Bank Secrecy Act Expectations in a Cannabis Environment

Presented By

Lindsey Becker, CRCM Senior Manager Compliance & Internal Audit Financial Institutions Group



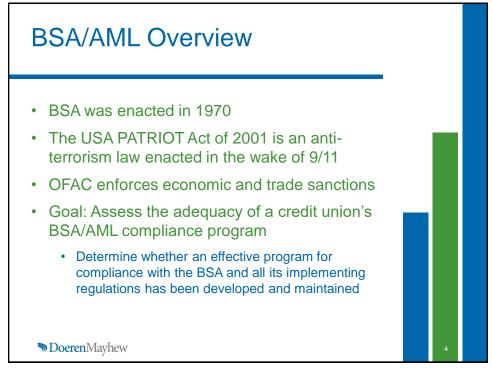
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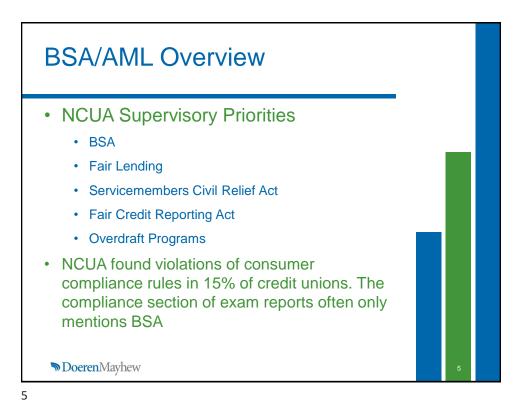


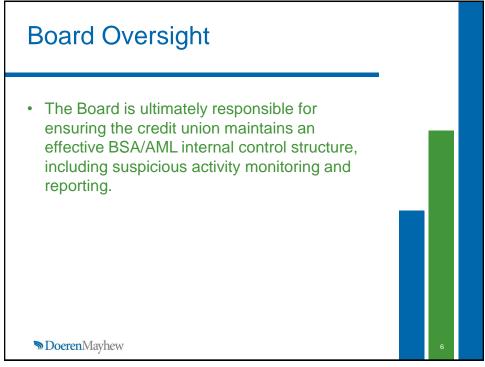


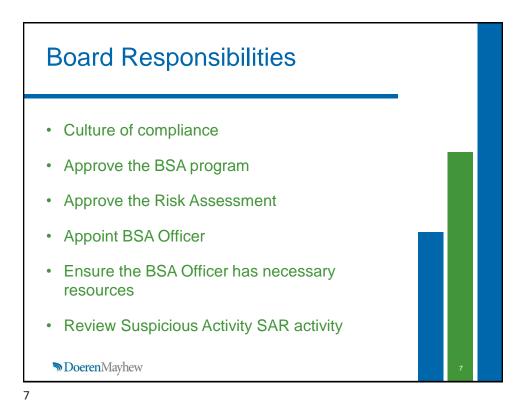
| Agenda | |
|--|--|
| BSA/AML overview BSA/AML policy Member Identification Program Member Due Diligence Monetary instruments Currency Transaction Reports (CTRs) CTR exemptions Suspicious Activity Reports (SARs) | Information Sharing Funds transfers OFAC MSBs/POATMs/Cash Intensive PEPs NRAs MRBs, Hemp Regulatory updates Top 5 BSA Violations |
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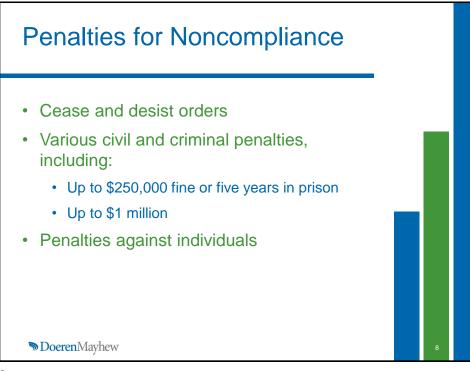


