

# Bank Secrecy Act/OFAC/USA PATRIOT Act Policy

## Fayette County School Employees Credit Union

### General Policy Statement:

Fayette County School Employees Credit Union's comprehensive Bank Secrecy Act (BSA) / Anti-Money Laundering (AML) Program will include internal policies, procedures, and controls designed to comply with the USA PATRIOT Act of 2001 (PATRIOT Act), the BSA, the Currency and Foreign Transactions Reporting Act, OFAC rules, and all related laws and regulations in order to combat money laundering, terrorist financing, tax evasion and other financial crimes.

### Definitions:

1. **Money Laundering.** Money laundering is the criminal practice of processing "dirty" money through a series of transactions in order to "clean" the funds so that they appear to be proceeds from legal activities. It may not involve currency (cash) at every stage of the laundering process, and generally involves three independent steps (that can occur at the same time):
  - A. **Placement:** Structuring currency deposits in amounts to evade reporting requirements, or commingling currency deposits of legal and illegal activities. Examples:
    - i. Large number of deposits below the reporting threshold.
    - ii. Depositing a refund check from a canceled vacation package or insurance policy.
    - iii. Buying a series of money instruments that are collected and deposited at another location.
  - B. **Layering:** Moving funds around the financial system, often in a complex series of transactions. Examples:
    - i. Exchanging money instruments for larger or smaller amounts.
    - ii. Wiring or transferring funds to and through numerous accounts in one or more financial institutions.
  - C. **Integration:** Creating the appearance of legality through additional transactions. Example:
    - i. The purchase and resale of real estate or other assets.
2. **Terrorist Financing.** Activities financing a terrorist organization are often funded through legitimate sources, such as: (1) charitable donations; (2) business ownership; and/or (3) personal employment.

### Guidelines:

1. **BSA/AML COMPLIANCE PROGRAM.** The Board of Directors will approve the BSA/AML Compliance Program and any changes to it.
  - A. **Compliance Officer.** The BSA/AML/OFAC Compliance Officer, Jill Pegg and Assistant Compliance Officer, Melissa Mansberry, appointed by the Board, will
    - i. act as the primary contact person with any applicable federal agency,
    - ii. periodically review and update the BSA/AML Compliance Program,
    - iii. ensure that daily transaction records are received and determine if the required reports have been timely and accurately filed and appropriate actions taken;
    - iv. ensure that staff complies with the BSA/AML requirements; and
    - v. ensure that adequate record retention procedures are in place.
  - B. **Risk Assessment.** The Compliance Officer will oversee the performance of Fayette County School Employees Credit Union's risk assessment, which identifies and measures the degree of risk for each of Fayette County School Employees Credit Union's products, services, members and geographic locations, along with the steps that have been taken to mitigate the risks. The BSA Risk Assessment will be performed every 12 months.
  - C. **Internal Controls.** The Compliance Officer will develop and implement a system of internal controls and procedures under the oversight of the Board of Directors. Fayette County School Employees Credit Union's internal controls consisting of monitoring, reporting and recordkeeping.
  - D. **Training.** Fayette County School Employees Credit Union will provide ongoing training for employees whose responsibilities involve transactions covered by the BSA, PATRIOT Act, and applicable regulations. Fayette County School Employees Credit Union will also provide ongoing training for the Board of Directors and committee members. The Compliance Officer will ensure that the appropriate staff, including new hires, receives training and that records documenting the training are kept. All new employees will be trained within the first thirty (30) days of employment.
  - E. **Audit.** The BSA Compliance Officer will include independent testing and auditing of Fayette County School Employees Credit Union's BSA/AML Compliance Program and Customer Identification Program in the annual internal review plan and report its findings to the Board of Directors. This audit will be

performed at least every 12 to 18 months.

