



Compliance eNewsletter

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InfoSight News

Recent channel updates

With the release of the new compliance videos, we just wanted to remind you of a few channel updates over the last quarter:

Loans and Leasing: **Payday Alternative Loans**

Accounts: **Prepaid Accounts**

ACH/Electronic Payments: **Same Day ACH Payments**

Be sure you're in compliance with these changes today!

Compliance Connection Video – **New Videos!**

Two new videos have been posted to the [Compliance Connection channel](#) on You Tube!

- [Part Two: S. 2155 Economic Growth, Regulatory Relief, and Consumer Protection Act](#) This presentation is the second of our two-part update covering the changes resulting from the passage of S.2155 that may impact credit unions.
- [Compliance Outlook – 2nd and 3rd Quarters of 2019](#) This presentation provides an overview of regulatory changes that may be impacting the credit union, effective in the 2nd and 3rd quarter of 2019.

Our [Compliance Connection channel](#) help keep you up to date on trends and topics happening in the Compliance Space! It's also a great resource to provide training on compliance issues to your non-compliance staff, executive management and Board of Directors.

Compliance News

Joint statement on BSA/AML supervision issued

As a result of a working group established by the U.S. Department of the Treasury's Office of Terrorism and Financial Intelligence, the federal bank regulatory agencies and the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) [recently issued a joint statement](#) as part of continuing efforts to improve transparency into their risk-focused approach to Bank Secrecy Act (BSA)/anti-money laundering (AML) supervision. The risk-focused approach enables federal agencies to better tailor examination plans and procedures based on the unique risk profile of each financial institution.

The statement outlines common practices for assessing a financial institution's money laundering/terrorist financing risk profile, assisting examiners in scoping and planning the examination and initially evaluating the adequacy of the BSA/AML compliance program. Using this approach, the agencies generally are able to allocate more resources to higher-risk areas and fewer resources to lower-risk areas when conducting BSA/AML examinations. The statement does not establish new requirements, and also notes that having a risk-based compliance program enables a financial institution to allocate compliance resources commensurate with its risk.

This statement was developed by a working group aimed at improving the effectiveness and efficiency of the BSA/AML regime. Members include the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and FinCEN.

Today's joint statement is the third statement resulting from the working group.

NCUA Finalizes Appraisal Rule and Fidelity Bonds; Proposes "Second Chances IRPS"

The NCUA Board recently issued a proposed IRPS regarding prohibitions imposed by section 205(d), adopted final rules on real estate appraisals and fidelity bonds, and approved its 2019 mid-session budget.

Proposed IRPS – Guidance Regarding Prohibitions Imposed by FCU Act § 205(d)

The Board issued a [proposed Interpretive Ruling and Policy Statement](#), referred to as the "Second Chances IRPS." The proposed IRPS would update and revise the existing IRPS (IRPS 08-1) regarding statutory prohibitions imposed by § 205(d) of the FCU Act, which prohibits, except with prior NCUA Board approval, any person who has been convicted of any criminal offense involving dishonesty or breach of trust, or who has entered into a pretrial diversion or similar program in connection with a prosecution for such offense, from participating in the affairs of an insured credit union.

The proposed IRPS would replace the existing IRPS in an effort to reduce regulatory burden. The proposed IRPS would amend and expand the current de minimis exception to reduce the scope and number of offenses that would require an application to the NCUA Board. Specifically, the proposed IRPS would not require an application for:

- Insufficient funds checks of aggregate moderate value;
- Small dollar simple theft;
- False identification
- Simple drug possession; and

- Isolated minor offenses committed by covered persons as young adults.

NCUA will accept public comments on the proposed IRPS for 60 days following publication in the Federal Register.

Final Rule – Real Estate Appraisals [Part 722]

The Board adopted a long-awaited [final rule](#) requiring real estate appraisals for certain transactions. Specifically, the final rule, adopted largely as proposed:

- Increases the threshold below which appraisals are not required for commercial real estate transactions from \$250,000 to \$1,000,000;
- Restructures the rule to enhance clarity;
- Exempts from the rule certain federally related transactions involving real estate in a rural area; and
- Makes conforming amendments to the definitions section.

The final rule does not adopt a proposed change that would have replaced the current § 722.3(a)(5) exemption for certain existing extensions of credit with an exemption based on whether a transaction is not considered a “new loan” under GAAP.

The final rule will be effective 90 days following publication in the Federal Register.

Final Rule – Fidelity Bonds [Parts 704, 713]

The Board adopted a [final rule](#) on fidelity bonds under Part 704 for corporate credit unions and Part 713 for natural person credit unions. Specifically, the final rule:

- Strengthens a board of directors’ oversight of a FICU’s fidelity bond coverage;
- Ensures an adequate period to discover and file fidelity bond claims following a FICU’s liquidation;
- Codifies a 2017 legal opinion that permits a natural person credit union’s fidelity bond to include coverage for certain CUSOs; and
- Addresses Board approval of bond forms.

The final rule includes the following changes from the proposed rule aimed at reducing regulatory burden:

- Does not require a credit union’s supervisory committee to review its fidelity bond renewal;
- Reduced the mandatory discovery period from two years to one year following a credit union’s involuntary liquidation; and
- Provides increased flexibility to the provision that sunsets Board approval of fidelity bond forms.

The final rule will be effective 90 days following publication in the Federal Register.

Source: NCUA

Equifax to Pay \$575 Million as Part of Settlement with FTC, CFPB, and States Related to 2017 Data Breach

The Federal Trade Commission [recently announced](#) that Equifax Inc. has agreed to pay at least \$575 million, and potentially up to \$700 million, as part of a global settlement with the Commission, the Consumer Financial Protection Bureau (CFPB), and 50 U.S. states and territories, which alleged that the credit reporting company's failure to take reasonable steps to secure its network led to a data breach in 2017 that affected approximately 147 million people. A complaint filed by the FTC alleged Equifax failed to secure the massive amount of personal information stored on its network, leading to a breach that exposed millions of names and dates of birth, Social Security numbers, physical addresses, and other personal information that could lead to identity theft and fraud.

Source: *FTC*

Other Articles of Interest:

[Military Lending Act: Back to Basics, Part 1](#)

[CUNA Provides Second-Quarter 2019 Update to The Credit Card MLA Fee Comparison Spreadsheet](#)

Advocacy Highlight

CUNA's Advocacy Resources

- [This Week in Washington – July 22, 2019](#)
- [CUNA's 2019 Advocacy Agenda](#)
- [Input to lawmakers and regulators](#)
- [CUNA Advocacy page](#)
- [CUNA's Removing Barriers blog](#)
- [CUNA's Priorities](#)
- [Actions You Can Take](#)

Compliance Calendar

- September 2nd, 2019: Labor Day - Federal Holiday
- September 20th, 2019: Providing Faster Funds Availability (Effective Date)
- October 14th, 2019: Columbus Day - Federal Holiday
- November 11th, 2019: Veterans Day - Federal Holiday
- November 28th, 2019: Thanksgiving Day - Federal Holiday

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