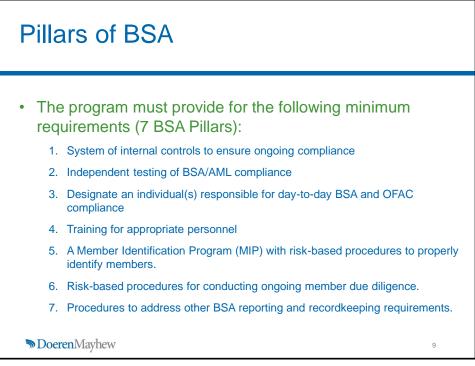










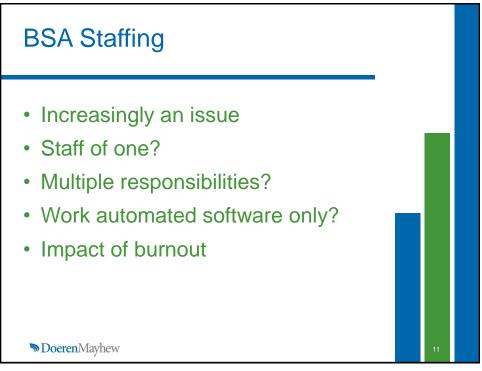


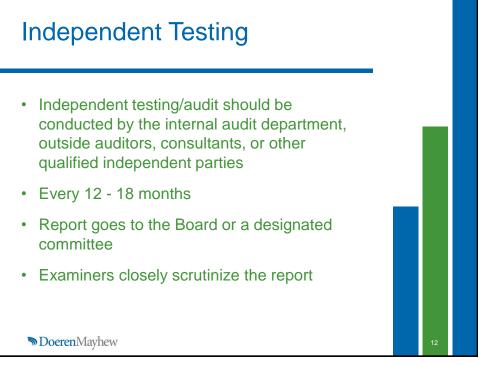


BSA/AML Compliance: Internal Controls

- Risk-based CDD/MDD processes
- CIP/MIP
- Currency Transaction Reports CTRs
- Suspicious Activity Reports SARs
- Section 314(a) and 314(b) information sharing
- Monetary instrument recordkeeping
- Funds transfer recordkeeping
- Keep Board informed

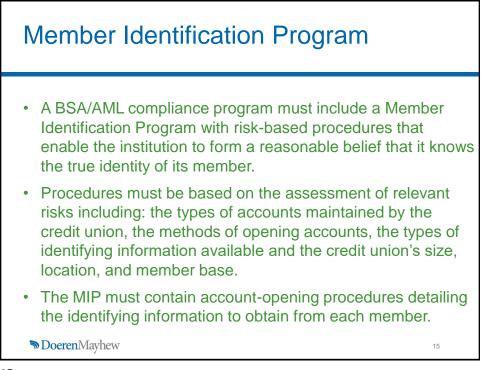
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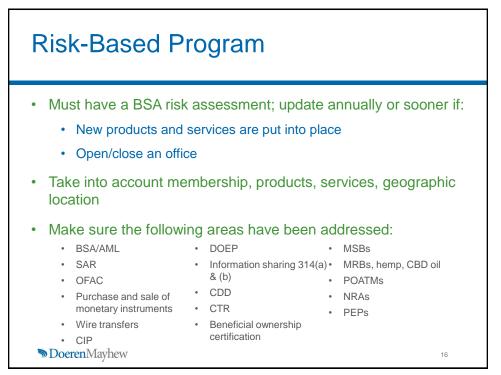












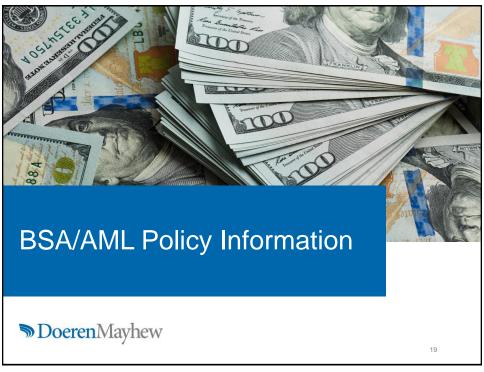
Procedures for BSA Reporting and Recordkeeping

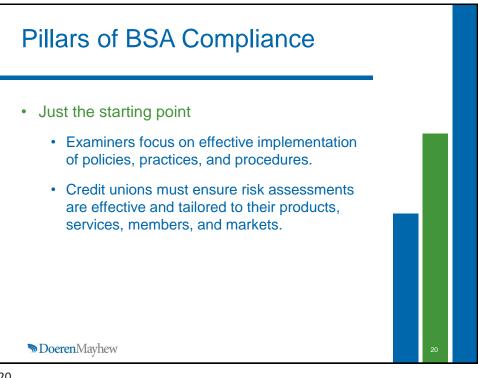
- The BSA/AML compliance program must include procedures to address other BSA reporting and recordkeeping requirements set forth in regulations issued by the Treasury Department including, among others, beneficial ownership, foreign correspondent banking, and currency transaction reporting requirements.
- Federal agencies will evaluate member due diligence and other BSA reporting and recordkeeping requirements as a part of the internal controls component of the bank's BSA/AML compliance program.