2. **MONITORING.** Fayette County School Employees Credit Union will enact procedures to monitor and identify unusual activity.
  - A. **Member Due Diligence.** As part of the monitoring process, Fayette County School Employees Credit Union will enact a member due diligence program in order to:
    - i. predict the types of transactions in which a member is likely to engage; and
    - ii. determine when transactions are potentially suspicious.
  - B. **High Risk Members.** For high risk members, Fayette County School Employees Credit Union will obtain the following information at account opening and throughout the relationship:
    - i. Purpose of the account.
    - ii. Source of wealth and funds.
    - iii. Beneficial owners, if any.
    - iv. Member's (or beneficial owner's) occupation type of business.
    - v. Financial statements.
    - vi. Residence (if a business, where it is incorporated).
    - vii. Proximity of residence, place of employment or business to Fayette County School Employees Credit Union.
    - viii. Whether international transactions are expected to be routine.
    - ix. Explanations for changes in account activity.

3. **REPORTING**

- A. **CURRENCY TRANSACTION REPORT (CTR).** Fayette County School Employees Credit Union will complete and electronically file a CTR form each time a nonexempt member withdraws, transfers, makes a payment with, or deposits cash (currency or coin) of more than \$10,000 within 15 days of the transaction (15 days if filed electronically). Multiple transactions by or on behalf of one person in one business day will be consolidated and reported as if the total exceeds \$10,000. A copy of the electronically filed CTR will be retained for five years. The credit union's Research Statistics, Supervision, and Discount (RSSD) is 982094.
  - i. CTRs are not required to be filed for transactions involving U.S. depository institutions; or federal, state or local government (or any entity exercising governmental authority). As part of the Credit Union's Customer/Member Identification Program (CIP/MIP), the Credit Union will ensure the member's initial eligibility for this exemption, and will document the basis for its conclusions.
  - ii. **Exemptions – Phase I.** A CTR is not required for transactions involving most corporations or other publicly traded entities (such as partnerships), which are listed on the New York Stock Exchange, the American Stock Exchange, or NASDAQ. In order to obtain the exemption, Fayette County School Employees Credit Union will file a Designation of Exempt Person (DEP) form with the Internal Revenue Service (IRS) within 30 days after the first transaction in currency that the Credit Union wishes to exempt. Employees are prohibited in assisting/permitting members to evade CTR filing.
    1. Fayette County School Employees Credit Union will closely scrutinize members requesting exempt status to ensure that information received from the member is current and reliable, as failure to investigate the member exposes the Credit Union to liability for contributing to the success of a criminal enterprise.
    2. At least once per year, the Credit Union will review the eligibility of an exempt member to determine whether such member remains eligible for an exemption. Management will maintain a current list of all members whose transactions are exempt. The list shall include the following information:
      - a. Member's name,
      - b. Address,
      - c. Type of business, and
      - d. Account number. Tellers must check the exempt list each time a member deposits or withdraws more than \$10,000 (currency and coin). **If members are not exempt, tellers must complete a CTR.**
  - iii. **Exemptions – Phase II.** For members who qualify as either "non-listed businesses" or "payroll customers," Fayette County School Employees Credit Union will file the appropriate form with FinCen within 30 days after the first transaction in currency the Credit Union wishes to exempt. To qualify, the member must:
    1. maintain an account with the Credit Union for at least two months (or is granted an exception based on a risk-based analysis of the legitimacy of the member's transactions that has been conducted);

2. "frequently engage" in transactions in currency in excess of \$10,000 (which means having actually conducted five (5) or more reportable cash transactions in each full year following the member's initial designation); **and**
  3. be incorporated under the laws of the U.S. or any state.
  4. At least once per year, the Credit Union will review the eligibility of an exempt member to determine whether such member remains eligible for an exemption. Fayette County School Employees Credit Union will maintain a system of monitoring the transactions in currency of each exempt customer for any reportable suspicious activity.
  5. Certain businesses are *ineligible* for treatment as an exempt non-listed business. Members who engage in multiple business activities may qualify so long as no more than 50% of its annual gross revenues are derived from one or more ineligible business activities. In these cases, the Credit Union will make a reasonable determination based on its understanding of the nature of the members' business; the purpose of the member's accounts; the actual or anticipated activity in those accounts; or by obtaining additional supporting materials (i.e., tax returns and/or unaudited financial statements). Ineligible activities include the following:
    - a. Purchasing or selling motor vehicles of any kind, vessels, aircraft, farm equipment or mobile homes;
    - b. Practicing law, accounting or medicine;
    - c. Auctioning or pawning of goods;
    - d. Chartering or operation of ships, buses or aircraft;
    - e. Engaging in gaming (other than licensed pari-mutuel betting at race tracks);
    - f. Engaging in investment advisory services or investment banking services;
    - g. Engaging in real estate brokerage, title insurance activities or real estate closings;
    - h. Engaging in trade union activities; or
    - i. Engaging in any other activity that may, from time to time, be specified by FinCEN.
- iv. At the time a member's ineligibility is discovered, Fayette County School Employees Credit Union will document its determination of ineligibility and will cease to treat the member as exempt.

