

The Board's Role in BSA Compliance

Proactive oversight is pivotal to developing a culture of compliance.

Keeping up with the Bank Secrecy Act (BSA) and abiding by anti-money laundering (AML) procedures requires a culture of compliance rooted in strong board of directors oversight, attorney David Reed says.

"The business side of the organization needs to support AML controls, and this needs to begin with leadership," says Reed, who spoke at the CUNA/National Association of State Credit Union Supervisors BSA Conference.

"The board, management, and owners and operators are all responsible for compliance with the BSA, and this commitment should be clearly visible," he adds.

A credit union should have a director, appropriate committee member, or designated senior management employee:

- **Assign** specific responsibility for the BSA program's implementation.
- **Approve** the initial program and future changes, and record those moves in the board's minutes.

- **Review** annual reports regarding compliance.
- **Require** that staff responsible for the BSA program report to the board.

The BSA requires all financial institutions to monitor member behavior, file reports on transactions that meet certain dollar thresholds, and maintain records of certain transactions.

It assists law enforcement in uncovering criminal activities such as money laundering, drug trafficking, tax fraud, and terrorist financing.

'BSA DATA IS A MAJOR HELP WHEN WE CONDUCT AN INVESTIGATION.'

JOSEPH HALL, SECRET SERVICE

A tool for law enforcement

According to the Financial Crimes Enforcement Network (FinCEN), some 10,000 people from more than 350 federal, state, and local agencies combine to conduct an average of 30,000 BSA data searches daily.

NCUA ranked BSA compliance second among its top emerging risks in 2017.

"We're here to provide information to law enforcement apparatus to help them do their jobs better. And if we fail to report information, that provides fewer tools for law enforcement to do their jobs," Reed says. "They don't want that, and we certainly don't want that."

According to Secret Service Special Agent Joseph Hall, credit unions play a particularly important role in detecting money laundering—the process by which criminals place, layer, and integrate illicit funds through the economy to make it appear the money comes from legitimate sources.

The "placing" stage is the most vulnerable to detection, Hill says, and that's where credit unions and other financial institutions can be especially helpful. Criminals often structure deposits a certain way to avoid detection, particularly when it comes to large amounts of illicit cash, such as making a number of deposits just below the \$10,000 currency transaction report threshold.

"BSA data is a major help when we conduct an investigation, whether it's money laundering or fraud," Hall says. "Accessing those documents can give us the information we need to determine if we're going to be able to prosecute a criminal."

Sharing SAR information

Credit unions face no requirement to share suspicious activity report (SAR) information with their boards,

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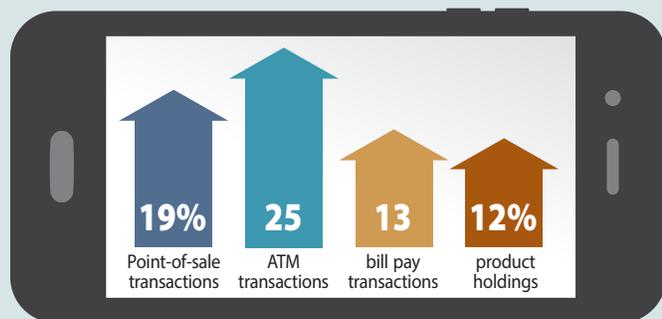
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MOBILE BANKING USERS

Members who use mobile banking generate 36% more revenue than those who only visit the branch, according to Fiserv's "Mobile Banking Impact" report. Mobile users also are more loyal, with a 4.9% attrition rate compared with 13.4% for branch-only members. Mobile banking members increase their use of many products and services, such as:



Source: Fiserv's "Mobile Banking Impact" report



CUNA Compliance
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and Reed advises against sharing a copy of actual SARs with directors. Credit unions must also remember and safeguard SAR confidentiality if the report involves an insider.

But credit unions do have latitude to offer directors summaries of the SARs they file.

Reed recommends that compliance officers assem-

ble what he dubs “a scrapbook of pain,” saving coverage of publicized BSA compliance issues and disseminating it within the credit union.

“Utilize what you read in various publications,” Reed says. “If you see an entity hit because of a potential problem in BSA enforcement, consider copying it and sharing it.”

Components of a Cyber Incident Plan

Credit unions should have cyber incident plans in place in case a breach occurs. CU Answers, a credit union service provider, recommends those plans include:

- **An overview** of the corporate approach to data breaches or network intrusions.
- **An outline** of the individuals and teams involved, as well as a list of assigned responsibilities.
- **Impact analysis** on the types of personally identifi-

able information that might have been exposed, to determine the severity of the event and prioritization of notifications.