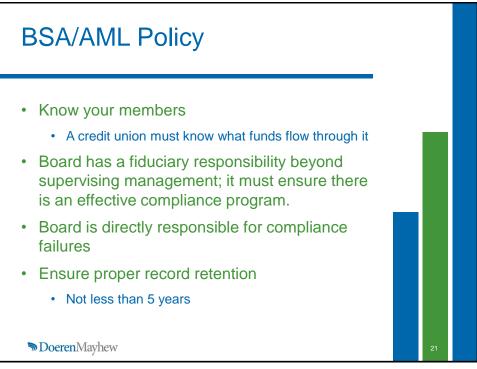
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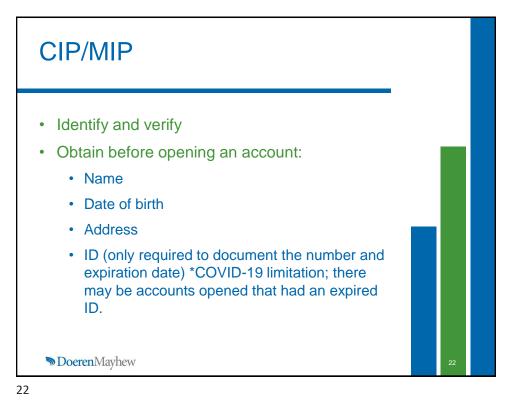
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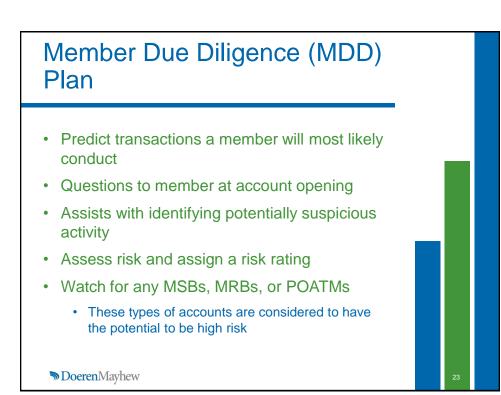
BSA/AML Risk Areas A high number of CTRs and SARs Community charters increase the risk for money laundering Money Service Businesses (MSBs) Marijuana Related Businesses (MRBs) Branches located in an HIDTA or HIFCA Average number of incoming and outgoing domestic and international wire transfers in a month Where the wires come from/go to matters. Staff turnover How much has occurred?

