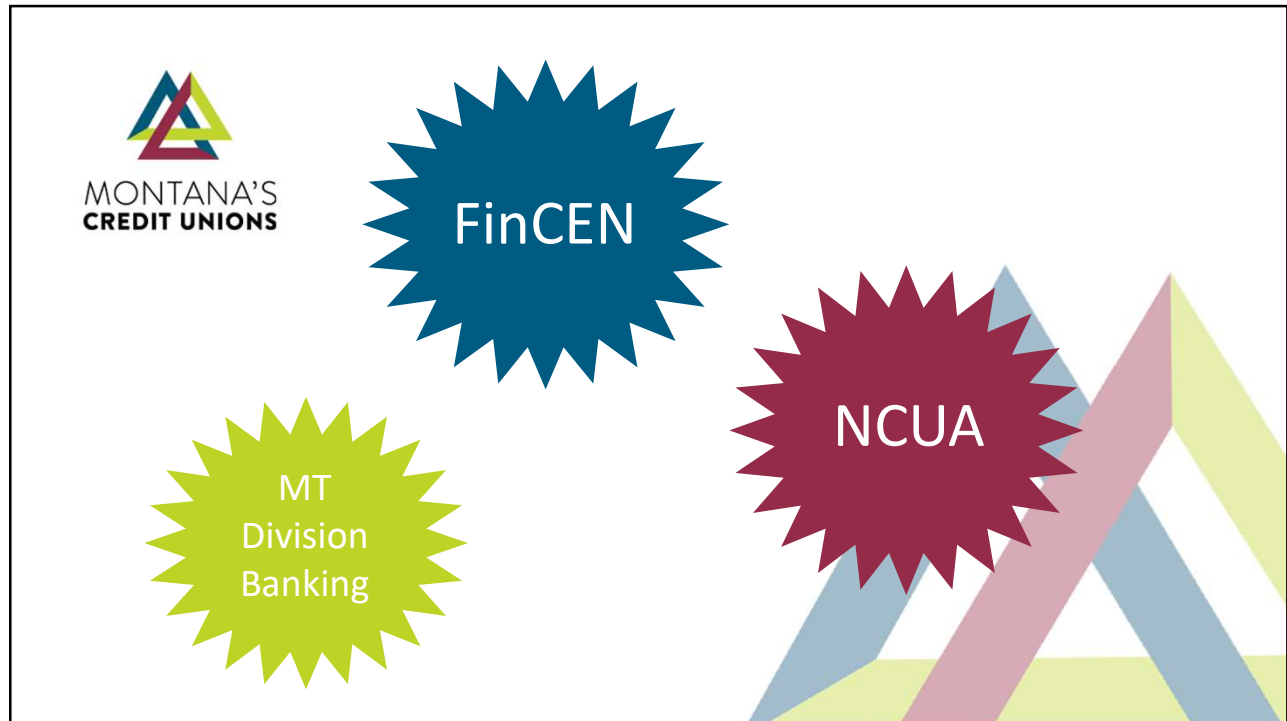
BSA Examiners Manual

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Collection | Placement | Layering | Integration

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MONTANA'S CREDIT UNIONS

Since Last Year...

- Staff challenges continue
- Economic pressures
- Bank failures
- Artificial intelligence adoption continues
- Online services grow
- Your own CU?
- Your local community?

The slide features the Montana's Credit Unions logo in the top left and a large, stylized 'M' made of overlapping blue, red, and green geometric shapes in the bottom right corner.

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Anti-Money Laundering Act of 2020

- “Most significant update... in decades”
- Implementing regulations coming
 - Beneficial ownership reporting to FinCEN
 - Modernize systems
 - Possible higher reporting thresholds

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Board 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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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

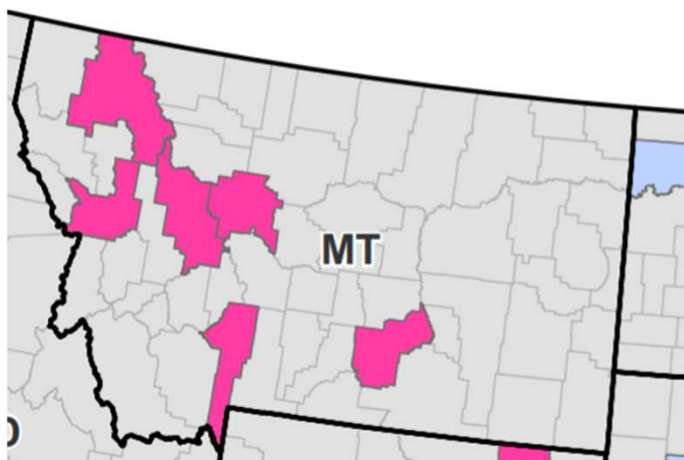


- Use a **risk-based approach** to develop your BSA compliance program
- Risk should be mitigated in policy/procedures and complexity of program should grow as risk elevates
- Should be designed to address:
 - Field of membership
 - Products/Services
 - Geographic location
 - Demographics of CU & Communities

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High Intensity Drug Trafficking Area

- HIDTA Counties: Cascade, Flathead, Gallatin, Lewis & Clark, Missoula, and Yellowstone
- Proximity to reservations and interstate corridors also a consideration!
- Williams Co, ND and Campbell Co, WY may border your FOM



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**MONTANA'S
CREDIT UNIONS**

“The federal banking agencies work to ensure that the organizations they supervise understand the importance of having an effective BSA/AML compliance program in place. Management must be vigilant in this area, especially as business grows and new products and services are introduced.”

