



Compliance News

Threat of the Week: XP Menace Multiplies.

The menace represented by the nation's many millions of computers running Windows XP - which Microsoft will stop patching April 8 – just may be multiplying.

The issue is not the XP fleet inside credit unions. Most financial institutions, said the experts, know Microsoft is ceasing support, and they have plans.

Some plans are better than others, some credit unions may not have any plan – but, as a rule, financial institutions are tackling this problem.

But there is a huge XP problem they aren't tackling. The venerable operating system is running on computers used by credit union members who will be accessing online banking, possibly other services, with machines that may well be infected with malware exploiting newly discovered vulnerabilities.

XP, understand, is a relic, but a widely used relic. It went on sale to the public in October 2001. Right now, it powers nearly one-third of computers in use globally. Upgrade paths for those many millions of computers are unclear. Most of them also are relics, many could not run Windows 7, certainly not Windows 8, the latest version (released in 2012). Bottom line: Come April 9 there still will be millions of computers running XP.

"What new risks will financial institutions face on April 9th," asked Tom Hinkel, director of compliance at Safe Systems, an Alpharetta, Ga., IT vendor to the financial services industry. "XP will enter a life phase where it forever is in a zero day exploit," meaning that daily new holes may be poked in the system by criminals, knowing that those holes will remain unplugged as long as Microsoft sticks to its resolve to turn its back on XP.

Some experts ominously say that lately there have been releases of very few XP exploits. The implication is that cyber criminals have been stockpiling exploits – counting down to Microsoft's end of support – and they will release them after Microsoft's final patch. So there may be an avalanche of exploits coming on the scene in mid-April.

Two big questions have to be asked: How big are the risks members running XP represent to credit unions; and also: Is it in the best interest of credit unions to work with vulnerable members to educate them about XP risks?

Advised Jason Blackett, a product manager at Utah-based software developer Novell, "Financial institutions have to make sure they are hardened against these attacks on the server side."

"There really will be no easy way for financial institutions to mitigate risks posed by member computers," Blackett added.

The first-line threat is simply that the member's computer becomes riddled with malware, such as the [Zeus](#) keylogger and hitherto unidentified malware.

It gets scarier from there. What if hackers concoct a way to use an infected XP machine to infect a credit union's servers? Impossible? Maybe. But maybe not because, suddenly, XP will become a playground for hackers seeking to launch new kinds of attacks, and there is no saying what they

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Highlight

Authentication in an Internet Banking Environment

The Federal Financial Institutions Examination Council Agencies (Agencies) issued guidance that provided a risk management framework for financial institutions offering Internet-based product and services to their members. It stated that institutions should use effective methods to authenticate the identity of customers and that the techniques employed should be commensurate with the risks associated with the products and services offered and the protection of sensitive customer information.

In 2011 the Agencies issued a Supplement to the Guidance which:

- Reiterates and reinforces the expectations described in the 2005 Guidance that financial institutions should perform periodic risk assessments considering new and evolving threats to online accounts

will or won't do.

As for what credit unions can do, Hinkel urged that "the financial institution has to reach out, they have to make the effort to educate the customer. It would be trivial to put a pop up on online banking: 'You May Be Using an Insecure Operating System.'"

That is: As members log into online banking with XP, tell them they may have risks that need attending to.

Still, more needs to be done with the highest-risk members. Hinkel stressed that the savvy credit union will quickly identify its highest-risk members – in most cases, these will be small businesses using XP for online banking – then "do an outreach."

That could pay big dividends because many may be unaware that continued use of XP puts them at risk. Few consumers are believed to be aware of XP's scheduled end of support. More businesses know, but many do not. A recent survey by Evolve IP found that 19% of mid-market companies were unaware of Microsoft's end of support for XP. Thirty percent of C-suite executives in those mid-market companies were unaware of the end of life.

Most credit unions, added Hinkel, "could count the number of high-risk members on the fingers of one hand. It's worth the effort to reach out, to educate them."

Presently, no security expert contacted by *CU Times* suggested that credit unions simply cut off access to members using XP. "They risk the wrath of the customers if they make their systems unfriendly to XP," Blackett said.

Blackett, however, urged credit unions to monitor the XP threat landscape, staying informed about new threats and keeping tabs on new releases of any financially focused malware.

