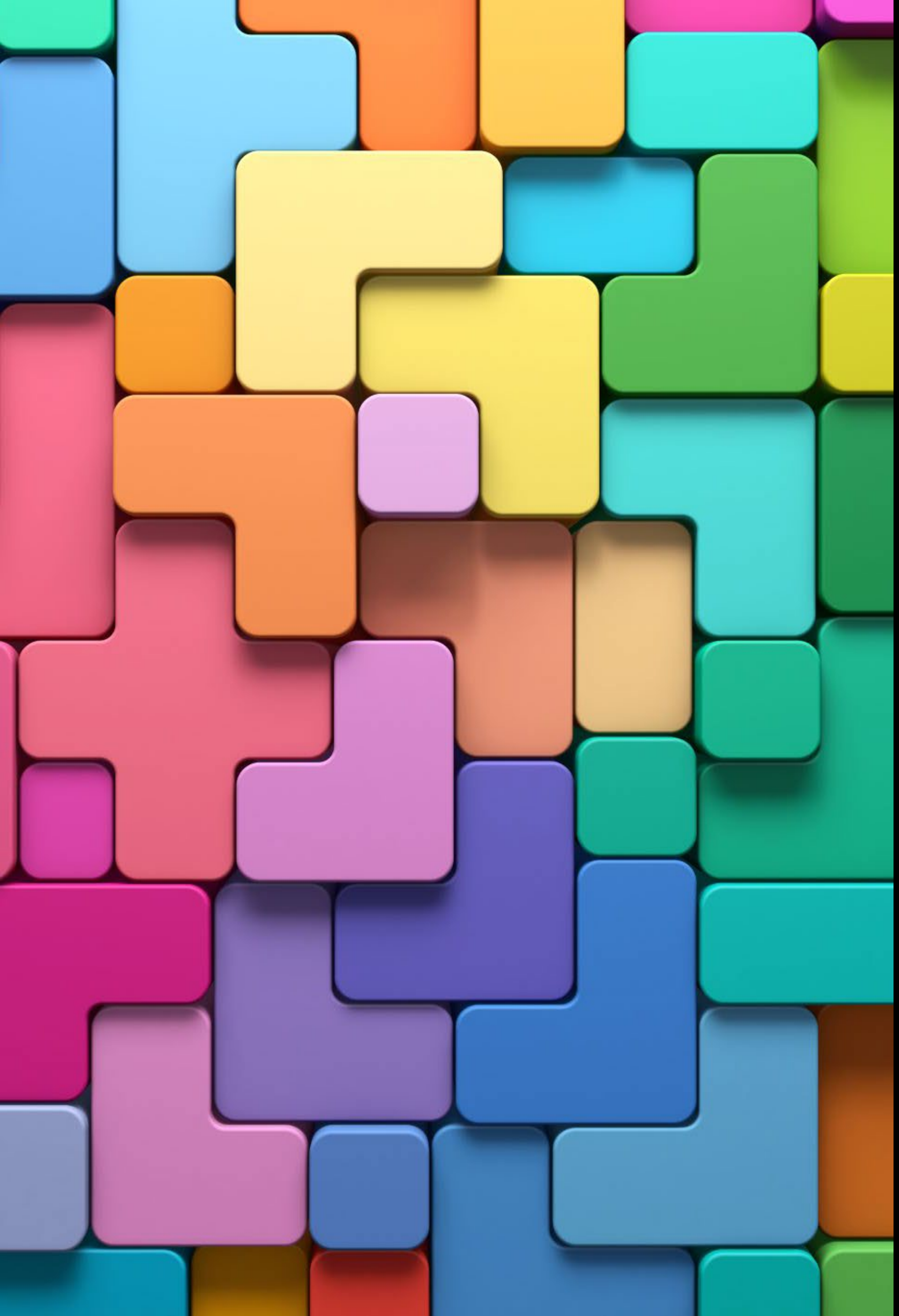

BSA TRAINING

FOR BOARD & SUP. COMM.

2025

Presented to: Board & Supervisory Committee

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VP of Support | Kentucky's Credit Unions

WHAT IS BSA?

BSA = Bank Secrecy Act

- A combination of various statutes
- Originally created in 1970
- Requires FIs to record, retain and report certain financial transactions and activity.

WHAT IS THE PURPOSE OF BSA?

Created to help:

- Prevent, Detect, Investigate & Prosecute
  - Money Laundering
  - Terroristic Financing
  - Tax Evasion
  - *Various other criminal activities and financial crimes…*

WHO IS IN CHARGE OF BSA? AND... WHAT EXACTLY DO THEY DO?

FinCEN = Financial Crimes Enforcement Network

- Part of U.S. Department of Treasury
- Authority to implement, administer & enforce BSA
- Collect & analyze info received on FI reports

WHAT ARE WE REQUIRED TO DO FOR BSA?

The 5 pillars of BSA

1. Designated BSA Officer(s)
2. Written Policy & Procedures (approved by BOD)
3. Independent Audits (Annually)
4. Ongoing and Job-Appropriate Training
5. Risk-based Due Diligence

OUR BSA OFFICERS

BSA Officer: (Write YOURS here: ___________)
Back Up BSA Officer: (Write YOURS here: ___________)

OUR POLICIES & PROCEDURES

Should be:

- Clear
- Concise
- Consistent

Always easily accessible to employees!

