InfoSight
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InfoSight Highlight

FFIEC Cybersecurity Assessment Tool

Overview

The Assessment consists of two main components; the Inherent Risk Profile and the Cybersecurity Maturity. The Inherent Risk Profile helps the institution understand how their products and services contribute to the institution's overall inherent risk and whether specific categories pose more risk than others. The Cybersecurity Maturity component contains assessment factors and individual declarative statements across five main domains to identify specific controls and practices. While management can determine the institution's maturity level in each area, the Assessment is not designed to identify an overall cyber security maturity level.

Before beginning the assessment the FFIEC provided an overview of the tool for senior management to review as well as a user's guide. To complete the Assessment, the credit union first assesses the institution's Inherent Risk Profile based on five categories:

- Technologies and Connection Types
- Delivery Channels
- Online/Mobile Products and Technology Services
- Organizational Characteristics
- External Threats

Management then evaluates the institution's cybersecurity Maturity Level for each of the five domains:

- Cyber Risk Management and Oversight
- Threat Intelligence and Collaboration
- Cybersecurity Controls
- External Dependency Management
- Cyber Incident Management and Resilience

By reviewing both the institution's inherent risk profile and maturity levels across the domains, management can determine whether its maturity levels are appropriate in relation to its risk. If not, the institution may take action either to reduce the level of risk or to increase the levels of maturity. This process is intended to complement, not replace, an institution's risk management process and cyber security program.

Compliance Videos

NEW VIDEO! First Quarter 2017 Recap and Second Quarter Outlook

This new video provides a recap from Glory LeDu, Director of League System Relations, of the first quarter compliance updates and gives a "sneak peek" of what is to come in the second quarter of 2017. Included are such topics as the NCUA changes to Member Business Lending, the Fixed Assets Rule and the Chartering and Field of Membership Manual as well as a minor revision to the CFPB's HMDA information. There were also annual updates from the CFPB, FRB and the IRS. The FFIEC has also updated the Uniform Interagency Consumer Compliance Rating System, which is mentioned in this video as well as covered in depth in a separate video.

For additional information, click here for the topic.

Review the information today to help your credit union remain in compliance.

Compliance News

Prepaid Card Company to pay $53 M

The FTC has announced that NetSpend Corporation has agreed to settle allegations that the prepaid card company deceived people about access to funds deposited on NetSpend debit cards. NetSpend was ordered to provide monetary relief totaling no less than $53 million.

- Settlement agreement

Source: FTC.gov

NCUA Issues Updated Guidance on Compliance Risk Indicators

NCUA has recently provided its examiners with guidance on the updated list of compliance risk indicators that are part of NCUA's Risk-focused Examination Program. The updated list of indicators does not impose any new or higher supervisory expectations for credit unions. NCUA examiners will continue to take a consistent approach when evaluating a credit union's ability to manage compliance risk. Additionally, NCUA staff will continue to consider such factors as the credit union's size, complexity, and risk profile as part of their evaluation.

These risk indicators incorporate the principles of the FFIEC's Interagency Consumer Compliance Rating System (CCRS). You may recall that the CCRS is an interagency framework for evaluating an institution's ability to manage consumer compliance risk and to prevent consumer harm. NCUA incorporates the framework into its Risk Focused Examination Program. Remember, a credit union's compliance management system is to proactively manage compliance risk by self-identifying and self-correcting any identified compliance deficiencies. The updated compliance risk indicators detailed in NCUA's recent letter focus on three areas and specific factors within each area:

1. Board and Management Oversight
Do officials and management fully understand compliance risks?

NEW VIDEO! FFIEC Consumer Compliance

In this new video, Glory LeDu explains the updates made to the Uniform teragency Consumer Compliance Rating System by the Federal Financial Institutions Examination Council (FFIEC), as well as the CFPB's requirements for an effective Consumer Compliance Management System. Credit unions should review this video to determine how their current compliance management system stacks up, as examiners will be using this rating system to evaluate credit unions on compliance factors and will be assigning an overall Consumer Compliance Rating.

Member Business Lending

This video provides the details you will need to know to comply with the NCUA's Member Business Lending rules.

Compliance Calendar

April, 2017

- April 10th, 2017: Fiduciary Rule (Department of

Is there a clear commitment to compliance?
Are there significant resources dedicated to support compliance (systems, capital, HR)?
Is there comprehensive and ongoing due diligence and oversight of third parties to ensure that the credit union isn't exposed to compliance risks?
How does management handle and respond to changes in applicable laws and regulations, market conditions, and product and services offered?
Are corrective actions taken when management proactively identifies compliance issues and deficiencies?

