



Compliance News

FinCEN Issues Update on U.S. Currency Restrictions in Mexico Regarding Funnel Accounts and TBML

The Financial Crimes Enforcement Network (FinCEN) issued an advisory earlier this week to financial institutions regarding the increased use of funnel accounts as part of trade-based money laundering (TBML) conducted by criminal actors following the restrictions on U.S. currency transactions in Mexico. The advisory provides "red flags" that may assist financial institutions in identifying and reporting suspicious funnel account activity.

The advisory is available at http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2014-A005.pdf.
Source: FinCEN

Nearly Half of U.S. Adults are Victims of Compromised Personal Data

The personal information of 110 million U.S. citizens, or almost half of the nation's adult population, has been exposed by hackers sometime in the last 12 months, researchers have found (*CNNMoney.com* May 28).

Perhaps even more eye-opening, Ponemon Institute, the organization that compiled the data for *CNNMoney*, discovered that 432 million individual accounts have been compromised during that time.

"It's becoming more acute," Larry Ponemon, head of the Ponemon Institute, told *CNNMoney.com*.
"If you're not a data breach victim, you're not paying attention."

Each compromised record often includes personal information such as names, debit or credit card numbers, emails, birthdays and passwords.

Breaches have become so common that researchers say consumers are beginning to experience "data-breach fatigue."

To illustrate that point, *CNNMoney* compiled a list of the most notable breaches in recent months:

- 70 million Target customers had personal information stolen, including information from 40 million credit and debit cards;
- 33 million Adobe user credentials were compromised, including 3.2 million stolen credit and debit cards;
- 4.6 million Snapchat users' account data were accessed;
- 3 million payment cards at Michaels were exposed;
- 1.1 million cards from Neiman Marcus were exposed;
- A "significant number" of AOL's 120 million account holders' information was compromised; and
- Possibly all of eBay's 148 million customers' credentials were exposed.

While exposures at these retailers have grabbed headlines, what might be even more alarming is that healthcare and pharmaceutical companies rate even worse than retailers in terms of security performance, according to recent analysis performed by BitSight Technologies (*Businessweek.com* May 28).

"To see healthcare companies score below retail--having seen what we've witnessed in retail over the last six to nine months--we thought it was pretty sobering," Stephen Boyer, BitSight chief technology officer, told *Businessweek*. "They're failing to do even some of the basic level protections."

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Monday, June 9th, 2014

Town Hall Meeting

with Rick Metsger, NCUA Board Member

starting at 1:30 p.m.

Denver Community Credit Union -
Community Room
1041 Acoma Street Denver, CO



Social Networking Security

Social networking sites, such as Facebook, are popular—and it is likely that some of your employees use them. While your employees probably are not using these sites at work, it is worth examining the downfalls of such sites. For example, if an employee identifies his or her workplace on Facebook, then his or her comments can be seen as a reflection on your organization.

Primarily Facebook is a business and its job is to make money. Web security experts believe most users of this social networking site have no idea how their activities on the site are

States Seek Feds' Banking Guidance for Cannabis Businesses

Colorado Gov. John Hickenlooper and Washington Gov. Jay Inslee have asked the federal financial institution regulators for guidance on marijuana business banking. The governors wrote a letter this week to the National Credit Union Administration, Federal Reserve, Office of the Controller of the Currency and the Federal Deposit Insurance Corp.

The letter follows one sent in October 2013 by the two governors with a similar request for guidance.

"Banks and credit unions in Colorado and Washington are waiting for the Federal Banking Agencies to furnish the instructions given to bank and credit union examiners before deciding whether and how to provide banking services to state-licensed recreational marijuana businesses," the letter reads. "In the meantime, product sales have begun in Colorado and will soon be in Washington, exposing all involved to the significant risks of criminal activity associated with accepting, storing and transporting large quantities of cash that can be ameliorated by access to the banking system."

According to a May 27 report in *The Denver Post*, financial institutions in both states are more worried about penalties from financial regulators than from prosecutors, fearing the effects and penalties that regulators could impose.

