

***Shared Service Center
Rules for Complying with
the Bank Secrecy Act and
Anti-Money Laundering
Programs***

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***The purpose of today's program
is to review the existing national
BSA rules that apply to shared
service center transactions***

Participants in today's program are presumed to have a working knowledge of the basics of BSA compliance. This information is offered as a supplement to, not a replacement of, regular required BSA training.

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What is Money Laundering?

- Placement
- Layering
- Integration

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Credit Union Responsibilities

- OFAC
- Currency Transaction Reporting
- Monetary Instrument Tracking
- Risk Assessment and Mitigation
- Internal Controls
- Detection of Suspicious Activities (including AML)
- Suspicious Activity Investigation and Reports
- Record Retention Requirements

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Shared Branch Transactions

- Cash and check deposits
- Cash and check payments
- Cash and check LOC advances
- Cash and check withdrawals
- Monetary instruments
- Transfers between sub accounts
- ***NO*** Wire transfers or foreign checks/\$\$\$

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Definitions

- **Acquirer/Outlet** – the credit union or branch office conducting the transaction for someone other than their member/accountholder
- **Issuer/Host** – the credit union to whom the member belongs
- **Guest Member** – member/accountholder at another credit union
- **Non-Guest member**- someone making a transaction on behalf of the member

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Office of Foreign Assets Control

- Issuer / Host responsible for checking members/accountholders
 - Acquirer may also check according to its risk assessment
- Acquirer is responsible to determine if other OFAC checking should be done
 - e.g. payees or drawers on checks, etc.
 - Based on acquirer's normal OFAC practices
 - Acquirer's name is on checks

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Cash and Coin Deposits

- Verify ID
- Record ID on receipt/voucher
- Cash transactions must be separate from other transactions
- Non-guest member may make deposit on behalf of guest with the account number and credit union name

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Shared Branch Location

- Transactions in currency in excess of \$10,000 in any one business day by or on behalf of any one person
- Shared Branch (outlet owner) files CTR for:
 - Cash deposits, withdrawals and **payments** over \$10,000
 - Multiple transactions performed at more than one CU for the same member if the MSR has actual knowledge
- Issuing CU responsible for monitoring member activity (e.g. Multiple branch transactions)

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CTR Filing

- One outlet/one host:
 - Outlet owner fills in CTR and sends to the IRS and a copy is sent to host credit union
 - Issuer/host retains copy
- Multiple outlets/one host:
 - Host CU completes and files CTR for multiple transactions
- One outlet/multiple hosts:
 - Outlet completes and files CTR

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Example 1

- Member of CU A conducts a transaction at Outlet X requiring a CTR
- The Acquirer/Outlet completes the CTR, verifies identity while member is present, files report with IRS and faxes it to the host (member's) credit union

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Example 2

- Member of CU A conducts transactions at Outlet X and Outlet Z; or Outlet X and Outlet X at different times
- Issuer/Host credit union (CU A) must be able to aggregate these transactions

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Example 3

- Member of CU A also has an account at CU B. He conducts transactions at Outlet X from both credit union accounts (CU A and CU B) that when combined require a CTR
- The Acquirer/Outlet completes the CTR, verifies identity and files the report with the IRS

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Processing Transaction

- Acquirer/outlet makes copy of guest member's valid US issued ID and faxes it to issuer/host CU with the CTR
- File CTR with IRS and fax to issuer/host no later than business day following date of cash transaction

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Special CTR Notes

- Special Rules for boxes 34, 35 and 36 on the CTR form
- When acquirer/outlets complete form
 - acquirer /outlet name and address go on the form
 - Signed by acquirer/outlet representative
 - Contact person will be host credit union
- When host completes form
 - Acquirer/outlet name and address go on the form
 - Signed by host CU representative
 - Contact person will be host credit union

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CU to CU Transfers

- When a member transfers money from one credit union to another, no cash is exchanged
- FSCC/CUSC are currently working on adding a transaction code for this
- Until then, do a check withdrawal and check deposit.

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Shared Branch Sales of M.I.