That kind of intelligence will help credit unions keep their high-risk members abreast of the changing dangers.

And that just may be enough to help both the credit union and its members dodge the risks continued use of the 13-year-old operating system will bring.

Source: [CU Times](#) ~ Robert McFarvey

Appeals Court Overturns Interchange Ruling

Appeals court overturns merchant challenge to Fed interchange rule

U.S. Court of Appeals for the District of Columbia Circuit Judges David Tatel, Harry Edwards, and Stephen Williams ruled today to overturn a lower court that supported merchants' arguments in the ongoing debit interchange fee cap case known as *NACS, et al. v. Board of Governors of the Federal Reserve System*.

In this case, a merchants' coalition has challenged the Fed's implementation of a Dodd-Frank Act-imposed debit interchange cap as too high. The Credit Union National Association and its partner members of The Clearing House coalition maintain that the cap, in fact, is too restrictive.

"The district court granted summary judgment to the merchants, concluding that the rules violate the statute's plain language. We disagree," the circuit court judges penned in their opinion that was just released. "Applying traditional tools of statutory interpretation, we hold that the (Federal Reserve) Board's rules generally rest on reasonable constructions of the statute, though we remand one minor issue—the Board's treatment of so-called transactions-monitoring costs—to the Board for further explanation."

Credit Union National Association General Counsel Eric Richard explained of the judges' opinion, "This decision constitutes an almost total rejection of the merchants' arguments.

"We hope this will be a first step toward restoring some grounding in reality to the debate over interchange fees, not only in the courts, but also in Congress and at the regulatory agencies."

Source: [CUNA News Now](#)

Spots May Go Quickly for NCUA New 'Listening Sessions'

Available spots may go quickly for the National Credit Union Administration's new series of "Listening Sessions." The agency announced Thursday that online registration is open.

Participation in the free sessions will be limited by the size of each meeting room and may hover around 150 per meeting. They are scheduled for:

- and adjust their customer authentication, layered security and other controls as appropriate in response to identified risks
- Establishes minimum control expectations for certain online banking activities and identifies controls that are less effective in the current environment
- Identifies certain specific minimum elements that should be part of an institution's customer awareness and education program.

The Authentication in an Internet Banking Environment topic on the ACH/Electronic Payments channel of InfoSight provides guidance about the following:

- Effective controls that may be included in a layered security program
- Effectiveness of Certain Authentication Techniques
 - o Device Identification
 - o Challenge Questions
- Member Awareness and Education

CU Compliance Video Connection: Disaster Preparedness

The National Credit Union Administration (NCUA) expects all federally insured credit unions to have a comprehensive contingency plan that is regularly tested. This presentation provides the information your credit union needs for Disaster Preparedness and Recovery. [Click here](#) for the video.

Mandatory Elder Abuse Reporting Begins on July 1st in Colorado

Effective July 1, 2014, credit union staff in Colorado are required to report all elder abuse and exploitation incidents on our elderly aged 70 years and older.

Under the new Colorado law, failure to make a required report may result in criminal charges for those who choose not to comply with this ruling.

Find out how this law may impact you at a free conference training – "[Speak Up – It's the Law](#)" – sponsored by Denver Human Services, the Denver City Attorney and the Colorado Department of Human Services on Wednesday, June 11, 2014.

You can register at

www.denvergov.org/SpeakUp



Our compliance partners at NeighborBench have changed their name to [AffirmX](#)

Enhancements have been made to this cloud-based, near real-time solution that identifies risk AND provides you access to experts. This

- June 26 in Los Angeles, from 1 to 4 p.m. (PT);
- July 10 in Chicago, from 1 to 4 p.m. (CT); and,
- July 17 in Alexandria, Va., from 1 to 4 p.m. (ET).

The Listening Sessions will be open to any topics related to the NCUA and, importantly, will take place before NCUA's proposed risk-based capital rule is finalized.

NCUA Chairman Debbie Matz said she initiated the face-to-face field meetings in 2012 to talk with credit union officials about how the agency can further improve regulations, the exam process and "other agency initiatives."

"The last Listening Sessions in 2012 generated many ideas that we later incorporated into NCUA's rules. I anticipate the 2014 sessions will produce similar results," Matz said.

