



Policy and Procedure News for Credit Unions

Policy and Procedure News for Credit Unions-

Designed with You in Mind!

This newsletter is designed to help inform you about issues related to creating and maintaining thorough, up-to-date, usable policies and procedures.

In each issue, look for news about regulation changes, a featured policy, and frequently asked questions (FAQs).

If you have a topic you would like to see addressed in a future issue, contact us (see page 4).

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BSA/AML Examination Manual Revised

On April 29, 2010, the Federal Financial Institutions Examination Council (FFIEC) released a revised *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual*. The manual can be accessed at http://www.ffiec.gov/bsa_aml_infobase/default.htm. Being aware of the changes may help you update risk-based policies and procedures in order to better comply with the BSA and to safeguard your operations from money laundering and terrorist financing. Important changes include the following:

Core Examination Procedures for Assessing the BSA/AML Compliance Program – Streamlined the core examination procedures for assessing a credit union’s BSA/AML compliance program.

Review pages 15-18 for an overview.

Developing Conclusions and Finalizing the Examination – A clearer explanation of how Examiners should determine whether a violation is systemic or recurring, as opposed to a technical or isolated violation.

Review pages 44-47.

Suspicious Activity Reporting – Enhanced the discussion of methods to identify, research, and report suspicious activity. Added Appendix S, *Key Suspicious Activity Monitoring Components*, to illustrate the interaction between the different components of a suspicious activity monitoring program.

Review pages 68-60 and Appendix S.

Currency Transaction Reporting Exemptions – Updated the guidance on currency transaction reporting exemptions based on December, 2008 changes in the regulations.

Review pages 90-94.

BSA/AML Compliance Program Structures – Additional discussion of BSA/AML compliance programs for different sized financial institutions, especially for those that consolidate compliance programs. Small institutions may combine BSA/AML compliance with other functions and utilize the same personnel in several roles. When doing this, there must be adequate senior-level attention to BSA/AML compliance, sufficient dedicated resources, and the audit function must remain independent. Larger credit unions may establish a corporate BSA/AML compliance function to coordinate some or all BSA/AML responsibilities.

Review pages 160-168.

Bulk Currency Shipments – Additional guidance on managing the risks associated with receiving bulk shipments of currency and implementation of effective monitoring and reporting systems.

Review pages 188-194, page 5 of Appendix F for red flags, and page 6 of Appendix H for items Examiners may request to see.

Electronic Banking – Updated the section on *Remote Deposit Capture* to reflect the FFIEC guidance, *Risk Management of Remote Deposit Capture* (January 14, 2009).

Review page 209.

Funds Transfers – Updated the section to reflect introduction of the SWIFT MT 202 COV message format for transmitting information related to foreign exchange.

Review pages 215-216.

Automated Clearing House Transactions – Updated the ACH and OFAC sec-



The Examiners have revised how they'll look at your BSA/AML policies. Are you ready?

Featured Policy – ***New Overdraft Rules for Debit and ATM Cards***


Beginning July 1, 2010, new Federal Reserve rules go into effect regarding overdraft protection for transactions made by Debit or ATM cards.

For all new accounts opened after that date, members must sign an “opt in” agreement, indicating their permission for the credit union to honor Debit or ATM card transactions for which there are insufficient funds and to charge a fee for that service. If the member “opts out,” the credit union must neither cover the transaction nor charge a fee.

For all existing members, a notice must be sent allowing members to opt in or out of standard overdraft protection/courtesy pay practices. After August 15, 2010, the credit union may only cover overdrafts that occur as a result of Debit or ATM card use and charge a fee for that service for those mem-

bers who have signed and returned the notice. Those opening accounts between now and July 1 will be considered existing members and will have until August 15 to select an overdraft option.

For members who opt out of overdraft protection/courtesy pay to avoid the fees, their Debit or ATM card transactions for which there are insufficient funds may not be approved. Members may change their selected option at any time after originally signing the opt in/opt out notice.

