




2019 NACUSAC Conference
Savannah, Georgia

BANK SECRECY ACT
2019 COMPLIANCE PRIORITIES

Friday June 14, 2019

Presenter:
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2019 Compliance Priorities

- FinCEN Final Rule- The Customer Due Diligence Requirement
- FinCEN 314(a)- Core Processor Requirement
- BSA Training Requirement- Staff & Volunteers
- BSA Risk Assessment Oversight- Volunteers
- Exam & Audit Resolution Process

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FinCEN BSA Final Rule

- FinCEN- The Financial Crimes Enforcement Network- Division of the US Treasury
- Amendment to the Bank Secrecy Act effective July 2016 and full compliance by May 11, 2018
- Financial institutions are required to collect, maintain, and report beneficial ownership information on business accounts.

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Original 4 Core Elements of an Effective BSA and Anti-Money Laundering Compliance Program

- An system of internal controls to ensure ongoing compliance
- Independent testing of BSA/AML compliance
- The designation of an individual to ensure day-to-day compliance
- Training for appropriate personnel

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5th Core Element Added CDD Requirement

- Risk-based procedures for conducting ongoing customer due diligence including:
 - Understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile
 - Conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information

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Implementation of the CDD Requirement

- Enhanced Due Diligence– For higher-risk members, information should be obtained and documented at account opening and reviewed throughout the relationship to evaluate risk
- Customer Due Diligence Questionnaire will gather additional member details to save and monitor

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Example of Customer Due Diligence Questionnaire

Customer Due Diligence Questionnaire for Accounts

IDENTIFICATION

First Name
Last Name
Social Security Number (SSN)

INTERPRETER

Is there an interpreter or someone speaking on the behalf of the customer?

GENERAL INFORMATION

What is your employment status?

What is your occupation?

Are you a frequent traveler?

Will you be using a Safe Deposit Box?

DECLARED BEHAVIOR

Will the initial deposit exceed \$5000?

Will you deposit or write checks?

Will you deposit or withdraw cash?

Approximately how much cash do you expect to deposit each month?

Approximately how much cash do you expect to withdraw each month?

Will you send or receive wire transactions?

Will you send or receive electronic/ACH (non-wire) transactions?

NONRESIDENT ALIENS AND FOREIGN INDIVIDUALS

Are you a U.S. citizen?

Do you have citizenship with any other country?

POLITICALLY EXPOSED PERSONS

Are you currently, or have you ever been a politically exposed person (PEP) or a senior political figure?

Are you an immediate family member or a close associate of someone who is currently, or who was, a PEP?

BENEFICIARIES ON ACCOUNT

First Name
Last Name
Social Security Number (SSN)
OFAC Completed?

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FinCEN 314(a) Requirement

- Section 314(a) of the US Patriot Act of 2001- enables law enforcement agencies, through FinCEN, to reach out to financial institutions to locate accounts and transactions of persons that may be involved in terrorism or money laundering

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FinCEN 314(a) Requirement (cont.)

- FinCEN's 314(a) process enables investigators to canvas the U.S. financial institutions for potential lead information that might otherwise never be uncovered
 - This allows disparate bits of information to be identified, centralized and rapidly evaluated

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FinCEN 314(a) Requirement (cont.)

- Designation of a contact person
 - Notification of 314a request
 - Record Search
 - Review of potential matches
- Documentation and record retention

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FinCEN 314(a) Requirement- Upload to Core Processor Database

- FinCEN transmissions are sent every 14 days, sometimes special transmission are sent in between
- Transmission must be downloaded from FinCEN within 14 days and uploaded to core processor
- Volunteer oversight should inquire periodically for documentation to review and ensure processes are followed as required

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BSA Training Requirement for Staff and Volunteers

- Volunteers and Staff must be trained in applicable aspects of BSA annually
- Training must be ongoing and include:
 - Changes to internal policies, procedures, process, monitoring systems
 - Compliance with BSA requirements
 - Clear understanding of designated roles

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BSA Training Requirement for Staff and Volunteers (cont.)

- Training must be documented to include:
 - Name of attendee
 - Signature of attendee
 - Description of training received
 - Date of training
 - Training materials used to complete training

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BSA Risk Assessment Oversight Requirement for Volunteers

- Step 1- Identify specific products, services, customers, entities and geographic locations unique to the credit union
- Step 2- Perform a detailed analysis of the data obtained during the identification stage in Step 1 in order to accurately assess BSA/AML risk

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BSA Risk Assessment Oversight Requirement for Volunteers (cont.)

- Management should structure the BSA/AML compliance program to adequately address its risk profile
- BSA/AML Risk Assessment should be reviewed by management and approved by the Board annually with documentation

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Exam and Audit Resolution Process Related to BSA

- BSA related findings are noted in final independent audit reports and/or NCUA/State exam reports
- Findings noted for the BSA/AML independent audit and exam audit should be resolved by the next independent audit date or the date required by the examiners

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Exam and Audit Resolution Process Related to BSA (cont.)

- Track audit deficiencies and document corrective actions
- Board and Supervisory Committee should review follow-up status
- Management and Volunteers should ensure resolution deadlines are met

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About the Presenter Michael E. Richards, CPA

Mike Richards has held the position of CEO of Richards & Associates, CPAs since 1978. He joined the firm in 1973 after earning a bachelor's degree in business administration from the California State University at Los Angeles and becoming a Certified Public Accountant. In addition to introducing many new services, he is responsible for quality control of all professional services offered by the firm.

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