



## September 2014

Dear CU PolicyPro Clients,

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## CU PolicyPro Survey

Your opinion counts! Please take a few minutes to answer our [CU PolicyPro Annual Users' Survey](#), and help us understand:

- How you use CU PolicyPro
- What you like about it
- What you think could be improved

League InfoSight plans to use the information to help guide discussions about enhancing CU PolicyPro to better meet your needs. The survey will be available now through November 1st.

Click [here](#) for the survey or copy and paste the following Web address into your browser:

<https://www.surveymonkey.com/s/3JN6SXV>

We look forward to reading your responses!

## New CU PolicyPro Support Email Address!

We have updated our support email address to [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com) to better reflect the support services we provide. Please update your address book for this new email.

## Technical FAQ

**Question:** Why are some key fields listed as "not in use"?

**Answer:** There are some key fields that were previously in use in a policy, but a subsequent model policy revision

has changed or removed the verbiage associated with the key field so it is no longer included in the model policy.

We do not remove the key field from the database as there are clients who may be using the key field with the previous policy language and would need the key field available to be included in their policy. The description field "Key Field Is No Longer in Use" is an indicator that in the master content this key field is no longer being used.

If you have additional questions, please contact the CU PolicyPro Support Team at [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

## Content FAQs

**Question. What's the difference between "blocking" and "rejecting" a transaction under Office of Foreign Assets Control (OFAC) sanction programs?**

**Answer.** Some OFAC-administered sanction programs require the "blocking" of assets, and others require the rejection of transactions. When the credit union blocks a transaction, it accepts the funds and freezes them so the OFAC Specially Designated National (SDN), blocked country or blocked entity can't obtain or recover the funds.

The transaction must be rejected (not processed) when OFAC prohibits an underlying transaction but there's no blockable interest involved. For example, the credit union would have to reject any funds transfers between non-SDNs that might facilitate commercial activities in a sanctioned country.

Since no OFAC targets were involved in the transaction, there's no requirement to block the assets. However, processing the funds transfer would violate OFAC regulations.

Most transactions are blockable. However, when in doubt about whether to block or reject an item, call OFAC at (800) 540-6322.

You must report blocked and rejected transactions to OFAC in writing within 10 business days of the occurrence. Blocked funds must be placed in an interest/dividend-bearing account from which only OFAC-authorized debits may be made.

In addition, OFAC requires institutions holding blocked property to file an annual report of blocked property held by Sept. 30 each year

**Question. If it is illegal under federal law to manufacture, distribute or dispense marijuana, as a federal credit union (FCU) are we permitted to open marijuana-related business accounts?**

**Answer.** Prior to the issuance of this FinCEN bulletin, it was advisable that without guidance, FCUs would not be permitted to provide account related services to a business that was violating federal law by selling or distributing marijuana, even if state law permitted the activity. However, now FCUs are equipped with guidance from a federal agency on how they can provide account services to marijuana-related businesses consistent with their BSA obligations. FCUs still would be required to ensure these businesses are membership eligible.

## Monthly OPS Notes Release: FinCEN Makes a Major Impact on the Policy Landscape

The Financial Crimes Enforcement Network (FinCEN) is an agency of the U.S. Treasury Department whose mission is to support law enforcement investigative efforts and foster interagency and global cooperation against domestic and international financial crimes. FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

Over the last few months FinCEN has been busy providing amendments to the Bank Secrecy Act, releasing new guidance and new OFAC requirements. Due to the staggered nature of the release of the new requirements, credit unions policies addressing Bank Secrecy Act requirements are continually changing. These changes include:

- Recent state legislation across the country provided incentive for FinCEN to issue guidance to clarify Bank Secrecy Act (“BSA”) expectations for financial institutions seeking to provide services to marijuana-related businesses. The guidance makes it clear that the Controlled Substances Act makes it illegal under federal law to manufacture, distribute, or dispense marijuana. FinCEN's guidance clarifies how financial institutions can provide services to marijuana-related businesses consistent with their BSA obligations, and aligns the information provided by financial institutions in BSA reports with federal and state law enforcement priorities. This FinCEN guidance should enhance the availability of financial services for, and the financial transparency of, marijuana-related businesses. New requirements that will affect credit unions serving marijuana-related businesses include:
  - Complying with state laws;
  - Member due diligence requirements;
  - Adhering to Cole Memo Priorities;
  - Suspicious Activity Report filing;
  - Red flag review; and
  - Currency Transaction Report filing.
- FinCEN, issued Advisory FIN-2014-A007 to all financial institutions in the United States highlighting shortcomings in compliance due to a lack of involvement from senior management and providing guidance on creating a culture of compliance within the credit union. FinCEN provided the guidance after identifying a lack of leadership to improve and strengthen organizational compliance with Bank Secrecy Act, or BSA, obligations as the key to an overall poor culture of compliance. FinCEN provided guidelines to strengthen a credit union’s BSA compliance culture including:
  - Board of Directors, executive and senior management should actively support, understand and be engaged in compliance efforts.
  - Managing and mitigating BSA deficiencies and risks should not be compromised by revenue interests.
  - Relevant information should be shared throughout the credit union.
  - Adequate human and technological resources should be devoted to compliance functions.
  - Credit union leadership and staff should understand the purpose of BSA efforts and reporting.
  - The BSA compliance program should be tested by an independent and competent party.
- In July, 2014, the Department of Treasury added a new sanctions list to OFAC search requirements. The Sectoral Sanctions Identifications List includes persons determined by OFAC to be operating in sectors of the Russian economy identified by the Secretary of the Treasury. Currently credit unions must perform OFAC searches for:
  - Specially Designated Nationals;
  - Foreign Sanctions Evaders; and
  - Sectoral Sanctions Identifications.

This is not the end of changes we will see in regards to the Bank Secrecy Act. FinCEN is in the process of finalizing new member due diligence requirements for credit unions. FinCEN, in consultation with the staff of the federal functional regulators and the Department of Justice, has determined that more explicit rules for credit unions with respect to customer due diligence (known to credit unions as Member Due Diligence MDD) are necessary to clarify and strengthen MDD within the BSA regime. To strengthen MDD, FinCEN is proposing to amend its existing rules and is issuing explicit requirements via two rule changes. First, FinCEN is addressing the need to collect beneficial owner information on the natural persons behind legal entities by proposing a new separate requirement to identify and verify the beneficial owners of legal entity customers subject to certain exemptions. Second, FinCEN

is proposing to add explicit MDD requirements with respect to understanding the nature and purpose of member relationships and conducting ongoing monitoring as components in each covered credit unions core AML program requirements.

The September update of CU PolicyPro will address policy changes to reflect FinCEN's new finalized guidance.

This edition of OPS NOTES was prepared by the Michigan Credit Union League.

### Questions?

If you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

If this information was forwarded to you, and you'd like to be on the distribution list to receive information and updates related to CU PolicyPro, contact [polycysupport@cusolutionsgroup.com](mailto:polycysupport@cusolutionsgroup.com).

Thanks and have a great week!