The new rules do not apply to checks, share drafts, or automatic bill payments. The credit union may still automatically enroll members in their standard overdraft practices for these types of transactions. Members who do not want standard overdraft protection for these transaction should be dealt with individually. 

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tions to reflect the Electronic Payments Association (NACHA) International ACH Transaction (IAT) operating rules and formats that became effective on September 18, 2009.

Review pages 224-231.

Electronic Cash – Enhanced the discussion of *Prepaid Cards* to include risk factors and risk mitigation.


Review pages 235-237.

Third-Party Payment Processors – Expanded discussion of risk factors and risk mitigation when using third party payment processors, including the recent agency *Guidance on Payment Processor Relationships*, FDIC FIL-127-2008 (November 7, 2008), and *Risk Management Guidance: Payment Processors*, OCC Bulletin 2008-12 (April 24, 2008).

Review pages 239-241.

Trade Finance Activities – Updated the trade finance-related definitions and added a reference to standards recently published by the Wolfsberg Group for institutions providing trade finance services.

Review pages 273-277.

The changes described above will enable Examiners to perform a better review of your BSA/AML policies and procedures. You can be ready for your next exam by being aware of the changes and ensuring your policies and procedures match the new guidelines. 

Ask the Editor—FAQs about P&P

In each *Policy and Procedure News for Credit Unions*, we'll address one frequently asked question about policies and procedures. Email your question to us to be answered in a future issue.

Q: *How do I write a procedure that the user can easily follow?*

A: Creating easy-to-follow procedures is a multi-step process in itself. The procedure should have certain introductory information followed by a step-by-step guide to direct the reader through performing a task. Once written, some follow-up will help ensure the procedure is truly usable.

Introductory Information

To make a written procedure easy to use, the introduction should include as much of the following as is applicable:

- A purpose statement. (Why perform this procedure?)
- Who is responsible for performing the procedure?
- An overview of the procedure, its importance, when it should be performed, and how it fits in with other tasks.
- Any prerequisite knowledge and skills needed to perform the procedure.
- Any safety issues or other precautions.
- A list of equipment, supplies, or data needed to complete the procedure.
- Related procedures.

Writing

Using the following guidelines will help you write easy-to-use procedures:

- Define a logical sequence of steps. Each procedure should have no more than 7-10 steps. If necessary, use sub-steps.
- Number steps that must be performed in order. Use letters to identify sub-steps. Use bullets for lists or when all tasks must

be performed but in no special order.

- Use the imperative voice for clarity and economy of words. ("Do this task," not "This task should be done.")
- Write to the level of the reader's ability or even a little below that level. Be sure to define unfamiliar terms.
- Include tips, helpful hints, and warnings where applicable.
- Add screen shots, illustrations, analogies, and examples that might help the reader understand the process.

Follow Up

The first attempt at documenting a procedure may be best done by the person who usually performs the task. However, because that person is so close to the task, he/she may inadvertently omit steps. It is important, therefore, to have someone unfamiliar with the task try to follow the steps and ask questions about any missing information.

Pilot test your procedure once it is written. Ask someone who is unfamiliar with the task to follow the steps. Can they do it? Is the procedure understandable, effective, complete? Does it result in efficient and effective performance?

When distributing a new procedure, be sure that users understand where/how to access the written procedure. Also be sure to inform the reader of the performance standard to be applied when the procedure is being performed.

Having complete and easy-to-follow written procedures streamlines operations and is especially important when you have tasks that only one credit union employee knows how to perform. If you need assistance getting your credit union's procedures documented, **Madison Avenue Publications** can help. 📧



Email your question to us to be answered in a future issue.





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Does your Credit Union need help with:

- Identifying documentation needs?
- Getting and keeping policies updated?
- Documenting everyday procedures?
- Building user guides for a system conversion?
- Creating in-house or member newsletters?
- Designing training or seminar materials?
- Developing an employee handbook?
- Creating a product knowledge guide?

If your credit union needs accurate and meaningful documentation, contact us for a free consultation. Learn how **Madison Avenue Publications** can help you with all your documentation and writing needs. 📄

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We look forward to hearing from you!

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