



January, 2018

Dear CU PolicyPro Client,

Happy 2018!

In our last newsletter, we touched on the annual threshold changes that occur every year and the corresponding policy changes we make to coincide with the effective date. However, please keep in mind that some thresholds were not published until December 27th and therefore, we could not make the changes in time for our last update. One of those changes relates to the asset size threshold for the HMDA exemption, which was increased to \$45 million from \$44 million. This threshold will be updated in our next round of policy updates.

In this edition:

- Monthly OPS Notes Release: FinCEN Customer Due Diligence
- Content FAQ
- Content Updates Reminder
- Questions?

Monthly OPS Notes Release: FinCEN Customer Due Diligence

[Customer Due Diligence Requirements for Financial Institutions](#)

Recently, we have received quite a few questions related to Policy 2110 – Bank Secrecy Act / Anti-Money Laundering and our revisions to comply with the new customer due diligence requirements.

This FinCEN rule actually became effective in July 2016, however compliance was not required until May 11, 2018. Therefore, even though the “Model Policy Revised Date” indicates October 5, 2016, it is inclusive of FinCEN’s changes (and a few others) because we wanted credit unions to have a resource if they decided to comply with the provisions earlier.

Remember, with each policy update, we provide a summary of changes and a link to the resources that we used to craft those changes. You can access this information by clicking on “Resources” within CU PolicyPro and then again on “Updates.”

In our June, 2016 update, the following summary was provided to aid credit unions with compliance with the new rule.

**Policy 2110 – Bank Secrecy Act / Anti-Money Laundering Program
(from the 2016-2 update Overview)**

With the Customer Due Diligence requirements scheduled to become effective in July 2016, policy 2110 was revised to incorporate language related to the identity and verification of beneficial owners of legal entity

members. Although credit unions are not required to comply with these new rules until May 11, 2018 the policy has been revised to allow for an earlier adoption.

Also, take a look at the information below from our June 2016 CU PolicyPro newsletter, where we provided a little more detail on the rule's requirements:

After the required compliance date of May 11, 2018, credit unions are going to have to obtain information to identify the beneficial owners of legal entity members coming in to open an account and follow their existing Customer /Member Identification Program (MIP/CIP) to verify the identity of those individuals. Appendix A of the regulation contains a certification form that the credit union can require the individual opening the account to complete. This certification form contains all of the information required to be obtained, so credit unions are strongly encouraged to use it. They do, however, have the option of creating something substantially similar.

The regulation specifically defines a “beneficial owner” for purposes of compliance. The individual has to have both ownership and control. For ownership purposes, the individual must directly or indirectly, through contract, arrangement, understanding, relationship or otherwise, own 25% or more of the equity interests of the legal entity. The owner must also have significant responsibility to control, manage or direct the legal entity. This person with control is typically a CEO, CFO, COO, Managing Member, General Partner, President, Vice President, Treasurer, etc.

Legal entities are going to be corporations, limited liability companies (LLCs), general partnerships, or another entity that is created by the filing of a public document with the Secretary of State or similar office. This would not include sole proprietorships or unincorporated associations such as youth sports leagues.

To prepare for this final rule, credit unions should make sure they have policies in place for their employees to obtain the appropriate documentation from their legal entity members. Procedures should also be inclusive of the verification of identity in compliance with existing Member/Customer Identification Programs (MIP/CIP). The credit union should also ensure their record retention requirements are up to date to reflect the requirement to obtain documentation related to the identification of the beneficial owners for 5 years after the date the account is closed. For records related to the process of verifying the beneficial owners, records should be retained for 5 years after the record is made.

Content FAQs

Question: Does the new customer due diligence rule require us to reach out to all of our existing legal entity members to have them provide us with beneficial ownership information?

Answer: No, the rule specifically requires the credit union to identify the beneficial owners at the time a “new” account is opened. However, the commentary goes on to say that credit unions may decide that collecting beneficial ownership information on a risk basis during the course of monitoring may be appropriate. Also, credit unions should collect information in normal course monitoring of accounts if they detect information relevant to assessing or reevaluating the member’s risk.

Question: Does this rule only cover the customer/member due diligence requirements for legal entity members?

Answer: No, it doesn’t! Although most credit unions are already doing it, the rule does make changes to the anti-money laundering (AML) program requirements. Credit unions are required to implement and maintain appropriate risk-based procedures for conducting ongoing customer/member due diligence, including:

- understanding the nature and purpose of the customer/member relationship; and
- conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to update and maintain customer/member information.

Check out these [FinCEN FAQs](#).

Content Updates Reminder

Just a reminder that content updates were released in December 2017 for the CU PolicyPro Manual - Update Version 2017.5.

This update included **sixteen policy updates**. A full listing of the updated policies and instructions on what the credit union needs to do next can be found on the [CU PolicyPro Support site](#).

Questions?

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, or if you have any questions regarding the CU PolicyPro content, or questions on how to use the system, please contact policysupport@cusolutionsgroup.com.

Thanks and have a great weekend!