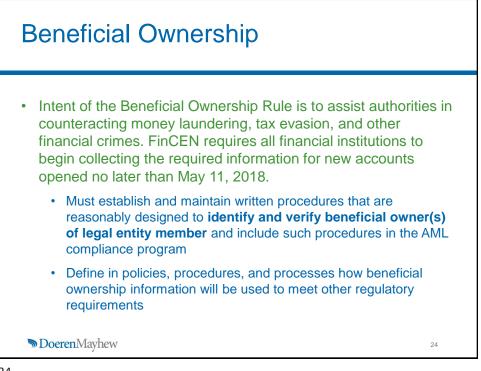


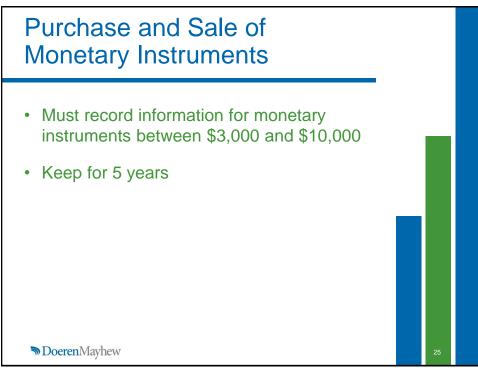


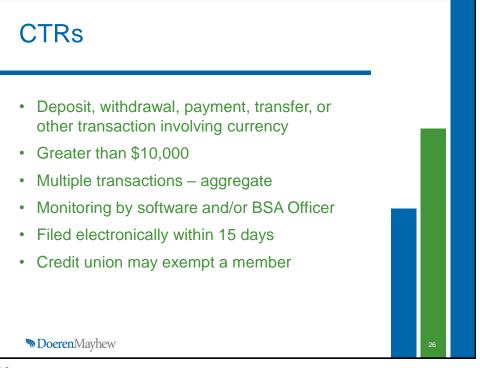


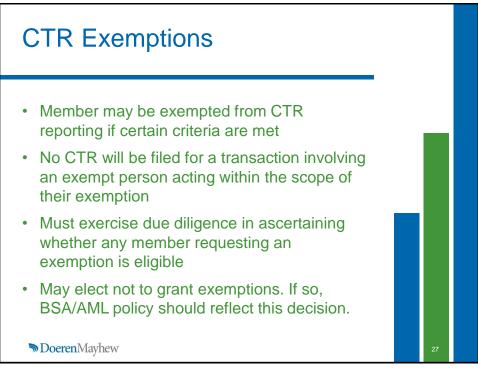


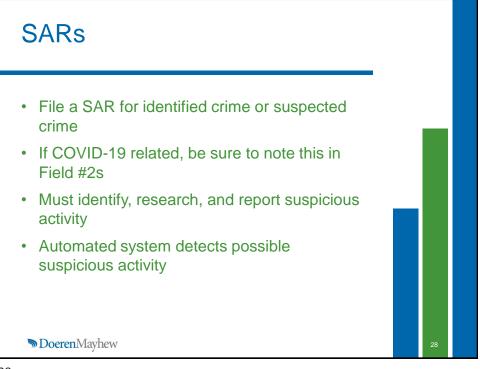


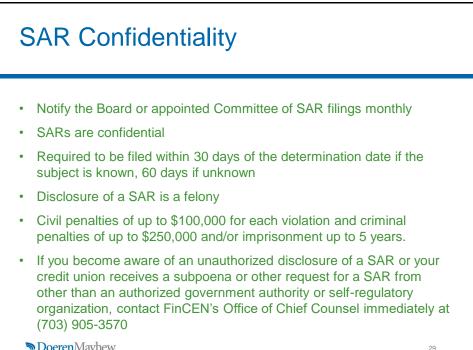




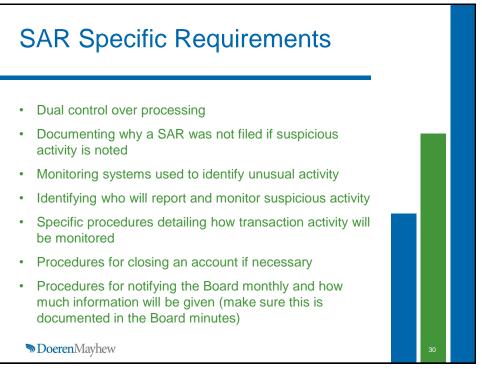


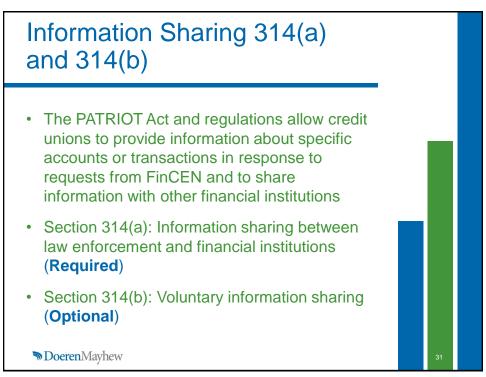






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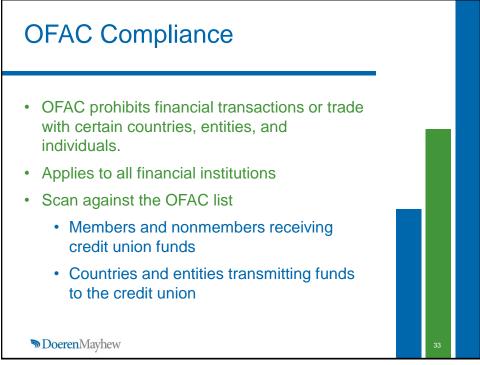