- B. **SUSPICIOUS ACTIVITY REPORT (SAR).** Fayette County School Employees Credit Union will complete and (electronically) file a SAR whenever the Credit Union knows or has reason to suspect that any crime or suspicious transaction related to money laundering or a violation of the BSA has occurred. A copy of the (electronically) filed form, along with any supporting documentation, will be retained for five years. The credit union's Research Statistics, Supervision, and Discount (RSSD) is 982094.

Fayette County School Employees Credit Union will report any crime or suspected crime and any suspected computer intrusion using SAR form, Suspicious Activity Report (SAR), within thirty (30) days after discovery. If no suspect can be identified, the Credit Union may use an additional thirty (30) days to file the report.

Should the suspicious activity require immediate attention, the Credit Union will telephone 866-556-3974 and immediately notify an appropriate law enforcement authority in addition to filing timely a SAR. The Credit Union will maintain a copy of each SAR that it files and the original of all attachments to the SAR for five years. To comply with Section 351 of the PATRIOT Act, except where such disclosure is requested by FinCEN or an appropriate law enforcement or supervisory agency, the Credit Union will not provide any information that would disclose that it prepared or filed a SAR, and will notify FinCEN of any request. The Credit Union and any director, officer, employee, or agent of the Credit Union who files a voluntary or required SAR will be protected from liability for any disclosure contained in, or for failure to disclose the fact of such report.

- i. **Sharing SARs and SAR Information.** SARs are confidential. Therefore, Fayette County School Employees Credit Union will only disclose the SAR filing with the appropriate law enforcement agency, regulator, and the board, or its designated committee as outlined in this policy.
- ii. **Reportable Transactions.**
  - . **Suspicious large deposits**, even if \$10,000 or less, consisting of numerous items or out-of-area items.
  - a. **Unusual or suspicious transactions**, such as deposits; withdrawals; transfers between accounts; exchange of currency; loans; extensions of credit; purchases or sales of any stock, bond, share certificate, or other monetary instrument or investment security; any other payments, transfers, or deliveries by, through or to a financial institution; or purchases of depository checks by non-members. Fayette County School

Employees Credit Union will verify the identity of non-members purchasing such items from identity cards with pictures.

- b. **Insider abuse involving any amount.** A SAR will be filed whenever Fayette County School Employees Credit Union knows, or has reason to suspect, that an official, employee or agent has committed, or aided in the commission of, a criminal violation, regardless of the amount involved.
  - c. **Transactions aggregating \$5,000 or more where a suspect can be identified.** If it is determined before filing the SAR that the identified suspect or group of suspects used an alias, the information regarding the true identity, as well as the alias identifiers (such as drivers' licenses or social security numbers, addresses and telephone numbers), will be reported.
  - d. **Transactions aggregating \$25,000 or more regardless of potential suspects.**
  - e. **Transactions aggregating \$5,000 or more that involve potential money laundering or BSA violations.** These will be reported when Fayette County School Employees Credit Union knows or has reason to suspect that the transaction is (1) involves funds derived from illegal activities; (2) is designed to evade the BSA; or (3) has no business or apparent lawful purpose.
- iii. **Exceptions to Reporting Requirement.** Fayette County School Employees Credit Union need not file a SAR for a robbery or burglary committed or attempted that is reported to the appropriate law enforcement authorities, or for lost, missing, counterfeit, or stolen securities that are reported pursuant to 17 C.F.R.240.17f-1.
  - iv. **Report to Board or Designated Committee.** Management will notify the Board, or its designated committee, of Fayette County School Employees Credit Union's SAR activity at least monthly. The Board will be notified of SAR activity immediately if the activity warrants immediate reporting. If the suspect is a director or member of a committee designated by the board, the Credit Union will only notify the remaining directors, or designated committee members, who are not suspects, or will merely report the number of SARs filed, without providing specific information.

