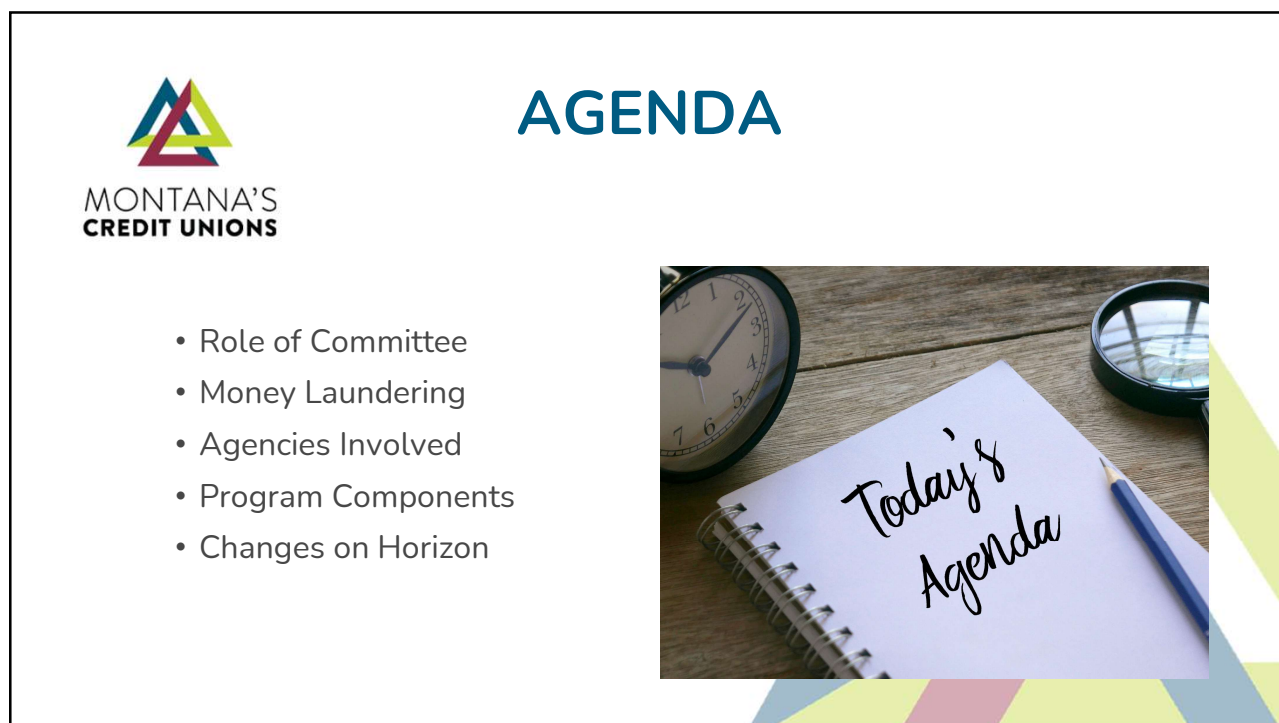




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Money Laundering



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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'S
CREDIT UNIONS**