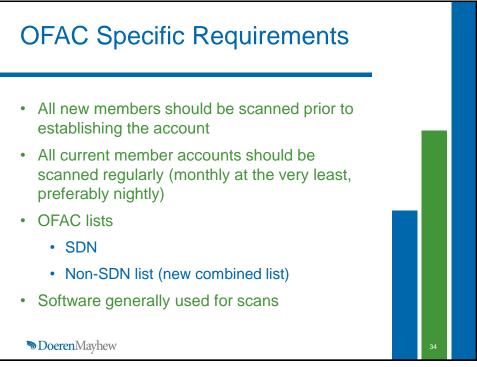


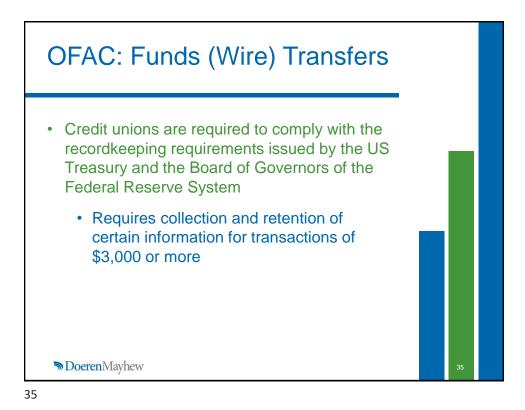
Information Sharing: Specific Requirements

- Need to appoint a designated contact person to receive FinCEN requests
- Upon FinCEN's request, this person will search credit union records for a specified individual or entity
- Two employees on Call Report will receive FinCEN emails when search is required; usually every other Tuesday
- If an individual or entity is found, an "X" will be placed on FinCEN form indicating a match was found
- Must have tracking process in place to assure all searches are completed. Recommend using the activity log on FinCEN's website.

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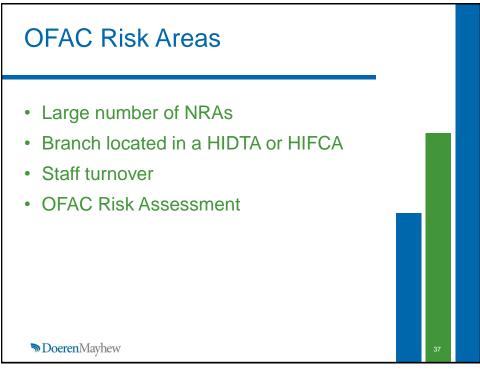


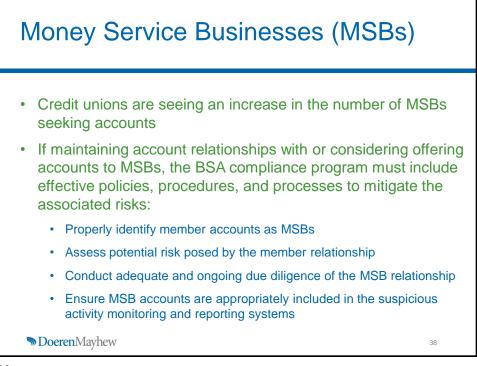


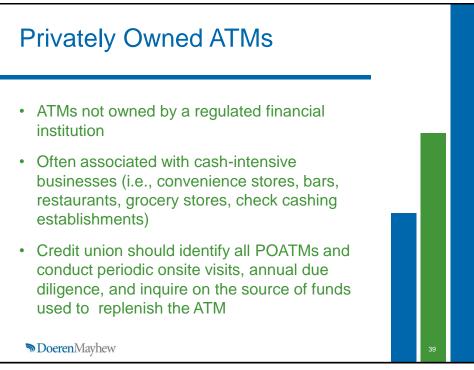
OFAC: Funds Transfers Specific Requirements

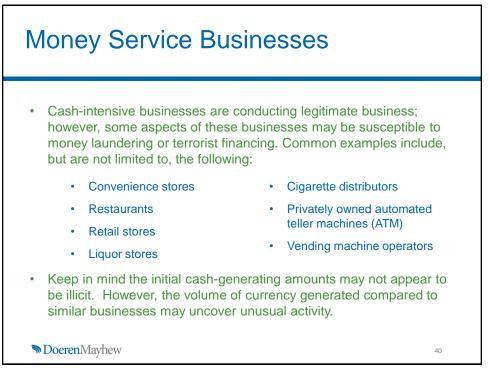
- · Dual controls over incoming and outgoing wires
- OFAC verifications on all non-members, financial institutions, and foreign countries
- Logs should be maintained in order to comply with regulations to retrieve information by referencing the name of the originator
- Wire logs should be reviewed by the BSA Compliance Officer on a monthly basis to monitor for suspicious activity
- If credit union originates transfer, keep name, address, amount, date, financial institution ID, beneficiary's name, address, and account number

