

June 2016

Dear CU PolicyPro Client,

Finally, the summer is here and with the end of June comes the next release of our quarterly updates!

As with any quarterly update, one of the policy changes has to do with a regulatory change. Last month FinCEN published their final rule related to customer due diligence (<https://www.gpo.gov/fdsys/pkg/FR-2016-05-11/pdf/2016-10567.pdf>) for legal entity members.

This new rule requires the credit union to obtain specific information on the beneficial owners of legal entities. This new regulation actually becomes effective next month on July 11, 2016. Don't panic yet, as credit unions aren't required to comply until May 11, 2018. However, in order to be prepared, we have once again updated the BSA Policy to accommodate these changes. See the article below for more information on the updates and what your credit union will need to do!

While there hasn't been a change to Regulation CC, there was interagency guidance (<https://www.ncua.gov/regulation-supervision/Pages/policy-compliance/communications/letters-to-credit-unions/2016/04.aspx>) released that reminds credit unions to adopt credit reconciliation policies and practices to avoid or reconcile deposit discrepancies so that members are not disadvantaged. We've also updated policy 2400 – **Funds Availability** to not only comply with this guidance, but to also combine it with policy 9410 – Expedited Funds Availability Act – Regulation CC in order to avoid having duplicate policies within CU PolicyPro. (Policy 9410 has been deleted from the Master Manual)

Unfortunately, the credit union industry (as have other industries) has been in the headlines lately regarding issues of embezzlement and fraud. In order to help credit union's mitigate internal risk and protect themselves and members from these types of unfortunate events, a new policy **3201 – Internal Fraud** was created.

In this edition:

- Monthly OPS Notes Release: Legal Entity – Member Due Diligence
- Content FAQ
- Quarterly Content Update!
- Technical FAQ
- Questions?

Legal Entity – Member Due Diligence

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: If our credit union uses the Certification Form provided for in the Appendix of the Final Rule, are we guaranteed compliance?

Answer: FinCEN specifically declined to include a blanket “safe harbor” in the final rule if financial institutions use the Certification Form. The final rule does, however, indicate that a covered institution can accomplish the requirements of identifying beneficial owners by obtaining a certification in the form of Appendix A from the individual opening the account, on behalf of the legal entity customer. So, unfortunately there is no “guarantee” as there typically is with a safe harbor, but it would appear that the credit union would be in compliance if they utilized the Certification Form within the Appendix.

Question: The final rule appears to be effective on July 11, 2016, but compliance is not until May 11, 2018. Are we permitted to change our procedures before 2018?

Answer: Yes! In fact, credit unions are encouraged to start early with the process of amending policies, procedures and training relevant staff. As with any new regulation, there may be a few hiccups to work out in the process, it is always helpful to have time to iron out the details prior to the actual compliance date. *(Unlike the Integrated Mortgage Disclosures.....grr!)*

Quarterly Content Update

We are pleased to announce the second quarterly content update for 2016 for the CU PolicyPro Operations Manual - Update Version 2016.2.

This update includes **fifteen policy updates**, plus the addition of **two new policies: Policy 3201 - Internal Fraud and Policy 7180 - Anti-Predatory Lending**. **A full listing of the updated policies can be found in the "Update Overview" document found on the support site (<http://leagueinfosight.com/contentupdates>).**

The tracked changes version of each update can be found in the library section of the online manual. There is also a full Word version of the new policy that mirrors the content found in the online Master Manual. It is important to note that when updates are made to the Master Manual, these updates do not automatically go into your Working Manual. We do not want to take the chance of overwriting your content, or putting in content that may not apply to your credit union. For more information on the updates, including the next steps and video instructions on how to incorporate the updates into your manual, [please visit our support site at http://leagueinfosight.com/contentupdates](http://leagueinfosight.com/contentupdates).

Technical FAQs

Question: There used to be a printable version of all of the model policies. How can I get that?

Answer: We removed the printable master manual from the site because of the size of the file (1000+ pages). All model policies are available in the online master and can be moved into your Working Manual to be edited, printed, or copied/pasted to Word. If you need a copy of multiple model policies at one time, please feel free to contact our support staff at polycysupport@cusolutionsgroup.com for assistance.

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 polycysupport@cusolutionsgroup.com.

Thanks and have a great holiday weekend!