The U.S. Department of the Treasury's Financial Crimes Enforcement Network issued guidance in February that advised anyone providing financial services to marijuana-related business to assess the risk with due diligence that includes:

- Verifying with appropriate state authorities whether the business is duly licensed and registered;
- Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
- Requesting from state licensing and enforcement authorities available information about the business and related parties;
- Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g. medical vs. recreational customers);
- Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
- Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
- Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

CUNA News Now reported earlier this month that Spokane Valley, Wash.-based Numerica CU, with \$1.3 billion in assets, would be the first financial institution in the country to accept marijuana-based business. Businesses that grow or process cannabis can manage finances there, but retailers cannot. (See *News Now* May 9: "Wash. CU sets standards for serving marijuana businesses.")

[FinCEN: "BSA expectations regarding marijuana-related businesses" \(PDF\)](#)

Alabama Firm Fined for 'Inadequate' RESPA Disclosures

The largest real estate firm in Alabama has been ordered to pay \$500,000 for an inadequate disclosure practice that left some consumers unaware of their right to choose a service provider during the home-buying process, according to the Consumer Financial Protection Bureau.

The CFPB, in a release Wednesday announcing its action against RealtySouth's, charged the firm's disclosures violated the Real Estate Settlement and Practices Act (RESPA). RESPA protects consumers during the home-buying process by prohibiting such things as kickbacks for referrals of real estate settlement services.

The bureau said RealtySouth's preprinted form purchase contracts, given to homebuyers preparing to make an offer on a home, either "explicitly directed or suggested" that title and closing services be conducted by TitleSouth, an affiliated company owned by the same holding company that owns RealtySouth.

"While RESPA allows real estate companies to refer their customers to affiliated businesses, the law requires them to provide consumers an 'Affiliated Business Arrangement' disclosure that clearly states their right to shop around for a better price and that they are not required to use the affiliated company," the CFPB noted.

being used in the marketplace.

The Facebook Security topic on the Security channel of InfoSight examines the pitfalls of Facebook, including:

- Users' information is being shared with third parties.
- Facebook ads may contain malware.
- Scammers are creating fake profiles.

CU Compliance Connection: One Per Year IRA Rollover

Recent court action has changed how members will have to manage their individual retirement accounts and limits rollovers to one per year. [Click here](#) for the video.



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 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@mwcua.com or (720) 479-3325 or 1 (800) 477-1697 ext. 3325

2014 Compliance Calendar

July 4

- [Independence Day – Federal Holiday](#)

July 31

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

September 1

- [Labor Day - Federal Holiday](#)

September 19

- [NACHA Operating Rules Changes](#)

October 13

- [Columbus Day – Federal Holiday](#)

October 31

- [Credit Card Qtrly Agreement Submission](#)

The disclosure RealtySouth gave consumers did not comply with the law; it did not properly highlight consumers' rights, and the required language was buried in a section of text that also made marketing claims about the company's prices.

The case was referred to the CFPB by the Department of Housing and Urban Development. RealtySouth changed its disclosure forms immediately after being contacted by the CFPB, the release said.

[CFPB Consent Order \(PDF\)](#)

Source: CUNA News Now

Comment Period for GLBA Privacy Amendment Extended to July 14

The Consumer Financial Protection Bureau has extended the comment period to July 14 from June 12 for the amendment to the annual privacy notice requirement set forth in subpart A of Regulation P of the Gramm-Leach-Bliley Act (GLBA). The CFPB published the proposal in the May 13 edition of the *Federal Register*.

The proposed amendment would allow financial institutions that do not engage in certain types of information sharing activities to stop mailing an annual disclosure if they meet the following conditions:

- The financial institution does not share the customer's nonpublic personal information with nonaffiliated third parties in a manner that triggers GLBA opt-out rights;
- The financial institution does not include on its annual privacy notice an opt-out notice under section 603(d)(2)(A)(iii) of the Fair Credit Reporting Act (FCRA);
- The financial institution's annual privacy notice is not the only notice provided to satisfy the requirements of section 624 of the FCRA;
- The information included in the privacy notice has not changed since the customer received the previous notice; and
- The financial institution uses the model form provided in the GLBA's implementing Regulation P.

Use [this link](#) for the full proposal.