BSA Examiners Manual



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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

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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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Independent Testing

- Performed by qualified and independent person
 - Understands Bank Secrecy Act and
 - Does not handle transactions subject to BSA at the credit union
 - Collaboration allowed
- Every 12-18 months
- Report review by supervisory committee and/or board

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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

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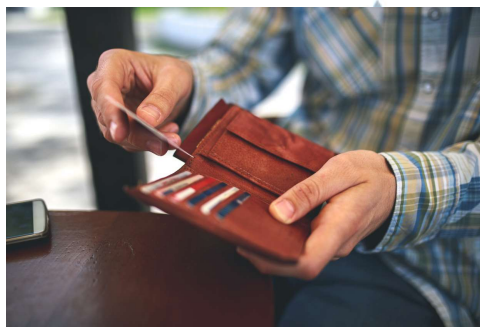


Member Identification

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

Non-documentary options

'Reasonable Belief'
standard



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Member Due Diligence

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

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Beneficial Ownership

- Beneficial ownership of legal entity members
- Complete **form** to show >25% ownership or significant managing control
- Businesses report to FinCEN starting Jan. 2024

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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***

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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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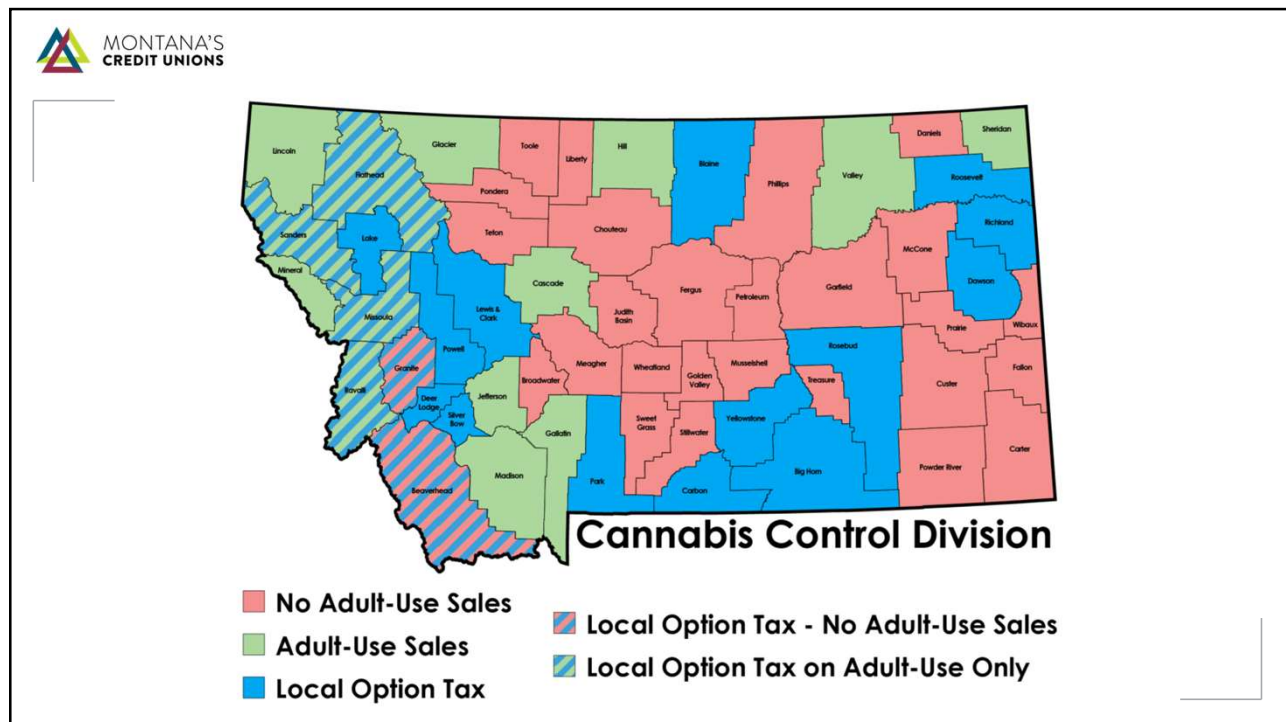


The State of Marijuana


- Controlled substance at federal level
- SAFE Banking Act still hasn't passed
- Growing industry and increasing complexity of businesses
- Programs subject to regulatory expectations and high level of scrutiny
- County ability to change with vote (ongoing)



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 MONTANA'S CREDIT UNIONS

MRB Considerations

- Recommend a **board-approved policy** detailing whether you will serve marijuana-related, hemp, CBD, or other businesses
- Concern about employees of dispensaries?
- How to handle accounts already open?
- Will you serve businesses who serve MRBs? If so, how much?
- **Regulator July '22 comments on high-risk accounts**

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MONTANA'S
CREDIT UNIONS

A Few Examples

- **July 2023:** OCC issues a \$15M civil money penalty against American Express Nat'l Bank for small business customer issues, including in their CIP and record retention
- **May 2023:** FinCEN assessed \$1.5M civil money penalty against Kingdom Trust Co for BSA failures (wires for high-risk customers with no controls)
- **Oct 2022:** Bittrex, an MSB, operated as a bitcoin exchanger and failed to register as an MSB and have required BSA program
- **March 2022:** USAA Federal Savings Bank \$140M fine for expanding those they serve and not adjusting BSA policies/practices for change in risk

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MONTANA'S
CREDIT UNIONS

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