NCUA board member Rick Metsger and senior agency staff will also participate in the meeting.

[NCUA Registration](#)

Source: CUNA News Now

TIGTA Warns of "Largest Ever" Phone Fraud Scam Targeting Taxpayers

The Treasury Inspector General for Taxpayer Administration (TIGTA) has issued a warning to taxpayers to beware of phone calls from individuals claiming to represent the Internal Revenue Service (IRS) in an effort to defraud them.

"This is the largest scam of its kind that we have ever seen," said J. Russell George, the Treasury Inspector General for Tax Administration. George noted that TIGTA has received reports of over 20,000 contacts and has become aware of thousands of victims who have collectively paid over \$1 million as a result of the scam, in which individuals make unsolicited calls to taxpayers fraudulently claiming to be IRS officials.

"The increasing number of people receiving these unsolicited calls from individuals who fraudulently claim to represent the IRS is alarming," he said. "At all times, and particularly during the tax filing season, we want to make sure that innocent taxpayers are alert to this scam so they are not harmed by these criminals," George said, adding, "Do not become a victim."

Inspector General George urged taxpayers to heed warnings about the sophisticated phone scam targeting taxpayers, noting that the scam has hit taxpayers in nearly every State in the country. Callers claiming to be from the IRS tell intended victims they owe taxes and must pay using a pre-paid debit card or wire transfer. The scammers threaten those who refuse to pay with arrest, deportation or loss of a business or driver's license.

The truth is the IRS usually first contacts people by mail – not by phone – about unpaid taxes. And the IRS won't ask for payment using a pre-paid debit card or wire transfer. The IRS also won't ask for a credit card number over the phone.

"If someone unexpectedly calls claiming to be from the IRS and uses threatening language if you don't pay immediately, that is a sign that it really isn't the IRS calling," he said.

The callers who commit this fraud often:

- Use common names and fake IRS badge numbers.
- Know the last four digits of the victim's Social Security Number.
- Make caller ID information appear as if the IRS is calling.
- Send bogus IRS e-mails to support their scam.
- Call a second time claiming to be the police or department of motor vehicles, and the caller ID again supports their claim.

If you get a call from someone claiming to be with the IRS asking for a payment, here's what to do:

- If you owe Federal taxes, or think you might owe taxes, hang up and call the IRS at 800-829-1040. IRS workers can help you with your payment questions.
- If you don't owe taxes, call and report the incident to TIGTA at 800-366-4484.
- You can also file a complaint with the Federal Trade Commission at www.FTC.gov. Add "IRS Telephone Scam" to the comments in your complaint.

TIGTA and the IRS encourage taxpayers to be alert for phone and e-mail scams that use the IRS name. The IRS will never request personal or financial information by e-mail, texting or any social media. You should forward scam e-mails to phishing@irs.gov. Don't open any attachments or click on any links in those e-mails.

Taxpayers should be aware that there are other unrelated scams (such as a lottery sweepstakes winner) and solicitations (such as debt relief) that fraudulently claim to be from the IRS.

innovative tool combines call-report data, onsite visits, and document review in the areas of Operations, Lending, BSA, Deposit and Advertising. Imagine staying current with your consumer regulatory compliance risks in one easy-to-read dashboard depiction that saves you time and money. If a full suite of compliance risk assessments isn't the answer for you, we now offer a basic annual compliance package, including BSA, ACH, SAFE Act, and Website compliance for one low price.

For more information about our compliance services, please contact Melia Heimbeck at: mheimbeck@mwcu.com or (720) 479-3325 or 1 (800) 477-1697 ext. 3325

Advocacy Highlight

CFPB Testing New Prepaid Card Disclosures

Last week, the Consumer Financial Protection Bureau [announced on its blog](#) a new set of disclosures relating to prepaid cards that the agency is testing. In the article, the Bureau indicates that it began testing of the new disclosures in Baltimore, MD last month, and it was beginning a second round of testing in Los Angeles, CA last week. The Bureau is using this test data and the new prototype disclosure forms as it determines how to standardize these disclosures in an upcoming proposed rule for prepaid cards, which is expected this Spring. The agency has indicated that it expects to complete its testing of these disclosures in April.