2. Compliance Program
Are your policies/procedures and third party relationship management programs effective in handling risks posed by the activities and products/services of the credit union?
Is your compliance training tailored to those receiving it?
Is compliance training to the roll out of new products and services or new consumer protection laws for awareness purposes?
Are management information systems, reporting, audit, and internal control systems evaluated throughout the credit union?
What are the processes for addressing consumer complaints and what actions are taken to prevent future complaints?

The first two areas (Board/Management Oversight and Compliance Program) take into account the credit union's size, complexity, and risk profile.

3. Violations of Law and Consumer Harm
If there are violations of law and consumer harm has the credit union evaluated the root cause, the severity, duration, and the pervasiveness of the violation/harm across the credit union's product lines and taken corrective action?

According to the Supervisory Letter, the AIRES questionnaire will be updated by June of 2017.

Source: NCUA/FFIEC

CFPB Proposes Amendments to the Regulation B Data Collection Requirements

On March 24th, the Consumer Financial Protection Bureau ("CFPB") issued a proposed rule to amend the monitoring information data collection requirements found in Sections 1002.5 and 1002.13 of

Labor) – Compliance date - DELAYED
- April 30th, 2017: 5300 Call Report Due to NCUA

May, 2017

- May 29th, 2017: Memorial Day - Federal Holiday

July, 2017

- July 4th, 2017: Independence Day - Federal Holiday
- July 30th, 2017: 5300 Call Report Due to NCUA

September, 2017

- September 4th, 2017: Labor Day - Federal Holiday
- September 15th, 2017: Same-day ACH (NACHA) – Phase 2 of the implementation period for the rule.

October, 2017

- October 1st, 2017: Prepaid Accounts under the Electronic Fund Transfer Act/Regulation E and the Truth In Lending Act/Regulation Z

Regulation B ("ECOA"). The primary purpose of the proposal is to better align the data collection requirements of ECOA with the previously amended data collection requirements of Regulation C ("HMDA").

Background
In October 2015, the CFPB finalized amendments to HMDA pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Among these is a requirement that applicants be permitted to provide monitoring information in a dis-aggregated format instead of the current aggregated format.

There is a similar data collection requirement under ECOA. It requires the collection of monitoring information on applications for the purchase or refinance of a principal residence.

The proposed rule attempts to provide clarification of and consistency between the separate data collection requirements of HMDA and ECOA.

Proposed Rule
Aggregated vs. Dis-aggregated Monitoring Information

Aggregated (current)

- Ethnicity
  - Hispanic or Latino
  - Not Hispanic or Latino
- Race
  - American Indian or Alaska Native
  - Asian
  - Black or African American
  - Native Hawaiian or other Pacific Islander
  - White

Dis-aggregated (new)

- Ethnicity
  - Hispanic or Latino
    - Mexican
    - Puerto Rican
    - Cuban
    - Other
  - Not Hispanic or Latino
- Race
  - American Indian or Alaska Native
  - Asian

- October 3rd, 2017: Military Lending Act for Credit Cards
- October 9th, 2017: Columbus Day - Federal Holiday
- October 19th, 2017: Amendments to the 2013 Mortgage Rules under the Real Estate Settlement Procedures Act - Regulation X and the Truth in Lending Act -Regulation Z
- October 29th, 2017: 5300 Call Report Due to NCUA

Compliance Training

Regulatory Compliance Training

NCUA Field-of-Membership Rule
Get more information about the NCUA' new field-of-membership rule by watching the agency's webinar online and review questions and answers from the event.

The NCUA Board unanimously approved the new field-of-membership rule at its October 2016 open meeting.

CUNA AND CUNA Webinars

        - Asian Indian
        - Chinese
        - Filipino
        - Japanese
        - Korean
        - Vietnamese
        - Other
    - Black or African American
    - Native Hawaiian or other Pacific Islander
        - Native Hawaiian
        - Guamanian or Chamorro
        - Samoan
        - Other
    - White

Under the proposed rule, since credit unions subject to HMDA are required to collect monitoring information in the dis-aggregated format, they may also satisfy ECOA's data collection requirement by collecting monitoring information in the same dis-aggregated format. If a credit union is not subject to HMDA, it may continue to satisfy ECOA's data collection requirement by collecting monitoring information in the aggregated format.