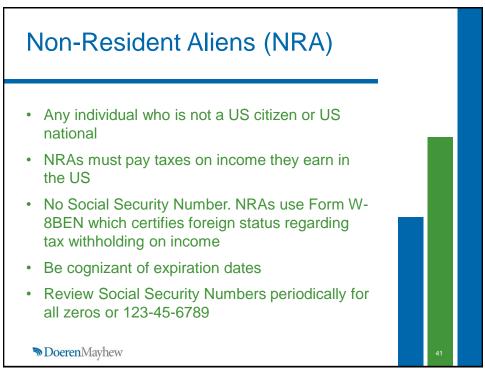
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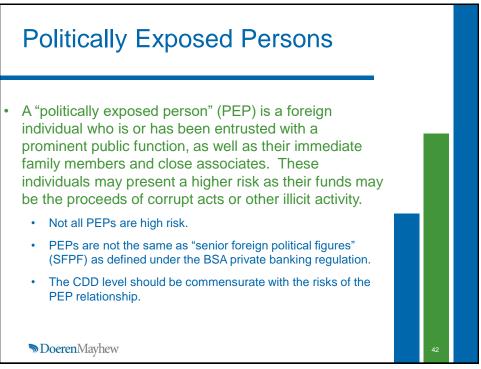








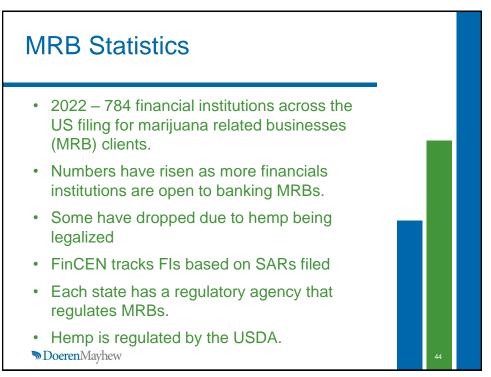




Marijuana Related Businesses (MRB)

- Credit unions across the country are starting to bank money from MRBs - Deposits and Loans
- Ok to bank as long as the requirements set out by FinCEN are followed, meaning all transactions are reported to the government
- Credit unions are exploring; however, they're worried about the large amounts of cash walking in the door. Often times armored car services are arranged to transport cash directly to the Federal Reserve Bank.

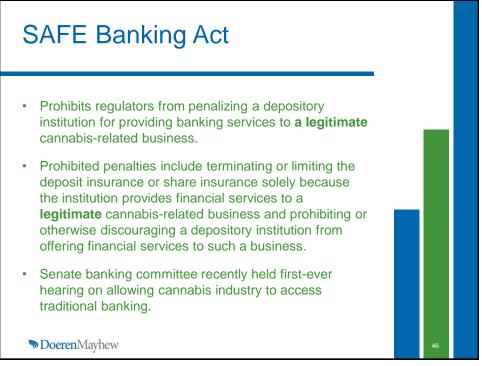
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- · Many key risk factors to be considered
- Ability to complete the enhanced compliance required and key partner or vendor relationships can be difficult
- Often times credit unions have to hire additional staff for the increased scrutiny
- Even for credit unions that have decided not to bank marijuana money, they need to make sure no existing members are quietly funneling marijuana through their accounts
- Credit unions should have a policy indicating if it chooses to offer accounts for MRBs

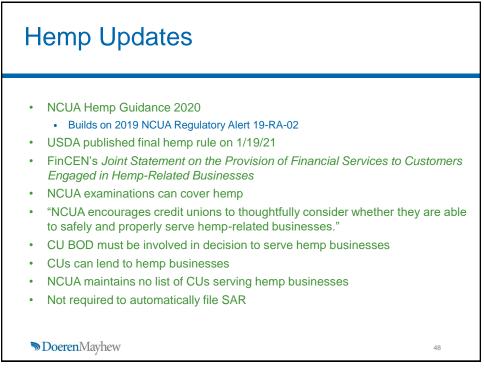
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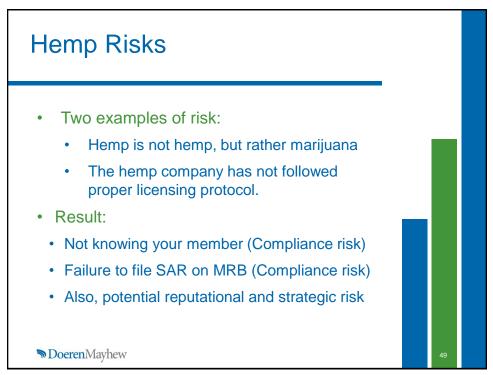


