MONTANA'S CREDIT UNIONS

BANK SECRECY ACT

Volunteer Edition

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AGENDA

- Role of Board/Committee
- Money Laundering
- Agencies Involved
- BSA Oversight
- Program Components
- Current Issues



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[**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

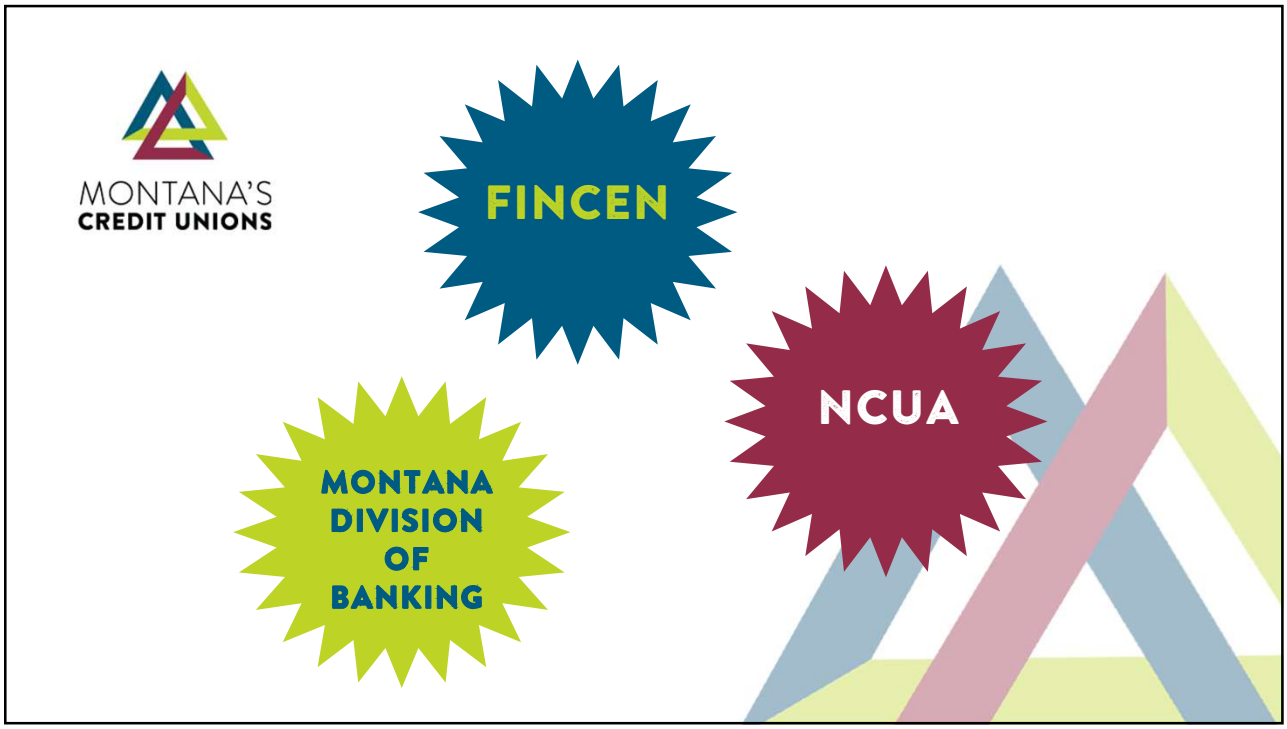
The supervisory committee shall:

(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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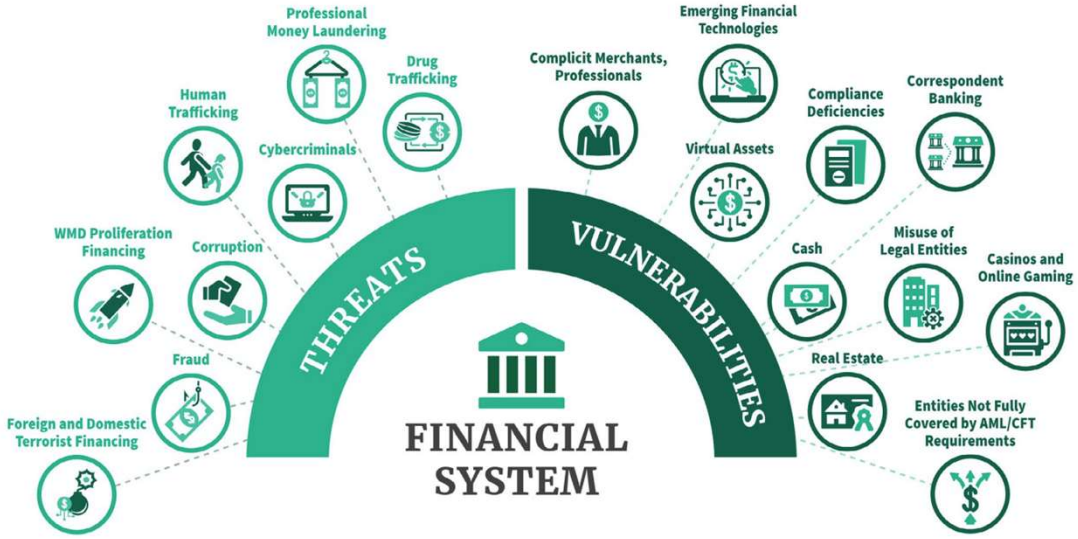

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DIVISION
OF
BANKING

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"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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Money laundering stages

Placement

Accumulating the money from illegal activities.