Voluntary vs. Involuntary Data Collection
Let's say an applicant begins the application process over the phone or via the internet. They do not voluntarily provide the requested monitoring information but also do not check the box on the application that states "I do not wish to provide this information." That same applicant then subsequently meets with the credit union in person. Under the amended HMDA rule, the credit union is required to provide the applicant's ethnicity, race and sex based on visual observation and the applicant's surname. To establish consistency between the two rules, the CFPB's proposal makes this same process applicable to the ECOA as well.

In the event the credit union provides monitoring information on the applicant's behalf, it shall use the aggregated categories (instead of the dis-aggregated categories) identified above.

Collection of Monitoring Information Permitted in "Off" Years
Under the amended HMDA rule, beginning in January 2018 a credit union must collect and report HMDA data if:

- It has assets as of 12/31/2017 that meet or exceed the applicable threshold;

- It has its home or a branch office located in a Metropolitan Statistical Area (MSA);
- It is Federally insured or regulated;
- It originated at least one home purchase or refinance transaction in both 2015 and 2016;and
- For closed-end reporting, it originated at least 25 closed-end mortgage loans in each of the two preceding calendar years; or
- For open-end reporting, it originated at least 100 open-end mortgage loans in each of the two preceding calendar years.

Because of changes to HMDA's institutional coverage test, some credit unions may find that their reporting responsibilities vary from year to year. To promote consistency in compliance procedures from year to year, the CFPB's proposed rule provides for the following:

- Institutional Coverage Test
    - If the credit union was required to collect and report HMDA data in any of the five preceding calendar years, but does not currently meet the institutional coverage test, it may continue to collect monitoring information
    - If the credit union meets the loan volume threshold in year one, but not in year two, the credit union may continue to collect monitoring information in year two
- Closed-End Loan Collection and Reporting
    - Credit unions that are not required to collect and report HMDA data, but voluntarily do so, would be permitted to collect monitoring information
    - The credit union may continue to collect monitoring information for closed-end loans if it was a designated HMDA reporter in any of the five preceding calendar years
    - The credit union may continue to collect monitoring information for up to five years after it falls below the applicable closed-end reporting threshold (25)
- Open-End Loan Collection and Reporting
    - Credit unions that are not required to collect and report HMDA data, but voluntarily do so, would be permitted to collect monitoring information
    - The credit union may continue to collect monitoring information for open-end loans if it was a designated HMDA reporter in any of the five preceding calendar years

- The credit union may continue to collect monitoring information for up to five years after it falls below the applicable open-end reporting threshold (100)

The rule also makes clear that if the credit union continues to collect monitoring information under one of the proposals above, the ECOA's record retention requirement of 25 months is applicable to the cooperative.

Model Forms
Finally, the proposed rule updates the model forms related to the collection of monitoring information to be consistent with the proposed changes discussed above. In addition, the proposed rule removes reference to the 2004 version of the Uniform Residential Loan Application ("URLA") given a revised URLA document has been developed.

An effective date of January 1, 2018 is anticipated to coincide with the effective date of the HMDA changes.

Human Trafficking in Your Credit Union - Can You Spot it?

After drug dealing, human trafficking is tied with arms dealing as the second largest criminal industry in the world, and is growing quickly. Although we would like to believe such atrocities only happen "somewhere else", according to the FBI, 300,000 American children a year are at risk of becoming victims. As this crime permeates all 50 states, the chances of your credit union being touched by human trafficking continues to increase.

Possible risk factors associated with child trafficking include:

- Lack of personal safety
- Isolation
- Emotional distress
- Family dysfunction
- Substance abuse
- Mental illness
- Learning disabilities
- Lack of social support

Clearly, you can find any of these risk factors in any community.

FinCEN issued an Advisory in September, 2014 providing Red Flags to help recognize account activities associated with human trafficking, as well as suspicious member interaction. Examples of member interaction Red Flags identified by FinCEN include:

- A member establishes an account or visits a branch to conduct transactions while always escorted by a third party (ie: under the pretext of requiring an interpreter). The third party escorting the member will usually have possession of the member's ID.
- Common account signatories in apparently unrelated business and/or personal accounts. Similarly, common information (address, phone number, employment information) used to open multiple accounts in different names.
- Accounts of foreign workers or students where the employer or employment agency serves as a custodian.
- Profits/deposits significantly greater than that of peers in similar professions/ business lines.
- Inflows are largely received in cash where substantial cash receipts are inconsistent with the member's line of business. Extensive use of cash to purchase assets and to conduct transactions.

