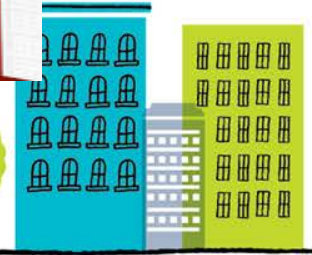


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COMPLIANCE: Strategic Planning





To Comply or Not to Comply ... What's your Answer?

Many of FinCEN's maximum penalty amounts or penalty ranges for BSA violations have doubled or nearly doubled, including the penalty for:

- recordkeeping violations for funds transfers, which has increased from \$10,000 to \$19,787;
- failure to register as a money transmitter, which has increased from \$5,000 to \$7,954; and
- willful violations of BSA requirements, which has increased from a range of \$25,000–\$100,000 to a range of \$53,907–\$215,628.

The increased amounts will apply to any CMP assessed by FinCEN after August 1, 2016, on associated violations that occur after November 2, 2015 (date bill containing the Act was signed into law). Ref. National Law Review 6/30/16



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**“If you think
compliance is
expensive –
try non-compliance.”**

Former U.S. Deputy Attorney General Paul McNulty



Commonly Identified Violations

BSA compliance deficiencies often are technical recordkeeping or reporting matters:

- Currency Transaction Report (“CTR,” or FinCEN Form 112) filings;
- Suspicious Activity Report (“SAR,” or FinCEN Form 111) filings;
- Information sharing requirements (referring to information sharing between financial institutions and law enforcement, under Section 314(a) of the Patriot Act); and
- Inadequate systems of internal controls.



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Strategic Planning- Talking Points

- **Is our credit union meeting the current compliance requirements?**
 - Review internal and external audit reports, BSA annual review reports, ACH audit, GL Settlement.
- **Have we reviewed our member complaints?**
 - Ensure member complaints and their cause are addressed. Monitor for patterns.
- **Are there new rules or guidance that apply to our credit union in the next budget cycle?**
 - Review effective date of the rule and prepare an implementation plan



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Board of Directors and Senior Management Role

Your board has the ultimately responsibility for oversight of the compliance program at the credit union.

- The board and senior management are responsible for monitoring the safety and soundness of the credit union and setting its risk level
- The board and senior management are responsible for reviewing audit reports and ensuring that steps are taken to resolve any findings
- Reviewing applicable policies and procedures



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Board of Directors and Senior Management Checklist

- ✓ Inform the Board regular about compliance issues/concerns
- ✓ Ensure budget and strategic planning sessions account for compliance needs
- ✓ Regular staff trainings should incorporate compliance
- ✓ Perform a compliance evaluation when developing a new product or service
- ✓ Keep abreast of new rules and guidance from regulators that will trigger implementation plan



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What's Ahead: New Rules

CFPB: Home Mortgage Disclosure Act (HMDA)

- Effective Date-January 1, 2018(Proposed change in effect for January 2019)
 - Begin collecting additional data in 2018 for reporting in 2019
 - HELOC reporting threshold raised from 100 loans/two years to 500 loans/two years.(August 2017)

FinCEN: Enhanced Due Diligence Requirements

- Ownership Test; **AND**
 - An individual with a 25% (or greater) ownership interest in the legal entity
- Control Test
 - An individual with significant responsibility to control, manage or direct the legal entity
 - E.g. CEO, CFO, COO, President, Vice President, etc.



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What's Ahead: New Rules Requirements

- Step One
 - Obtain a [Certification of Beneficial Owner\(s\)](#) identifying each individual that is a beneficial owner of the legal entity. (The form provided by FinCEN is recommended but a credit union may choose to collect the required information by another means)
- Step Two
 - Verify the identity of each beneficial owner, consistent with CIP practices

Credit unions must comply by **May 11, 2018**



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**It takes less time
to do things right
than to explain why
you did it wrong.**

~Henry Wadsworth Longfellow



Sample Checklist

Customer Due Diligence and Beneficial Ownership

Category	Tasks	Details/ Comments	Due Date	Completed Date	Responsible Party
Policies	BSA Policy				
	OFAC Policy				
	CIP/New Acct Opening Policies				
	Other				
Procedures	New Acct Opening Procedures				
	Update CTR aggregation procedures				
	Update OFAC scanning procedures				
	Update suspicious activity monitoring procedures				
Forms	Other				
	Signature Card				
	Certification Form				
	New Account Worksheets				
Onboarding Processes	Other				
	What will you collect				
	What will be entered at onboarding				
	OFAC scanning				
System Changes	Are sufficient name lines available to enter beneficial ownership info?				
	Other				
	Beneficial Ownership Information and CIP				
	Relationship Code Updates				
	Data feed changes for data from Host to AML systems				
	Changes to CTR aggregations systems				
	Changes to structuring aggregation				
Ability to collect additional CDD information					
Training	Ability to collect expected activity				
	Create reports of accts whose activity differs from expected				
	Train branch personnel				
	Train central operations				
	Train BSA dept.				
	Train any other depts. as necessary				
	Other				