OUR AUDITS

- Supervisory Committee is responsible for selecting and scheduling an independent AUDIT of the CU at least every 12 months.
- DFI/NCUA will automatically perform an EXAM of the CU every 12-18 months.

Good to Know:

We Ask for an Audit – to help us get ready for the Exam!

Everybody gets the Exam – they don’t need an invitation!

OUR TRAINING

“Ongoing”

‘Upon arrival’ - during new employee/volunteer training!
AND
Again, annually – *like we are today!* ☺

“Job-Appropriate”

Tailored to the individual’s role!

OUR RISK-BASED DUE DILIGENCE

'Natural Person' Accounts = MDD (Member Due Diligence)

Satisfied by 'CIP/MIP'!

'Entity' Accounts = EDD (Enhanced Due Diligence)

Satisfied by asking additional questions about the purpose of the account and most importantly to determining and confirming 'expected use.'

<u>WHY is it different for people vs entities?</u>

Business accounts typically have multiple signers and are automatically riskier.

Natural Person accounts typically fall within a 'normal use' category and are seen as less risky - BUT - Enhanced DD *may* be applied IF 'Red Flags' occur!

WHAT IS CIP/MIP

CIP/MIP = Customer/Member Identification Program

Auditors & examiners know we use the term 'Members' in place of customers - so they allow us to use MIP vs CIP!

Requires ALL FIs to have a written policy in place to specify how they verify the identity of individuals who want to do business with them.

CIP/MIP REQUIREMENTS

A written program that defines:

The FOUR PIECES of identifying info we must collect

The specific PROCEDURE that will be followed to verify

RECORDKEEPING requirements

COMPARISON with Government List (OFAC)

NOTICE of information requirement

WHAT ARE THE 4 PIECES OF INFO?

- Name
- SSN
- DOB
- Physical Address

MUST also provide a valid government-issued ID with a photo.

The CU should have a list of acceptable docs that can be used for verification defined within the policy/procedure.

WHAT IS OFAC?

OFAC = Office of Foreign Assets Control

They administer and enforce economic, and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers and those engaged in the proliferation of weapons of mass destruction.

HOW DO WE USE OFAC?

OFAC provides a living, breathing list of individuals, entities and localities that we cannot do business with.

We MUST run every potential member or anyone who wishes to conduct business with us against the OFAC list BEFORE we can proceed with opening an account or performing a transaction!

IF there is a 'True Match' we CANNOT proceed!

KEY TAKEAWAY…

It is our duty & responsibility to…

MAKE SURE PEOPLE ARE WHO THEY SAY THEY ARE!

NEXT…

What about all that ‘Record, REPORT, retain stuff…

WHAT reports are they?

WHEN/WHY will we need to file them?

HOW do we get them to FinCEN?

THE REPORTS – DEFINED…

MIL = Monetary Instrument Log

CTR = Currency Transaction Report

SAR = Suspicious Activity Report

MIL

MIL = Monetary Instrument Log

Monetary Instrument = Money tool/Tool used to move money

Requirements:

Log (keep record of) any/all Monetary Instruments
PURCHASED IN CASH in the amount of $3,000 – $10,000

CTR

CTR = Currency Transaction Report

Requirements:

Collect and report any/all

CASH TRANSACTIONS that EXCEED $10,000

INFO WE MUST HAVE TO COMPLETE THE CTR…

Copy of (valid) **DL**

Cannot be expired

Occupation

Not ‘where they work’ but…

WHAT DO THEY DO?!

SAR

SAR = Suspicious Activity Report

Requirements:

Report MUST be filed anytime the CU suspects or detects any possible or known 'unlawful activity or criminal violations' – a.k.a. Suspicious Activity

MOST IMPORTANT… SARs are CONFIDENTIAL!

THE REPORTS – AT A GLANCE…

MIL = Log Monetary Instruments sold IN CASH between $3k-$10k

CTR = Report CASH Transactions that EXCEED $10,000

SAR = Report Suspicious (unlawful/criminal) Activity

HOW LONG DO WE KEEP THE REPORTS?

BSA Record Retention

requires that we keep

ALL BSA Reporting materials

for a minimum of 5 years!

WHAT HAPPENS IF WE – DON’T?

IF we DON’T – Retain, Record & Report…

We will face – Penalties, Fines & Fees!

NO one in the CU is exempt from BSA Compliance!

Ignorance of the law is not an acceptable excuse
to avoid potential personal liability and willful acts of
non-compliance are prosecuted as felonies!

REMEMBER…

Our friends at FinCEN are looking for PATTERNS!

The more CONSISTENT we're reporting…

The more VALUABLE the information is to FinCEN…

The more likely they are to STOP the bad activity from happening!

Please do your part to protect our country and the financial system we all depend on!

MAKE SURE YOU KNOW & UNDERSTAND…

- BSA Requirements
- BSA Reporting Requirements and Procedures
- Your CU’s Products and services
- Your Members

THANK YOU!!!

I was honored to spend time with
your CU Team today!

Thank you so much for having me!

HAPPY TO HELP!

Please don't ever hesitate to reach out if there's anything you need…

Eileen Burden, BSACS, CCUFC, CUCE

VP of Support

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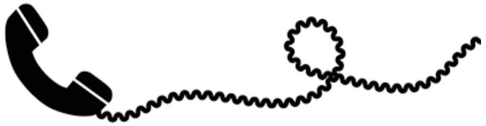

Kentucky's
Credit Unions