The Bureau notes that currently, each prepaid card company's retail package discloses different information, which makes it difficult to do side-by-side comparisons. The agency wants its model form to clearly present a prepaid card's most important fees so consumers can easily identify the best card for their needs.

Source: CUNA

Regulatory Advocacy Report

The [CUNA Regulatory Advocacy Report](#) contains information from Bill Cheney about regulatory issues that affect credit unions. You can view the current report and past reports from the archive.

2014 Compliance Calendar

March 31

- [NCUA Liquidity and Contingency Funding Plans Effective Date](#)

April 25

- [5300 Call Report Due to NCUA](#)

April 30

- [Credit Card Quarterly Agreement Submission Due to CFPB](#)

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Source: CUNA News Now

Agencies Issue Proposed Rule on Minimum Requirements for Appraisal Management Companies

Six agencies issued a proposed rule that would implement minimum requirements for state registration and supervision of appraisal management companies (AMCs). An AMC is an entity that serves as an intermediary between appraisers and lenders and provides appraisal management services.

In accordance with section 1124 of Title XI of the Financial Institution Reform, Recovery, and Enforcement Act of 1989, as added by section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the minimum requirements in the proposed rule would apply to states that elect to establish an appraiser certifying and licensing agency with the authority to register and supervise AMCs.

The proposed rule would not compel a state to establish an AMC registration and supervision program, and there is no penalty imposed on a state that does not establish a regulatory structure for AMCs. However, an AMC is barred by section 1124 from providing appraisal management services for federally related transactions in a state that has not established such a regulatory structure.

Under the proposed rule, participating states would require that an AMC:

- Register in the state and be subject to its supervision;
- Use only state-certified or licensed appraisers for federally related transactions, such as real estate-related financial transactions overseen by a federal financial institution regulatory agency that require appraiser services;
- Require that appraisals comply with the Uniform Standards of Professional Appraisal Practice;
- Ensure selection of a competent and independent appraiser; and
- Establish and comply with processes and controls reasonably designed to ensure that appraisals comply with the appraisal independence standards established under the Truth in Lending Act.

The proposed rule also would require that the certifying and licensing agency of a participating state have certain authorities, including the authority to:

- Approve or deny initial AMC registration applications and applications for renewals;
- Examine the AMC and require the AMC to submit relevant information to the state;
- Verify that the appraisers on the AMC's appraiser network or panel hold valid state certifications or licenses;
- Conduct investigations of AMCs to assess potential violations of appraisal-related laws;
- Discipline an AMC that violates appraisal-related laws; and
- Report an AMC's violation of appraisal-related laws, as well as disciplinary and enforcement actions, and other pertinent information about an AMC's operations to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

The proposed rule would provide participating states 36 months after its effective date to implement the minimum requirements. An AMC that is a subsidiary of a financial institution and regulated by a federal financial institution regulatory agency is required by section 1124 and the proposed rule to meet the same minimum requirements as other AMCs, although such an AMC is not required to register with a state.

In conjunction with the proposal, the Federal Deposit Insurance Corporation is proposing to rescind appraisal regulations promulgated by the former Office of Thrift Supervision (OTS). The OTS appraisal regulations are duplicative of the FDIC's appraisal regulations in Part 323. Similarly, in a separate rulemaking, the Office of the Comptroller of the Currency is rescinding appraisal regulations promulgated by the former OTS.

The proposal is being issued jointly by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau, the Federal Housing Finance Agency, and the National Credit Union Administration.

The *Federal Register* notice is attached. The agencies are seeking comments from the public on all aspects of the proposal. The public will have 60 days to review and comment on the proposal and the proposed Paperwork Reduction Act analysis. Publication of the proposal in the *Federal Register*

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May 26

• [Memorial Day – Federal Holiday](#)

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July 4

• [Independence Day – Federal Holiday](#)

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July 31

• [Credit Card Quarterly Agreement Submission Due to CFPB](#)

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September 1

• [Labor Day - Federal Holiday](#)

-
September 19

• [NACHA Operating Rules Changes](#)

CUNA 2014 Effective Dates New and Revised Rules

March 12, 2014~CFPB

[Equal Access to Justice Act Implementation Rule](#)