Compliance and Accounting Resources

Assistance is available in the following areas:

- GL Reconciliation/Accounting
- Compliance/Audit
- Annual Supervisory Audit
- ACH Annual Audit
- Bank Secrecy Act & OFAC Compliance and Risk Assessment
- SAFE Act Requirements (for credit unions that offer mortgages)
- ACH Annual Audit Requirement
- Supervisory oversight reviews and responsibilities
- Bi-annual member verification requirements
- Abandoned Property/Escheating Compliance
- Daily operations and accounting

Advice Hotline (Free Service for Federation Members)

On Demand compliance support via **Advice hotline tel. # 800-437-8711 or email: alally@cdcu.coop**

For more information about the Federation Compliance and Accounting assistance hotline or consulting services contact Andrea Lally at 212-809-1850 ext. 224



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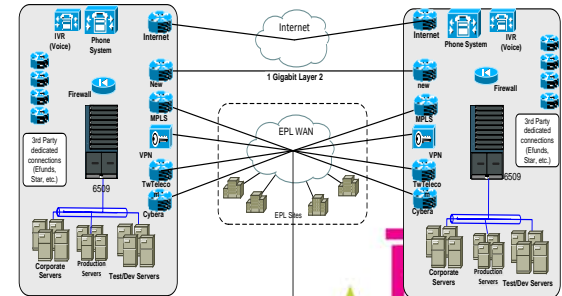
Overview: CU Impact

In July of 2016, the Federation formalized a partnership with EPL to offer CU Impact, a core processing platform geared to the needs of CUs serving low- and moderate-income members.

- Developed by the Federation, with enhancements to help CU's serve underserved communities
- Powered by EPL's i-POWER, 'engine' a core system with a 40-year track record of serving CU's from under \$10 million in assets to over \$500 million in assets
- The Federation & EPL partnership has a unique, member-focused structure, complete with a dedicated Product Enhancement Committee and a 1:1 match on all system enhancements.



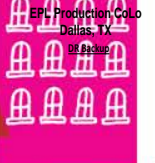
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EPL Production Co.
Lithia Springs, GA
Production



EPL Corporate S.
Birmingham, AL



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4 Areas of Support & Enhancement



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4 Areas of Support & Enhancement

- **Back Office Support:** allows you to focus on the member
- **Shared Focus on Mission:** complimentary, integrated and exclusive services
- **Community Partnerships:** marketing and ground-level support, long with new funding opportunities
- **System Enhancements:** available to all members, through a dedicated pipeline, with 1:1 matching



Built on the strength of EPL



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Back Office Support

Leave the tedious work to us, and gain a deeper focus on your member:

- ACH, debit and credit card processing support
- Compliance Support
- Marketing support and funding to help you expand further into LMI communities
- An integrated 3rd party providers for 24/7 call center support

3 levels of back office service – you choose what works best for your credit union



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Back Office Support

Three layers of support:

Layer 1: hands-on support, including personalized training, especially for small CUs.

Layer 2: processing & other daily/monthly activities to support your back office.

Layer 3: data analytics: identifying opportunities and reducing risk (mid-large CUs)



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Community Partnerships

CU Impact is connected to a largest network and ecosystem

- National-level partnerships that enable new local connections
- Federation staff and consultants will help you follow-through on partnership and new member opportunities
- Marketing and communications support to assist with your messaging to community partners
- Dedicated grant-funded marketing budget for partnership development
- Data analytics support will help you identify new partnership opportunities



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Funding Available

- The Federation is offering a special grant round to help CDCUs cover the cost of conversion and expansion into underserved communities with the CU Impact core system.
- In 2016, the Federation received first place in the CDFI Fund Prize competition to help credit unions expand their reach into underserved communities via the CU Impact system. The Federation is extending the majority of this \$300,000 in prize funds to offer conversion and expansion support to credit unions that are well-positioned for growth and able to take advantage of the capabilities of CU Impact.
- The Federation is especially interested in working with smaller credit unions to bring onto the platform.



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Thank You!

For more information

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