- **A notification process** for management, members, boards, regulators, and other authorities.
- **A breakdown** of who has the authority to act, and what decisions can be made based on the severity of impact.



CUNA National
Young Professionals
Conference, May 2-3,
Madison, Wis.:
cuna.org/ypconference

Attract Young Professionals to Your Board

A Q&A with Community 1st Credit Union Board Member Edith Cabrera-Tello.

Every generation has a different point of view, says Edith Cabrera-Tello, one of the younger members of Community 1st Credit Union’s board of directors.

And her voice on the board provides the \$614 million asset credit union in Ottumwa, Iowa, a better understanding of her generation’s point of view.

“I can explain and provide examples of what other members like me need. I can even provide some ideas to decrease some of these gaps,” says Cabrera-Tello, coordinator of an English language learning center at Indian Hills Community College.

In an interview with CUNA News, Cabrera-Tello shares her insights on attracting young professionals to credit union boards.

Q. What led you to the credit union board?

A. The need to represent our diverse and minority community population. Minority credit union members have different financial needs. Some of these members come from other countries. They need to understand and learn the U.S. economic and financial system.

I also wanted to increase my leadership experi-

ence and support our community, and to improve my project and team management skills.

Q. Would you encourage other young professionals to consider joining a board?

A. Absolutely! Younger professional board members will enjoy the board experience. They’ll expand their financial and leadership experience.

Young board members can reinforce the internal and external values of the organization. They represent the young population, the new ideas, new technology, new networking, and new leadership strategies.

Q. Do you have any advice for other credit union boards that want to attract younger members?

A. Yes, I have a few suggestions:

- **Look** for committed young members who could benefit from a financial and personal experience and who are interested in giving back to their community.
- **Find** outstanding local college students studying business with an emphasis in marketing, accounting, finance, or management.
- **Provide** internship opportunities with an option to become a board member.
- **Search** for young, energetic leaders in local nonprofit organizations.
- **Think** about how the young board member can connect you with emerging generations.



Edith Cabrera-Tello

An Exclusive Conversation With George W. Bush

Previewing the speakers at CUNA's Governmental Affairs Conference.

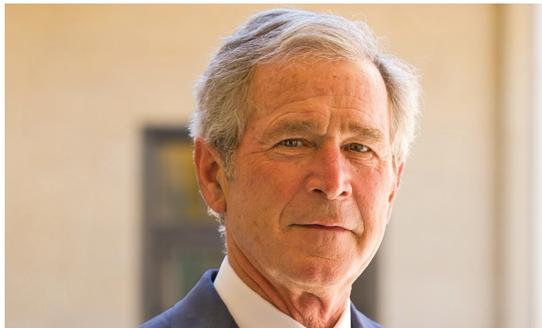
President George W. Bush will join us for an exclusive conversation at the CUNA Governmental Affairs Conference (GAC), addressing the challenges facing our nation in the 21st century and the power of freedom.

His appearance marks the first time a former president will speak to the nation's largest credit union conference.

Bush was sworn into office Jan. 20, 2001, and served as commander in chief for two terms. As president, Bush worked to expand freedom, opportunity, and security at home and abroad.

The most significant event of President Bush's tenure came on Sept. 11, 2001, when terrorists killed nearly 3,000 people on American soil.

Bush responded with a comprehensive strategy to protect the American people. He reformed the intelligence community and established new institutions such as the Department of Homeland Security, and he built global coalitions to remove violent regimes in Afghanistan and Iraq that threatened the U.S.



The Bush Administration provided unprecedented American support for young democracies and dissidents in the Middle East, Eastern Europe, and elsewhere. In the more than seven years he remained in office following Sept. 11, 2001, the U.S. was not attacked again.

Bush has focused much attention on the development of the George W. Bush Presidential Institute in Dallas, which advances the principles that have guided him throughout his life: freedom is universal; each human life is precious; to whom much is given, much is required; and the marketplace is the best way to allocate resources.

Monitoring millennials' influence

Societal trends affect consumers' decision making, from their politics to their purchases. Kristen Soltis Anderson monitors those trends, and examines how America's shifting demographics could affect future elections.



"You have to understand millennials because they're changing a lot of society's institutions," says Anderson, co-founder of Echelon Insights.

Credit unions should find ways to embrace these changes, such as understanding why young adults tend to be risk-averse and wary of commitment, she says.

"We've come of age in an era when a lot of the things we were told were responsible, safe choices weren't," Anderson says. "We're questioning what seemed like the safe bet."

