



BULLETIN

Colorado Division of Financial Services

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Colorado
Department
of
Regulatory
Agencies

Issued to: State-Chartered Credit Unions

Subject: Bank Secrecy Act (BSA) Anti-Money Laundering (AML) Date Issued: August 19, 2005

The purpose of this regulatory bulletin is to (1) alert Colorado state-chartered credit unions to the heightened sensitivity of Bank Secrecy Act (BSA) Anti-Money Laundering (AML) compliance and (2) give notice that BSA/AML compliance will be an examination focus in 2005 and beyond.

Effective June 2005, the Bank Secrecy Act (BSA) Anti-Money Laundering (AML) Examination Manual was finalized through an inter-agency project involving the Financial Crimes Enforcement Network (FinCEN), the Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of Thrift Supervision (OTS) and the Office of the Comptroller of the Currency (OCC). The manual is available on the NCUA website: <http://www.ncua.gov>. All credit unions are **expected** to obtain a copy of this manual and use it to help ensure that their organizations are in full compliance with the BSA/AML requirements. Colorado intends to utilize procedures extracted from this manual by the NCUA in all future safety and soundness examinations.

While the compliance requirements of credit unions have not changed as a result of this manual, the examination procedures and documentation requirements have been substantially increased and formalized. Thus, the review of a credit union's compliance will be much more extensive than in past examinations.

It should be emphasized here that the requirements for BSA/AML compliance do not vary based on the asset size of the credit union. All credit unions must remain in compliance. However, as risks vary due to size, complexity and the type of products and services offered, compliance by smaller credit unions will be inherently less involved than compliance by larger credit unions.

Background

In October 2004, FinCEN entered into agreements (known as Memorandums of Understanding) with all federal banking regulators, including the NCUA, concerning the reporting of significant BSA/AML violations. The agreement went into effect on December 1, 2004 and both the Division of Financial Services (Division) and all state credit union regulators will be bound to similar reporting requirements. Currently, FinCEN is negotiating with state regulators to develop separate agreements with each state. These agreements may cause slight variations from the guidance in this Bulletin for future BSA/AML reporting requirements for the Division.

Reporting Expectations

Under the agreement entered into by NCUA and FinCEN, the Division is expected to identify and report significant BSA/AML compliance violations to the NCUA, who will then report these violations to FinCEN. Significant BSA/AML violations include pervasive violations, systemic violations and repeat findings. These violations are defined in the Bank Secrecy Act (BSA) Anti-Money Laundering (AML) Examination Manual.

Correction of Violations

Once examiners have identified a significant violation, it is important that credit union management correct the violation as soon as possible. Division examiners will set-up an acceptable time frame for the BSA/AML violation to be corrected. Under NCUA plans, this time frame must be no longer than 90 days from the date the violation was discovered by the examiner. Individual credit unions will be required to forward documentation to the Division examiner that shows the significant BSA/AML violation was satisfactorily corrected. After the examiner verifies that satisfactory corrections were made, the Division will notify NCUA of the resolution. NCUA will in turn notify FinCEN that satisfactory correction was made. It is imperative that all significant BSA/AML violations be corrected within 90 days of identification by Division examiners.

Examination Focus

Examination will review the adequacy of a credit union's BSA/AML Compliance Program. Please note that the BSA/AML Compliance Program must be written, approved by the board of directors and noted in the board minutes.

The components of a BSA/AML Compliance Program are broadly outlined below:

Internal Controls	
•	Risk Assessments
•	Customer Identification Program
•	Customer Due Diligence
•	Cash Transaction Reports
•	Suspicious Activity Reports
•	Automated and Manual Monitoring of Transactions
BSA Officer	
•	Should be Fully Knowledgeable of BSA/AML
•	Must have Appropriate Authority and Resources
•	Should Report to the Board and Senior Management
•	Will Coordinate the Overall BSA Program
Staff Training	
•	Ongoing Process - When Hired and As Needed
•	Training Applicable to Each Employees Duties
•	Must Document Dates of Training
•	Must Document Course Materials
•	Must Document Attendees
Independent Testing	
•	Must be Performed at Least Annually
•	Independent Testing Must be Risk Focused
•	Individuals Performing Testing Function Must be Qualified
•	BSA Officer Cannot Perform Independent Testing
•	A Written Report Should be Prepared to Document Findings
•	A Follow-Up to any Findings should be Documented
•	Independent Testing Should Include Transaction Testing