**C. INTERNATIONAL TRANSPORTATION OF CURRENCY AND/OR MONETARY INSTRUMENT**

**REPORT.** Fayette County School Employees Credit Union will file a Currency or Monetary Instrument Report (CMIR) if it sends or receives more than \$10,000 in currency or instruments into or out of the United States on its own behalf. The BSA does not require the Credit Union to file a CMIR in respect to currency or other instruments mailed or shipped through the postal service or by common carrier (armored car services), or the transfer of funds through normal banking procedures, which does not involve the physical transportation of currency or monetary instruments. The Credit Union will file the CMIR on or before the date of entry, departure, mailing, or shipping. Reports will be sent to: Commissioner of Customs, Attention: Currency Transportation Reports Washington, DC 20229.

**4. RECORDKEEPING**

- A. **Certain Financial Transactions.** Fayette County School Employees Credit Union will prepare and retain records concerning account documentation and negotiable instruments as required by the BSA. Fayette County School Employees Credit Union will fulfill these requirements as it makes and retains financial records in its ordinary course of business. The Credit Union will retain all records the BSA requires it to keep for a period of five years.

This includes retaining records of:

- i. each loan exceeding \$10,000 (except real estate), including the purpose of the loan;
- ii. certificate and account TINs; and
- iii. transactions concerning certain account and negotiable instruments.

- 5. **INFORMATION SHARING.** Sections 314(a) and 314(b) of the PATRIOT Act and regulations allow Fayette County School Employees Credit Union to provide information about specified accounts or transactions in response to requests from FinCEN, and to share information with other financial institutions. The Federal Bureau of Investigation (FBI) may send a National Security Letter (NSL), which will require the Credit Union to share any requested information in the possession of the Credit Union with the FBI.

- A. **Required Sharing With FinCEN – Section 314(a).** Fayette County School Employees Credit Union designates its BSA Compliance Officer as the FinCEN contact person. Upon FinCEN's request, the Credit Union will search its records for a specified individual or entity.

- i. **Certification.** Prior to FinCEN requesting information, the underlying federal law enforcement agency must provide FinCEN with a written certification, that the person named in the request is reasonably suspected, based on credible evidence, of engaging in money laundering or terrorist activity.



documentation for any account opened, maintained, administered, or managed in the United States by the Credit Union.

7. **SPECIAL CONCERN TRANSACTIONS.** The USA PATRIOT Act authorizes the U.S. Treasury Department to issue regulations finding certain countries, areas, or persons to be of "special concern," and Fayette County School Employees Credit Union will comply with any special record keeping and reporting requirements as applicable.
8. **CUSTOMER/MEMBER IDENTIFICATION PROGRAM (CIP/MIP).** Fayette County School Employees Credit Union will undertake reasonable risk-based measures, appropriate for its size and type of business, to
  - A. verify the identity of any person seeking to open an account, to the extent reasonable and practicable;
  - B. maintain a record of the information used to verify the person's identity, and
  - C. determine whether the person appears on any list of known or suspected terrorists or terrorist organizations provided to Fayette County School Employees Credit Union by any government agency.

**D. Definitions.**

- i. Under the CIP/MIP, an "account" means a formal arrangement established to provide ongoing services or other financial transactions. It applies to traditional accounts such as a checking, share draft, share, certificate account, asset account, and any loan or other extension of credit. An "account" does not include a product or service where Fayette County School Employees Credit Union does not establish a formal relationship with the person, such as: check cashing, wire transfer, sale of a check or money order, an account acquired through acquisition, merger, purchase of assets or assumption of liabilities, or an account opened for an employee benefit plan established under the Employee Retirement Income Security Act of 1974.
- ii. A "customer" ("member" or "person") includes individuals, and individuals who open a new account for corporations, partnerships, trusts, associations, etc. The CIP requires identification verification for customers opening an account and for any individual(s) authorized to open an account for a corporation, partnership, trust, association, guardianship, etc. Both deposit and lending functions are considered account relationships.