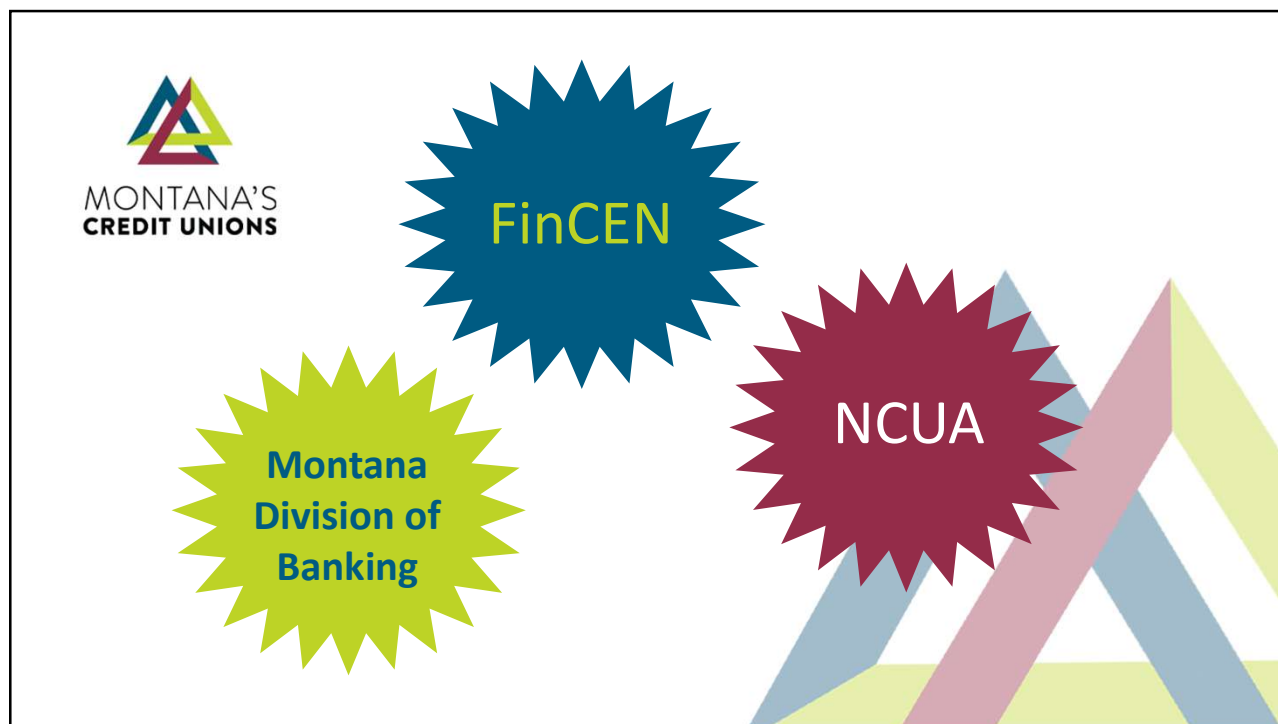
Montana ARM on SC Duties

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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Risk Assessment

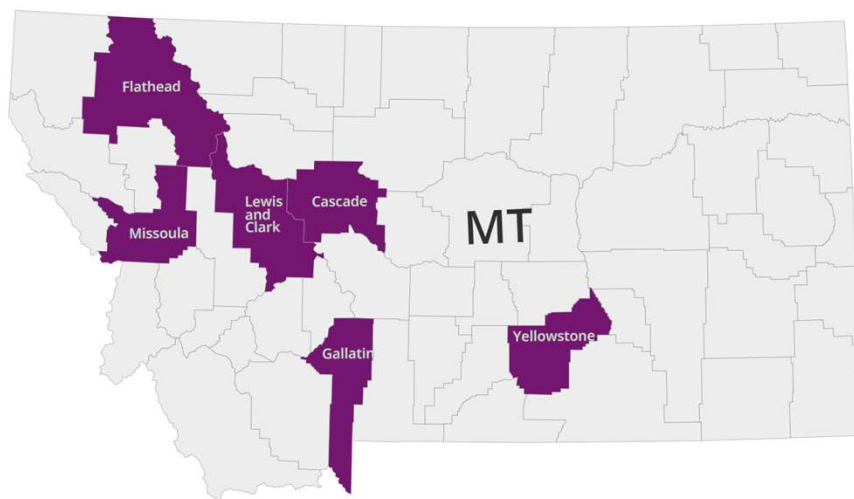


- Use a **risk-based approach** to develop BSA compliance program
- Risk identification, review, mitigation
- Should address:
 - ✓ Field of membership
 - ✓ Products/Services
 - ✓ Demographics
 - ✓ Geographic location
- Adjust with changes; note discussions

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High Intensity Drug Trafficking Area (HIDTA)



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BSA Compliance 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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Internal Controls

- Incorporate the risk assessment along with program changes
- 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 (Audit)

- Performed by qualified and independent person
 - Understands Bank Secrecy Act *and*
 - Does not handle transactions subject to BSA
 - Collaboration allowed
- 12-18 month cycle
- Engagement and report review

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Training

- At least annually for all board members, **supervisory committee**, and all staff members, regardless of their department or responsibility
- Records kept of attendance & scope
- Training should relate to 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
- Alternate collection method for TIN
- NCUA clarifies homeless Vets process

'Reasonable Belief' standard



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Member Due Diligence

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

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Beneficial Ownership

- Beneficial ownership of legal entity members
- Complete **form** to show >25% ownership or significant managing control
- Reporting to FinCEN did not happen
- Credit union collection will continue

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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 information useful to law enforcement*
- **Information Sharing (314a & 314b)**

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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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FinCEN Proposal

- Anti-money laundering and countering the financing of terrorism (AML/CFT) terminology
- More thorough risk assessment process
- Incorporate national priorities
- Possibly raise reporting thresholds

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