



## BANK SECRECY ACT 2018 TRAINING

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- BSA Overview
- New CDD Rules
- Financial Elder Abuse

### AGENDA TOPICS

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#### WHAT IS THE BANK SECRECY ACT?

- Federal Act to assist law enforcement in the investigation of financial crimes.
- Expanded by Congress in response to terrorists attacks on September 11, 2001.



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**WHAT RESPONSIBILITIES DO I HAVE TO MY CREDIT UNION?**

<b>Report</b>	Cash transactions over \$10,000 on a Currency Transaction Report (CTR) to FinCEN.
<b>Report</b>	Suspicious transactions on a Suspicious Activity Report (SAR) within 30 days to FinCEN.
<b>Follow</b>	Your credit union's written BSA/AML policies and procedures as approved by your Board of Directors.
<b>Follow</b>	Your CIP and CDD procedures to identify members including their level of risk.
<b>Attend</b>	BSA training annually.

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**EXAMPLES OF CTR REPORTABLE TRANSACTIONS**



- Single cash transaction of \$10,000+
- Multiple cash transactions (by or for any person) in one day of \$10,000+
- Multiple cash transactions by several people into one account that total \$10,000+
- Cash exchanges of \$10,000+ of small to large bills or vice versa
- Monetary instrument sales for \$10,000+ involving cash

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**GEOGRAPHIC TARGETING ORDER**

- Required additional CTR reporting
- Directed to the Credit Union's CEO
- Can be transaction and dollar specific
- Start and end date – 60 days unless renewed
- No officer, director, employee of the credit union can disclose the existence or terms of the GTO

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Confidential - cannot disclose existence of a SAR

Report to the Board of Directors

File within 30 days

File for continued activity – 90 days

Aggregate \$5,000 for known suspect

5-year record retention on supporting documentation

**SUSPICIOUS  
ACTIVITY  
REPORTS**

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**SAR RED FLAGS**



- Member uses unusual or suspicious identification documents that cannot be verified
- Member makes frequent or large transactions that do not match with their occupation
- Member visits a safe deposit box frequently
- Member separates cash transactions over \$10,000 into smaller transactions in an attempt to avoid the CTR reporting (Structuring)
- Deposits are structured through multiple branches, or by groups of people who enter the branch at the same time

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**SAR RED FLAGS**



- Member's wire or EFT activity is unexplained, repetitive or shows unusual patterns
- Member conducts large deposits and withdrawals during a short time period after account opening, then subsequently closes the account or the account becomes dormant
- An account with little activity suddenly experiences large deposits and withdrawal activity
- Funds are frequently sent or received via wire transfers from or to higher-risk locations
- The currency transaction patterns of a business show a sudden change inconsistent with normal activities

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The amount of currency presented reaches the \$5,000 threshold for SAR filing



The member presents a pattern of passing counterfeit currency



The member passing any amount of counterfeit currency demonstrates suspicious behavior

### SHOULD I FILE A SAR FOR COUNTERFEIT MONEY?

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### NEW SAR CATEGORIES



- Funnel Account
- Human Smuggling
- Human Trafficking – 3<sup>rd</sup> largest criminal enterprise in the world
- Application Fraud (Mortgages)
- Origination Fraud (Mortgages)
- Cyber Event

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### NOTIFY LAW ENFORCEMENT AND SHARE SAR'S WHEN YOU THINK BIG-PICTURE CRIME IS HAPPENING

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NEW FinCEN RULE: CUSTOMER DUE DILIGENCE  
EFFECTIVE MAY 11, 2018

Bank Secrecy Act  
Anti-Money  
Laundering Program

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ANTI-MONEY  
LAUNDERING  
PROGRAM  
MINIMUM  
REQUIREMENTS

1. System of internal controls
2. Independent testing of your BSA program
3. Designation of a BSA officer to coordinate and monitor day-to-day compliance
4. Training (staff and board members)
5. **Appropriate risk-based procedures for conducting ongoing customer due diligence**

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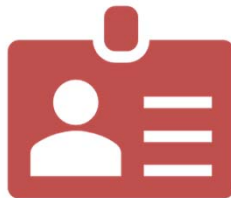
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CDD – MINIMUM STEPS FOR COMPLIANCE

- Identify the member - CIP
- Determine the source of funds
- Determine normal and expected transactions
- Monitor the account transactions
- Determine if any transactions should be reported



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## ASSESSING RISKS

### Low Risk Examples

- Low aggregate balances
- Low volume of activity
- Household accounts
- Savings/checking accounts
- Accounts for minors

### High Risk Examples

- Large balances
- High volume of activity
- Frequent or excessive funds transfers
- Frequent or excessive large cash transactions

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## PERSONAL ACCOUNTS

- Follow-up calls
- Source of funds (especially large amounts of cash)
- For larger accounts, prior banking references should be verified
- Verify with service bureaus – Telecheck, Equifax



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## BUSINESS ACCOUNTS

- Articles of Incorporation, Partnership Agreements, Financial Statements
- Business License – Secretary of State
- Description of business operations
- Verify banking references
- Anticipated cash activity
- Onsite visit to business address



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**HIGH RISK  
BUSINESSES**

- Cash intensive businesses
- Pawn brokers
- Purchasers or sellers of any type of motor vehicles
- Chartering or operation of ships, buses or aircraft
- Gaming of any kind
- Title insurance and real estate closing
- Professional service providers
- Money services businesses
- International corporations