**\*Currently, the Credit Union does not have any business/corporate accounts.**

- E. **Identity Verification.** Fayette County School Employees Credit Union will create procedures to verify the identity of each member and person who opens an account, to the extent reasonable and practicable, to enable the Credit Union to form a reasonable belief that it knows the true identity of the member or person. If a member or person refuses or is unable to provide the requested information within 30 days of account opening, the account will be closed. Credit Union employees may refuse to open the account until identification to be verified is provided. If a provisional account is opened, the individual will have no access to it until identification is verified.

- i. **Required Information.** Fayette County School Employees Credit Union will create procedures that specify the identifying information that Fayette County School Employees Credit Union will obtain from each member or person opening an account. At a minimum, Fayette County School Employees Credit Union will obtain the following information from an individual or entity prior to opening an account:
  1. Name (individual name) or (entity name & any assumed business name);
  2. Date of birth (if individual);
  3. Address:
    - a. Residence or principal place of business and mailing address (if individual);
    - b. Army Post Office (APO) or Fleet Post Office (FPO) box number or residential or business street address of next of kin or of another contact individual (if individual); or
    - c. Principal place of business, local office, or other physical location (if person is other than an individual, i.e. corporation, partnership, trust, estate, guardianship).
    - d. The address of the Sponsoring Agency if member is part of a Confidential Address Program.
  4. Identification Number:
    1. For a U.S. person, a TIN, SSN, ITIN, EIN.
    2. For a non-U.S. person, one or more of the following:
      1. TIN, SSN, ITIN, EIN;
      2. Passport number and country of issuance,
      3. Alien identification card and number, or

4. Number and country of issuance of any other government-issued document evidencing nationality or residence and bearing photograph or similar safeguard. If opening an account for a foreign business without an identification number, Fayette County School Employees Credit Union will request alternative government issued documentation certifying the existence of the business/enterprise.

ii. **Limited Exceptions.**

1. **TIN Applied For.** Fayette County School Employees Credit Union may open an account for a non-person (i.e. corporation, partnership, or trust) that has applied for, but has not received, a TIN if the Credit Union maintains procedures to confirm that the TIN application was filed before the customer opens the account and obtains the TIN within a reasonable period of time after it opens the account. If the Credit Union does not receive the TIN within 30 days, the account will be closed.
2. **Credit Card Account.** In connection with a person who opens a credit card account, Fayette County School Employees Credit Union may obtain the identifying information about a person by acquiring it from a third-party source (i.e. credit reporting agency) prior to extending credit to the person.

iii. **Verification.** Fayette County School Employees Credit Union will follow risk-based procedures for verifying the identity of the member, using the information obtained within a reasonable time after an account is opened. The procedures will describe when the Credit Union will use documents, non-documentary methods, or a combination of both methods.

1. **Verification Through Documents.** For accounts opened in person, Fayette County School Employees Credit Union will verify the identity of each person or entity through the following documents:
  1. **For Individuals:** unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard (such as a driver's license or passport).
  2. **For Non-Individuals:** documents showing the existence of the entity (registered articles of incorporation or organization, government issued business license; or Partnership Agreement or trust instrument.) All non-individual accounts must have the identity of all authorized agents of the entity identified and valid SSNs must be provided to Fayette County School Employees Credit Union prior to account opening.

**\*Currently, the Credit Union does not do business/corporate accounts.**

2. **Lending Transactions.** To prevent fraud, Fayette County School Employees Credit Union will create procedures to verify member information against the applications it receives, and ensure proper authentication of the identity of each individual filing an online loan application.
3. **Documentation.** Fayette County School Employees Credit Union will create procedures for making and maintaining a record of all verification information obtained. At a minimum, the record must include:
  1. All identifying information about a member (person) obtained;
  2. A description of any document that was relied on, noting the type of document, any identification number contained in the document, the place of issuance and, if any, the date of issuance and expiration date;
  3. A description of the methods and the results of any measures undertaken to verify the identity of the member (person) which is currently done through ChexSystems; and
  4. A description of the resolution of any substantive discrepancy discovered when verifying the identifying information obtained.

iv. **Account Closure.** When a provisional account is opened without obtaining documents, all attempts will be made to retrieve the required documentation to confirm the person's identity. If this information is not obtained within fourteen (14) days the account will be closed and funds will be returned to the current account owner(s). Any exceptions to this procedure must be approved by the CEO.