Source: CUNA News Now

Advocacy Highlights

CUNA Files Comprehensive RBC Comment Letter as Credit Union System Unites Against Proposal

The comment period closed last week on NCUA's RBC proposal, and over 1,850 letters were filed urging NCUA not to proceed. CUNA's 47-page single spaced letter chronicled the concerns, and CUNA is looking forward to working cooperatively with NCUA to develop a better system. CUNA wrote that NCUA should withdraw the proposal given the flaws in the proposal and the damage it stands to cause to credit unions.

CUNA President and CEO Bill Cheney said NCUA should instead retain the current system while seeking and achieving positive and meaningful reform related to capital and prompt correction action (PCA). CUNA highlighted the disturbing disconnect between the proposal and the historical facts of credit unions' performance in times of fiscal crises, including the Great Recession. Credit unions have consistently performed better than banks in such stressful circumstances, yet NCUA's proposed risk-based capital standards are in many ways more stringent than those for community banks.

CUNA's letter warns that, for credit unions, the proposal will lead to "stagnation by overcapitalization," consigning credit unions to an inconsequential role in the financial marketplace over time. "Credit unions have been subjected to a number of new rules in the wake of the financial crisis, but none of them is as potentially harmful as this proposal," the letter states. "Indeed, the economic and legal issues spawned by the proposal are numerous, the policy questions are real, and, as evidenced by the overwhelming level of interest in this rule, the stakes for credit unions and their 99 million member owners could not be higher."

"CUNA has historically supported risk-based capital but cannot support this proposal," the letter states. "We urge NCUA to address the numerous fundamental issues we are raising by incorporating our recommendations and reissuing a new proposal for comments from the credit union system and other stakeholders."

[Due to CFPB](#)

November 2

• [Daylight Savings Time Ends](#)

November 11

• [Veterans' Day – Federal Holiday](#)

CUNA 2014 Effective Dates New and Revised Rules

June 30, 2014~NCUA

[Credit Union Service Organization](#)

December 31, 2015~IRS

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

2014 CUNA Comment Calls

Due Dates on Proposed Rules

June 9, 2014~NCUA

[Annual Regulatory Review List](#)

June 23, 2014~NCUA

[Associational Common Bond and Field of
Membership Requirements](#)

July 14, 2014~CFPB

[Annual Privacy Notice Requirements
Under GLBA](#)

CUNA Webinars

June 19

[NCUA Share Insurance](#)

July 14

[3rd Party Vendors and Regulatory Compliance
Demands](#)

July 17

[Garnishments-Levies](#)

July 22

[Consumer Lending Update and Fair Lending](#)

July 29

[Mortgage Lending Update](#)

CUNA Schools and Conferences

August 10 - 14

[CUNA Lending Compliance School, Las Vegas](#)

September 14 - 19

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

October 26 - 29

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



This week's Regulatory Advocacy Report will bring you up to speed on the following issues we



[Training & Events Calendar](#)

are working for on your behalf:

- CUNA files comprehensive RBC Comment Letter as Credit Union System Unites Against Proposal
- CFPB Publishes Spring 2014 Rulemaking Agenda
- Final Reminder: CUNA Seeks Comments on International Remittance Transfers Survey, and CFPB Proposal Through June 2
- CFPB Extends Comment Deadline for Privacy Proposal
- Federal Agencies Focus on Young People at Financial Literacy Meeting
- FASB Continues Work on Credit Losses, Issues Update on Revenue Recognition
- CFPB Fines Real Estate Firm for RESPA Violations

Be sure to visit our new [Risk-Based Capital blog](#) for the latest from CUNA staff and guest bloggers.

June 18

[Webinar: Regulatory Compliance for the Frontline, Including BSA](#)

June 19

[Compliance Networking Council – Registration Form](#)

June 24

[Webinar: Reg E & Debit Card Error Resolution: Processing, Disclosure & Investigation](#)

July 1

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

July 9

[Webinar: Completing the SAR Report Line by Line](#)

July 30

[Webinar: Real Estate Lending Series: Avoiding HMDA Reporting Mistakes](#)

Please respond to mrobey@mwcu.com with any questions or concerns regarding content of this newsletter.

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