Source: CUNA Compliance Blog

Advocacy Highlight

FinCEN Proposing to Extend Requirement for Programs for Correspondent Accounts for Foreign Banks

FinCEN has published in today's Federal Register a request for comment on a proposed renewal, without change, to an information collection found in existing regulations requiring U.S. financial institutions to establish due diligence policies, procedures, and controls reasonably designed to detect and report money laundering through correspondent accounts that U.S. financial institutions establish or maintain for certain foreign financial institutions. The proposal would extend the requirements titled "Anti-Money Laundering Programs and Due Diligence Programs for Correspondent Accounts for Foreign Financial Institutions" (31 CFR 1010.610). Comments will be accepted for 60 days, through May 29, 2017.

Source: FinCEN

CUNA Weighs in on FinCEN's Proposed Changes to the SAR

On March 29, CUNA filed a letter with FinCEN regarding proposed technical revisions to the Suspicious Activity Report (SAR). While our concerns with the proposed updates were minimal, we used the opportunity to raise ongoing concerns with BSA/AML requirements with FinCEN.

Coordination and Consistency: There should be greater regulatory and examination consistency among different regulators, including NCUA, state credit union regulators, and FinCEN.

Transaction Reporting Thresholds: FinCEN should work with regulators to support meaningful legislative and regulatory changes to minimize the costs and problems financial institutions encounter in meeting BSA/AML requirements. Increasing reporting thresholds would help reduce some of these compliance costs. We support increasing the Currency Transaction Report (CTR) threshold from the $10,000 to $20,000 and at least doubling other key thresholds, such as the $5,000 threshold for filing a SAR.

Duplicative Reporting: FinCEN should eliminate duplicative reporting requirements. Currently, when completing a SAR, financial institutions are required to duplicate the information entered into the SAR data fields into the SAR narrative. FinCEN should consider how to consolidate these two separate reports in a way that meets the informational needs of both FinCEN and law enforcement.

Source: CUNA Removing Barriers

Alternative Capital: Leagues Encourage CUs to Comment

The National Credit Union Administration (NCUA) Board's Advanced Notice of Proposed Rulemaking (ANPR) for alternative capital identifies two categories of alternative capital: secondary capital and supplemental capital.

The Federal Credit Union Act currently permits low-income credit unions to issue secondary capital. By law, secondary capital counts toward both the net worth ratio and risk-based net worth requirement of

NCUA's prompt corrective action standards. There are no other forms of alternative capital currently authorized.

However, the board is considering whether or not to authorize all credit unions to issue supplemental capital instruments that would only count towards the risk-based net worth requirement.

The ANPR seeks comments on a number of complex and detailed questions regarding:

1. NCUA's legal authority to allow alternative capital for prompt corrective action purposes;
2. Potential taxation implications;
3. Implications of securities law for supplemental and secondary capital;
4. Prudential standards regarding the extent to which various forms of instruments would qualify as capital for prompt corrective action purposes and credit union eligibility for the sale of alternative capital;
5. Standards for investor protection, including disclosure requirements and investor eligibility criteria for the purchase of alternative capital; and
6. Overall regulatory changes the board would need to make to permit supplemental capital, improve secondary capital standards, and provide or modify related supporting authorities.

You can comment on the ANPR via PowerComment. Comments are due May 9.

Source: NCUA

CUNA Advocacy Update

The CUNA Advocacy Update is published at the beginning of every week and keeps you on top of the most important changes in Washington for credit unions--and what CUNA is doing to monitor, analyze, and influence government agencies and federal law. Additional Advocacy efforts may also be found under CUNA's Removing Barriers blog.

What can ComplySight do for your credit union? It is central site that allows your credit union to:

- review regulations and laws to assess the level of compliance within your own organization;
- manage regulatory requirements and the associated internal organizational communications;
- assign and track the activities needed to achieve or maintain compliance; and
- keep current on regulatory alerts and updates.

Click here to see six more ways ComplySight can help your credit union!

ComplySight Training is Available!

Not sure how to get started, or want a refresher on how to use ComplySight? Or are you interested in seeing more of how ComplySight works? We are excited to make available recorded webinars to help you get the most out of ComplySight! We currently have seven training modules available! The ComplySight training webinars are available at any time, and registration is not required. Click here to start training today!

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