March 31, 2014~NCUA

[NCUA Emergency Liquidity Rule](#)

December 31, 2015~IRS

["Foreign Account Tax Compliance Act" \(FATCA\) Rule](#)

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30 Days From Publication in Fed Register

[CUNA Summary of Changes between NCUAs
Final and Proposed Rules on Derivatives to
Mitigate Interest Rate Risk January 2014](#)

2014 CUNA Comment Calls

Due Dates on Proposed Rules

-
April 21, 2014~NCUA

[Voluntary Liquidations of Federal Credit Unions](#)

-
June 9, 2014~NCUA

[Annual Regulatory Review List](#)

ASAP~NCUA

[Risk Based Capital \(RBC\)](#)

CUNA Webinars

April 1

[General Operations Regulations](#)

[Doing Well by Doing Good - How Financial Counseling and Education Benefits Members and the Credit Union](#)

April 8

[Developing a Well-Rounded Financial Counseling and Education Program at Your Credit Union](#)



MOUNTAIN WEST Credit Union Association

[Training & Events Calendar](#)

Bank Secrecy Act School

[Bank Secrecy Act School: Denver, CO: May 29, 2014](#)

Consumer Lending Basics for Non-Lenders

Join us this Spring for Consumer Lending Basics for Non-Lenders. This program introduces MSRs and entry-level consumer lenders to the fundamentals of consumer lending and will take place in Phoenix, AZ and Denver, CO. For more information or to register, click on the link to choose the program nearest you.

[Colorado: Consumer Lending Basics for Non-Lenders: May 22, 2014](#)



To register and view the course information, [click here](#).

Mountain West CU Association Bankruptcy & Collections School

The Bankruptcy and Collections School, taking place on April 16-17 in Denver, CO, is designed to expand your knowledge of legal issues with collections and bankruptcy to keep your credit unions collection practices sound. Register for one day or both days.

Day One: April 16 - Developing and Maintaining an Effective Collections Department

Day Two: April 17 - Bankruptcy: Beyond the Basics!

[Exploring Financial Counseling Models](#)

April 14

[Money Mission Demo - Online Financial Literacy Game](#)

[10 Steps to Proper Chattel Lien Reinforcement](#)

April 15

[Successful Financial Counseling and Education Programs - Best Practices](#)

April 16

[What Every FI Needs to Know About Identifying and Preventing Elder Financial Abuse webinar](#)

CUNA Schools and Conferences

April 6 - 11

[CUNA Regulatory Compliance School Introduction and Update, Hollywood, CA](#)

September 14 - 19

[CUNA Regulatory Compliance School Introduction & Update, Chicago, IL](#)

October 26 - 29

[CUNA Bank Secrecy Act Conference, Las Vegas, NV](#)

[Mountain West CU Association](#)

[Annual Meeting, April 24 - 26](#)

[Fair Lending Basics for Volunteers Breakout Session at AMC](#)

The world of Fair Lending has seen fines and the Department of Justice referrals skyrocket recently. While only a small number of credit unions have faced Fair Lending examinations, the number is increasing and expected to continue, likely resulting in additional enforcement actions. Make sure your board and committee members are up-to-speed by having them attend the 2014 Annual Meeting & Convention educational breakout session, Fair Lending Basics for Volunteers where attendees will walk out with a certificate of attendance that can be provided to regulators as proof of on-going education. Visit www.mwcua.com/am for more details.

For more Annual Meeting information, click on the Unite for Good graphic below.



Archive Only

[Webinar: Interagency Guidance for Reporting Elder Financial Exploitation](#)
[Please contact Jaquetta Ward at \[jward@mwcua.com\]\(mailto:jward@mwcua.com\) to register](#)

April 1

[Webinar: Completing Flood Insurance Forms Line-by-Line: Including New Biggert-Waters Changes Effective June 1, 2014](#)

April 15

[Webinar: Mobile Device Risks & Compliance Rules: Managing Your Credit Union's BYOD & COPE Policies](#)

April 24

[Webinar: BSA Officer Duties & Update](#)

July 1

[Webinar: COMPLIANCE OFFICER TRAINING: Will Your AML/BSA/OFAC Program Satisfy Examiner Scrutiny?](#)