Layering

Placing the money into a financial system.

Integration

Transfering the money to hide the origin of the funds.

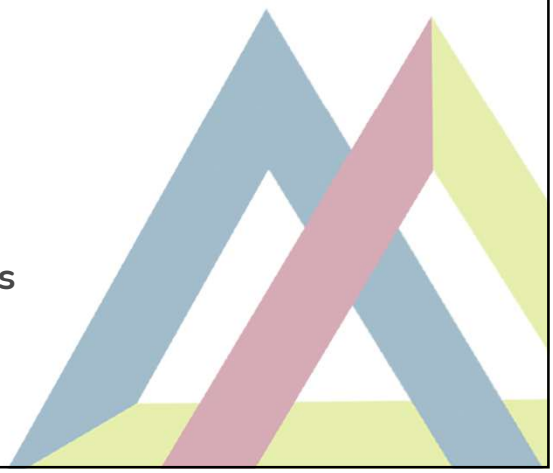
Returning the money for the money launder to spend.

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BOARD BSA OVERSIGHT

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



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PROGRAM COMPONENTS

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



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RISK ASSESSMENT

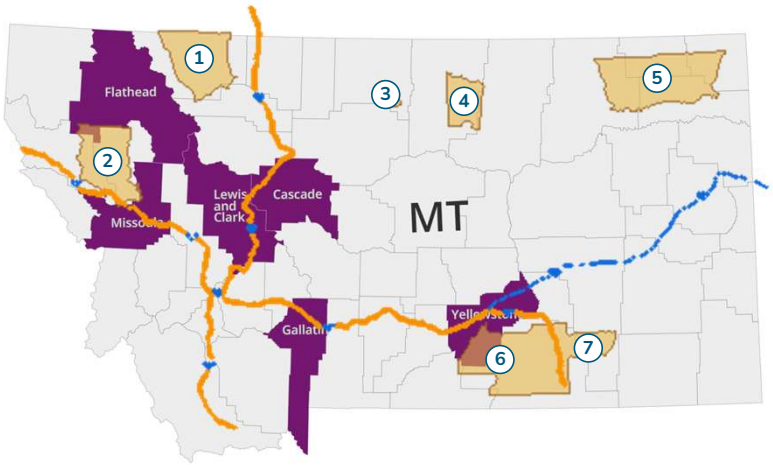
- Use a **risk-based approach** to develop your BSA compliance program
- Risk mitigated in policy/procedures and complexity of program will grow as risk elevates
- Should address:
  - Field of membership
  - Products/Services
  - Demographics & Trends
  - Geographic location



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High Intensity Drug Trafficking Area (HIDTA)



Combined map layers

- HIDTA counties
- Reservation lands
- Major routes

Reservation key

1 Blackfeet
2 Flathead
3 Rocky Boy's
4 Fort Belknap
5 Fort Peck
6 Crow
7 Northern Cheyenne

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BSA COMPLIANCE OFFICER

- Designated in board minutes and policy by name or title
- ***Not only employee responsible***
- Needs sufficient time, resources, and authority
- Additional training and certification 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
- *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 at the credit union
  - Collaboration allowed
- Every 12-18 months
- **Report review!**

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TRAINING

- At least annually **for all board members**, **supervisory committee**, and every staff member
- Records to prove was done or attended
- Training should relate to role and department

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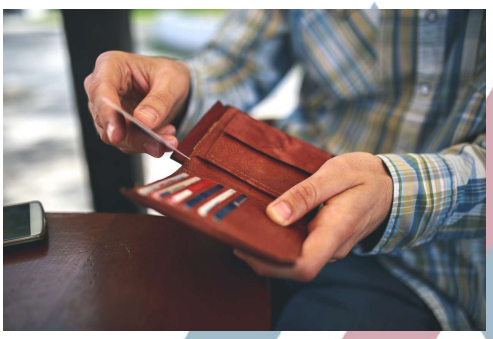
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MEMBER ID PROGRAM

Collect | Verify | Retain

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

'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 risk rating at account opening
- Monitoring of high-risk accounts/individuals
- Enhanced due diligence

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BENEFICIAL OWNERSHIP

- Beneficial ownership of legal entity members
- Complete **form** to show >25% ownership or significant managing control

- No reporting to FinCEN under Corporate Transparency Act so remains at CU

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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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FINCEN PROPOSAL

- Anti-money laundering and countering the financing of terrorism (AML/CFT) terminology
- More thorough **risk assessment** process
- Risk focus and coordination on exam/expectations
- Incorporate national priorities
  - Corruption, cybercrime, terrorist financing, fraud, criminal organizations, drug trafficking, human trafficking, WMD financing
- Possibly **raise reporting thresholds**

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WHAT'S COMING?



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