- v. **Verify Identifying Information on Existing Members.** Fayette County School Employees Credit Union will not verify information about an existing member seeking to open a new account, if it:
1. previously verified the member's or person's identity in accordance with its policies and procedures;

2. continues to have a reasonable belief that it knows the member's or person's true identity;
  3. The Credit Union has a reasonable belief that the member, previously identified, is the person who is opening the account; and (d) the verification process is documented on the signature card or comment log within the account or loan file.
- B. **Lack of Verification.** Fayette County School Employees Credit Union will create procedures to determine its actions if it cannot verify a new member's or person's identity through documentary or non-documentary means. Depending upon the type of account requested, the Credit Union may permit limited transactions, while identity is being verified. After 30 days, if the Credit Union cannot form a reasonable belief that it knows the true identity of a member or person, the account will not be opened or if it was opened, it will be closed. Risk will determine final policy decisions when there is a lack of identification verification.
- C. **Record Retention.** Fayette County School Employees Credit Union will retain all identifying information about a member (person) obtained for five years after the date the account is closed. The Credit Union will retain for five years after the record is made:
- i. A description of any document that was relied on, noting the type of document, any identification number contained in the document, the place of issuance and, if any, the date of issuance and expiration date;
  - ii. A description of the methods and the results of any measures undertaken to verify the identity of the member (person); and
  - iii. A description of the resolution of any substantive discrepancy discovered when verifying the identifying information obtained.
- D. **Comparison with Government Lists.** Fayette County School Employees Credit Union will check member and authorized signer names against any list of known or suspected terrorists or terrorist organizations provided by any government agency and designated as such by the U.S. Treasury Department in consultation with Federal regulators. This determination will be made at account opening. If a person's name is on a list, the Credit Union will look to its OFAC procedures for the appropriate action. If there is a match, all further account action will be stopped and the Compliance Officer will be notified. (If the staff member does not feel comfortable stopping account opening at the time, it can be delayed until subject has left the building). Further investigating will be done before the account opening process resumes. If the Credit Union confirms a legitimate hit on any government list, the Credit Union will immediately notify the proper regulatory agency. The Credit Union will maintain documentation to show that it follows this process.
- E. **Notice.** Fayette County School Employees Credit Union will provide persons with notice that the Credit Union is requesting information to verify their identities, in a manner reasonably designed to ensure that a member or person is able to view the notice before opening an account. For example, the Credit Union may post a notice in the lobby or on its website, include the notice on its account applications, or use any other form of written or oral notice. Fayette County School Employees Credit Union will use a notice substantially similar to the following:
- i. **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We also may ask to see your driver's license or other identifying documents.
- F. **Reliance on Another Financial Institution.** Fayette County School Employees Credit Union may create procedures which specify when the Credit Union will rely on the performance by another financial institution (including an affiliate) of any procedures of the Credit Union's CIP/MIP, with respect to any member of the Credit Union that is opening an account or has established a similar formal relationship with the other financial institution to provide or engage in services, dealings, or other financial transactions, provided that:
- i. Such reliance is reasonable under the circumstances;
  - ii. The other financial institution is subject to a rule implementing 31 U.S.C. § 5318(h) and is regulated by a Federal functional regulator; and
  - iii. The other financial institution enters into a contract requiring it to certify annually to Fayette County School Employees Credit Union that it has implemented its anti-money laundering program, and that it will perform (or its agent will perform) the specified requirements of the Credit Union's CIP.

**\*Currently, the Credit Union does not rely on other financial institutions.**

Adopted 04/11/12  
Revised 10/09/13  
Revised 01/08/14  
Revised 01/07/15  
Revised 02/10/16