- **Monetary Instruments** include Cashier's checks, travelers checks, teller/counter checks and money orders.
- Under BSA rules, this is considered a sale to a non-customer and similar, but not identical recordkeeping requirements come into play.
- For Cash Sales between \$3K and \$10K, log or otherwise record the necessary information
 - May be different than the way records are kept for your own members

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Processing M.I. Sales

- Branch where transaction takes place is responsible for:
 - Recording the name and **address**, date of purchase, **SSN, DOB**, type of instrument, dollar amount, serial number, and **verify identity**.
 - Documenting the sale because the monetary instruments are from the credit union selling them, not the member's credit union
 - Aggregating multiple cash purchases in the same day
- Issuing credit union must monitor for **suspicious activity**.

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Red Flags for Monetary Instruments

- Cash purchases of monetary instruments between \$3,000 and \$10,000
- Multiple purchases or deposits
- Monetary Instruments with other transactions
- Transactions at multiple branches (including Service Centers)

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AML Risk in a Shared Branch Environment

- Must assess risk associated with each business line and transactional activity
- Must have adequate policies and procedures to detect suspicious activities
- Incorporate shared branching into BSA risk assessment
- Develop internal controls to monitor transactions at service centers and remote locations

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Internal Controls for Hosts

- Reports of currency transaction under \$10,000
- Reports of currency transactions over many days
- Reports should include multiple person, account and branch transactions
- Reports of unusual monetary instrument purchases or deposits
- Reports of unusual activity levels or combination of activities

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Shared Branching SARs

- BSA/AML/Structuring
- Counterfeit Check
- Counterfeit Credit/Debit Card
- Check fraud
- Counterfeit Instrument
- Check kiting
- Credit Card fraud
- Debit Card Fraud
- Consumer loan fraud
- Identity Theft
- Terrorist Financing

These are not all of the SAR activities, just ones that are most likely to be detected in a shared branching environment

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Shared Branch

- Outlet owner completes and files SAR if it was the one detecting the suspicious activity.
- SAR is filed within 30 calendar days
- No copy is sent to host credit union
 - Can share information related to the transaction if both institutions participate in 314(b) information sharing program under the PATRIOT Act.

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Shared Branch SARs

- If SAR filed by Acquirer/outlet, include special intro paragraph in narrative section explaining that this is a shared branch transaction, the person is actually an account holder at CU A, account number, address and phone # of CU A, and contact person at CU A if known.
- If SAR filed by host, also include branch location information where transaction took place and include the fact that the person may not have an account there.

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Suspicious Activity - AML

- Look for activity using shared branches:
 - Structuring transaction to avoid CTR
 - Multiple monetary instruments purchased with cash or instruments cashed or deposited
 - Multiple branch transactions in the same day (including ATM, cash advances)
 - Loan transactions: large paydowns/payoffs; quick payoffs; overpayment of LOC

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Suspicious Activity Investigation

- BSA related reports
- Risk analysis software/tools
- Review account history
- Interview staff
- Document results
- Determine whether SAR should be filed or law enforcement contacted

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Example

- ABC Credit Union shows an \$11,000 cash transaction on its ***Over \$10,000*** report. No CTR was received by the accountholder's credit union.
 - Was it really a cash transaction?
 - What type of transaction was it?
 - Did you document it on report?
 - Why did system pick it up as cash?

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Example con't

- Examiner will likely want to know why CTR was not filed. Must be documented in writing.
- Even if CTR is not necessary, CU should still be monitoring this movement of money.
 - May want to do a history on this account to see if there is a pattern.
 - May want to monitor this account for a little while.

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Record Retention – 5 years

- CTRs, SARs (and supporting documentation)
- Monetary Instruments
 - Name and address of purchaser
 - Amount, date and type of instrument
 - Serial number of instrument
 - DOB,
 - SSN, and
 - **Identity verification for non-accountholders**
 - **How do you keep these records at your location???????**

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Additional Information

- FSCC Rules/Operating Guidelines
- CUSC User's Guide
- Credit Union Magazine Article
 - August 2008 pg. 54

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