Hemp

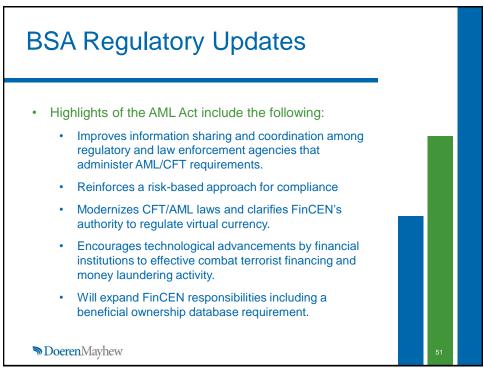
- Banking hemp requires updated policies and procedures specific to hemp – these need to consider the Farm Bill and Agriculture Improvement Act of 2018 along with state mandates
- · Live hemp plants or viable hemp seeds
- Need hemp grower registration plant, grow, cultivate, or harvest
- · Hemp processor license required to process and handle
- Examiners will want to see the grower/customer and the Credit Union have done their due diligence. (onsite visits, test for the marijuana levels to ensure not crossing over to actual marijuana.

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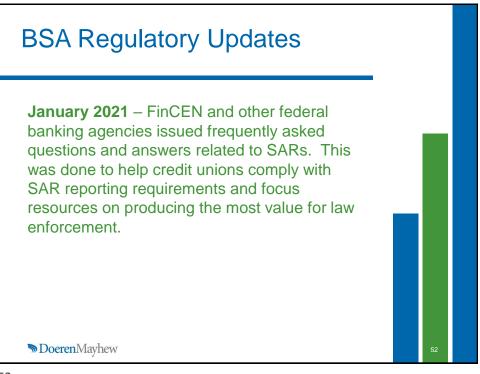