Go 'all in' for maximum impact

To find true fulfillment, Gian Paul Gonzalez says, you must throw your heart and soul into what matters most, relishing the trials and tribulations with the successes.



"When you're 'all in,' it's something personal," Gonzalez says. "It's something that drives you."

Gonzalez went "all in" when he passed on an NBA contract to be a public school teacher in his troubled hometown and steer kids clear of gangs.

The power of his message inspired the NFL's New York Giants, who in 2011 went from a team in danger of missing the playoffs to winning the Super Bowl.

An insider's view of D.C. politics

Amy Walter has built a reputation as an accurate, objective, and insightful political analyst with exceptional access to campaign insiders and decision makers.



The national editor of the *Cook Political Report*, Walter is a regular panelist on many of the premier political shows on network television.

Her presentations take audiences on an insider's tour of D.C. through the eyes of a woman with her finger on the pulse of politics.

Make 'static' members 'ecstatic'

Turn your fans into fanatics, and they'll become human marketers for you, advises Scott Stratten, president of the unconventional firm UnMarketing.



Fully engage with existing members so they'll tell your credit union's story to their family and friends. "Sometimes, the best way to get new members or even younger members is to treat the current members as best as possible," he says.

Strive to turn "static" or unengaged members into "ecstatic" members by excelling during every interaction.



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Great Boards Ask Great Questions

Focus conversations with your CEO on central strategies, not operations.

“How do you oversee your credit union differently today than five to 10 years ago?”

I asked this question to a panel of large credit unions’ board chairs, looking for insights into the governance approaches that turned midsize institutions into billion-dollar asset industry leaders.

Unanimously, the chairs agreed they benefited most from posing questions to their CEOs that focused on central strategies, and that operational conversations were best left to the CEO and executives.

Similarly, CEOs from several dozen additional credit unions indicated that board questions revolving around “focus” and “challenge” were of highest value in aligning oversight and implementation.

For a board to add tremendous value for its CEO, it should become a master of asking focused and challenging questions. Here are 10 examples:

1. What are our three most important areas of focus this year? This helps your board concentrate on your credit union’s broad direction, and where you anticipate moving forward.

2. What major strategies move the credit union forward? Attaching specifics and measures to your areas of focus, strategies, and plans allows your board to view the real-world steps of progress.

3. What risks should we be taking? As fiduciary agents, a conservative outlook is normal. But credit unions don’t grow—and members aren’t served—without taking well-designed and well-managed risks.

4. What are we missing with these plans and ideas? Part devil’s advocate and part second set of eyes, a board’s perspective and external assessment can refine ideas with angles overlooked during the internal design and deliberation process.

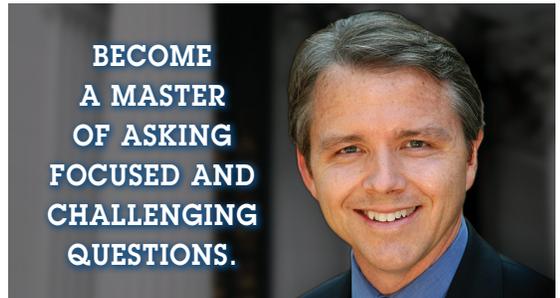
5. Where can we mitigate risk or improve the odds of success? Mitigating risk doesn’t eliminate risk—only inaction does that. But a firm analysis of risk and reward can increase the expected return for new or continued investment.

6. What results transpire with reasonable growth? Exceptional growth? Slow growth? Working

with those refined plans, different scenarios allow your board to perceive the bottom-line potential of your strategies, and varied situations prepare your board for possible modifications as results materialize.

7. What does the CEO need to best execute and deliver long-term results? Be it capital outlays or business model shifts, investments outside the course of ordinary business are often a part of larger strategic plans.

8. Are we moving forward at the same pace as members? Innovation, access, and relevance come into play every day. What do your members require and is your credit union acting upon their expectations for modern, pertinent financial services?



9. Are we staying true to our mission, and adding and delivering value to members? Every credit union’s mission statement reads differently, but states the same goal: to serve members. As you oversee strategic results, decisions, and trade-offs, do your members continue to receive and use products and services that add immediate and long-term benefit to their lives?

10. How can the board help the CEO grow professionally? The need for talent development doesn’t stop once someone reaches the corner office. Ask your CEO what he or she needs to become a better CEO. An investment in your CEO is an investment in your credit union and its members.

Asking great questions of your CEO, with great results for members in mind, provides great value to all parties as they focus on leading—strategically and with great intent.

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