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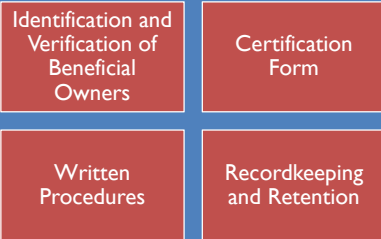
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**BENEFICIAL  
OWNERSHIP  
DUE DILIGENCE  
REQUIREMENTS**  
EFFECTIVE MAY 11, 2018



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**OWNERSHIP** – Each individual who directly or indirectly owns 25% or more equity interest in a legal entity member, and

**CONTROL** – A single individual with significant responsibility to control, manage or direct a legal entity.

**BENEFICIAL  
OWNERSHIP  
RULE HAS  
TWO  
PRONGS**

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## LEGAL ENTITY DEFINITION



- Corporation, LLC, General Partnership or other entity that is created by the filing of a public document with the Secretary of State
- A legal entity does not include: sole proprietorships, unincorporated associations, natural person opening account on their own behalf. But these accounts should have a certification form listing the control person identified.

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CERTIFICATION OF BENEFICIAL OWNER(S)			
The information contained in this Certification is sought pursuant to Section 1020.230 of Title 27 of the United States Code of Federal Regulations (27 CFR 1020.230).			
All persons opening an account on behalf of a legal entity must provide the following information:			
1. Last Name and Title of Natural Person Opening Account	2. First Name	3. Middle Initial	
4. Name and type of Legal Entity for Which the Account is Being Opened			
5a. Legal Entity Address	6. City	7a. State	8a. ZIP/Postal Code
<b>SECTION I</b> <small>(To add additional individuals, see page 3)</small>			
Please provide the following information for an individual(s), if any, who, directly or indirectly, through any control, management, ownership, relationship, or otherwise owns 25% or more of the equity interests of the legal entity listed above. Check here <input type="checkbox"/> if no individual meets this definition and complete Section B.			
9. Last Name	10. First Name	11. M.I.	12. Date of birth
13. Address	14. City	15. State	16. ZIP/Postal Code
17. Country	18. SSN (U.S. Persons)	19. For Non-U.S. persons (ID#, Passport number or other identification number)	20. Country of Residence
Note: If you are a person under 18, you must provide a Social Security Number, an identification card number, or similar form of identity if you are permitted under applicable state law to receive and manage a financial account in your name.			
<b>SECTION B</b>			
Please provide the following information for an individual with significant responsibility for managing or directing the entity, including, an executive officer or senior manager (e.g., Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, Treasurer), or any other individual who regularly performs similar functions.			
21. Last Name	22. First Name	23. M.I.	24. Date of birth
25. Address	26. City	27. State	28. ZIP/Postal Code
29. Country	30. SSN (U.S. Persons)	31. For Non-U.S. persons (ID#, Passport number or other identification number)	

FinCEN PROVIDES  
NEW FORM IN PDF  
OR WORD FORMATS

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Credit unions are not required to go back and obtain a Certification Form of existing members.

As part of your risk-based procedures for conducting ongoing due diligence, a new Certification Form will be completed if deemed necessary through normal monitoring.

The credit union should get a Certification Form, if the legal entity opens a new account or sub-account with the credit union after May 11, 2018.

WHAT ABOUT  
MY EXISTING  
**LEGAL ENTITY**  
MEMBERS?

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## ELDER ABUSE RISK FACTORS

- Dependency
- Failing health or cognition
- Confusion
- Bereavement and loneliness



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Member is accompanied by a stranger

Member doesn't speak on his/her own behalf

Member appears fearful

## CHANGES IN OR UNUSUAL BEHAVIOR

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## SUSPICIOUS ACTIVITIES

- Unusual volume of account activity
- Large or frequent withdrawals
- Change in usual habits
- Requests by 3<sup>rd</sup> parties for access to accounts
- Suspicious signatures on checks or other documents
- Unfamiliar handwriting on checks or applications
- Debit card or ACH transactions beyond their capabilities, i.e. music downloads

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## SUSPICIOUS ACTIVITIES

- New POA or adding someone to signature card when member seems confused
- Mail not going to member's address
- Sudden increase in debt
- Money withdrawn with no apparent benefit to member
- Close of CD accounts, regardless of penalties
- Transfers to accounts accessible by other parties
- ATMs used at casinos – member doesn't gamble
- Checks written as loans or gifts

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BY REPORTING SUSPECTED ELDER FINANCIAL ABUSE, FINANCIAL INSTITUTIONS PROVIDE A KEY INITIAL STEP TO UNCOVER ABUSE THAT MIGHT OTHERWISE GO UNNOTICED.

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SECTION 303 IMMUNITY FROM SUIT FOR DISCLOSURE OF FINANCIAL EXPLOITATION OF SENIOR CITIZENS

VIDEO TRAINING LINK  
[PREVENTING ELDER FINANCIAL EXPLOITATION: HOW BANKS CAN HELP](#)

SAFE HARBOR FOR BOTH CREDIT UNIONS AND INDIVIDUALS FOR REPORTING ELDER FINANCIAL ABUSE

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CONTACT  
INFORMATION

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