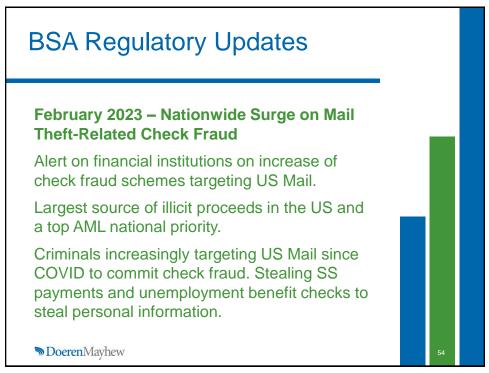


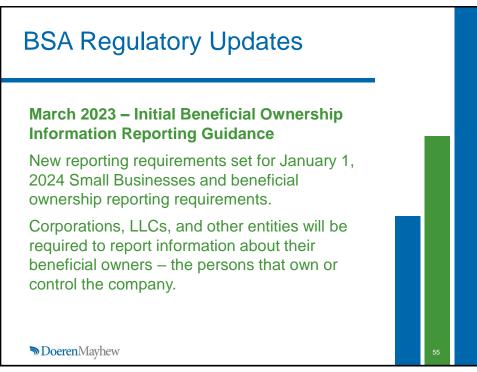


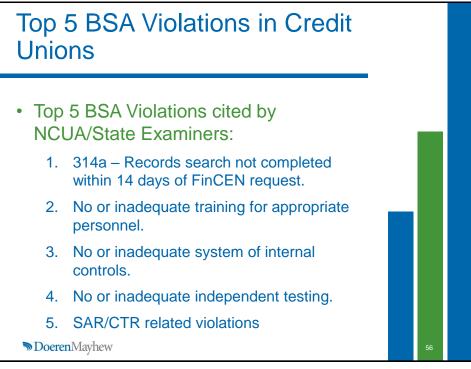


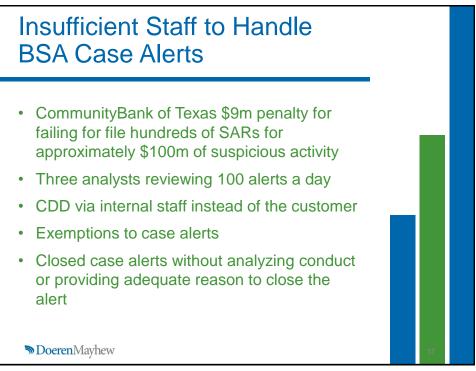


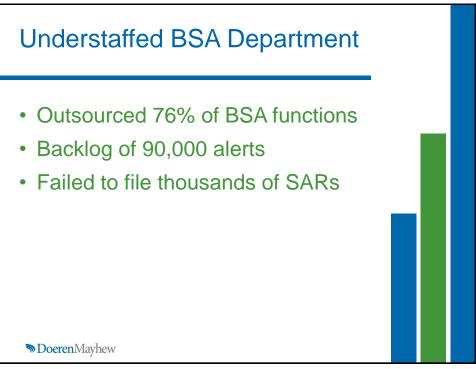


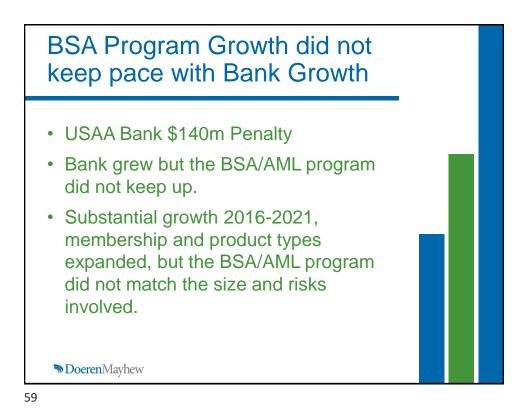










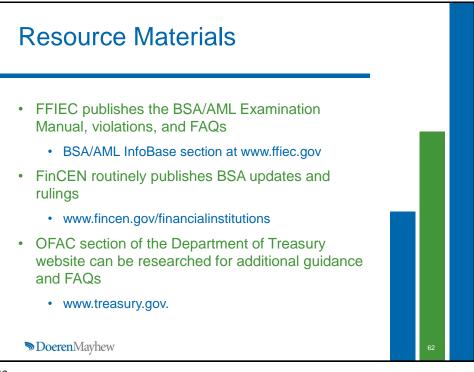


| Elder Financial Exploitation |
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| FinCEN Advisory on EFE Illegal or improper use of an older adult's funds, property, or assets 72,000 EFE SARs in 2021 Compared to 62,000 in 2020 Dollar value of EFE SARs increased from \$2.6b in 2019 to \$3.4b in 2020. Largest increase since 2013 Advisory highlights new EFE typologies and red flags since the first advisory in 2011 CUs should perform EDD when appropriate and identify when members are EFE perpetrators, facilitators, or victims of EFE |
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Acronyms

| AML | Anti-money laundering | HIFCA | High Intensity Financial Crimes Area |
|--------|--|-------|--------------------------------------|
| BSA | Bank Secrecy Act | MSB | Money services business |
| CDD | Customer (Member) due diligence | MRB | Marijuana-related business |
| CIP | Customer (Member) identification program | NRA | Non-resident alien |
| CTR | Currency Transaction Report | OFAC | Office of Foreign Assets Control |
| DOEP | Designation of Exempt Person | PEP | Politically exposed person |
| FFIEC | Federal Financial Institutions Examination | POATM | Privately-owned ATM |
| FinCEN | Council CEN Financial Crimes Enforcement Network | SAR | Suspicious Activity Report |
| HIDTA | High Intensity Drug Trafficking Area | SDN | Specially designated national |

DoerenMayhew





Lindsey Becker, CRCM Senior Manager, Internal Audit and Compliance Cell: (810) 210-4446 becker@doeren.com

Credit Union Service Offerings

- External financial audit
- Regulatory compliance audit
- BSA/Marijuana banking
- ACH
- IT assurance
 - Controls reviews
 - Vulnerability assessments
 - Penetration testing

Mergers & consolidations

- ALL validation/TDR accounting
- Internal audit outsourcing/ co-sourcing
- Real estate/Commercial loan reviews
- Enterprise risk management systems
 - Tax

Thank You!

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