

**DATE:** December 30, 2019  
**BULLETIN:** 2019-KDCU-CUB-18  
**TO:** Kansas Chartered Credit Unions  
**SUBJECT:** Bank Secrecy Act

### **BANK SECRECY ACT**

The Currency and Foreign Transactions Reporting Act of 1970, commonly referred to as the “Bank Secrecy Act” (BSA), requires United States financial institutions to assist government agencies to detect and prevent money laundering. Specifically, the act requires financial institutions to keep records of cash purchases of negotiable instruments, file reports of cash transactions exceeding \$10,000 (daily aggregate amount) and to report suspicious activity that might signify money laundering, tax evasion or other criminal activity. This act is also referred to as an “anti-money laundering” law (AML) or jointly as “BSA/AML.” Over the years, the BSA has been amended, including the addition of the USA Patriot Act after the 9/11 attacks. Amendments to the BSA have also increased the penalties for failing to comply with BSA requirements.

Many regulatory requirements fall within the purview of the BSA, including the member identification program, customer due diligence, beneficial ownership, suspicious activity and currency transaction reports, information sharing, purchase and sale of monetary instruments, funds transfers recordkeeping, and international transportation of currency or monetary instruments.

There are five pillars, or requirements, for your BSA program:

- A system of internal controls to ensure ongoing compliance (includes an annual risk assessment);
- Independent testing of BSA/AML compliance;
- Designation of a compliance (BSA) officer;
- An ongoing training program; and
- Added in May 2018, customer due diligence regarding beneficial ownership and legal entities.

Credit unions are noted for “knowing their members” and that is an important piece of the BSA/AML puzzle. In knowing your members, you also need to develop a risk assessment/profile for those members. Your program must include risk-based procedures for ongoing monitoring of the member relationship, on a risk basis, to maintain and update member information, including beneficial ownership of legal entity members. (On a side note, if you do not have legal entity members, the credit union will still need a paragraph in its BSA policy acknowledging this pillar.)

On July 22, 2019, federal bank regulatory agencies and the Financial Crimes Enforcement Network (FinCEN) issued a [joint statement](#) as part of their efforts to improve transparency in their risk-focused approach to BSA/AML supervision. This statement reminds financial institutions that examiners use the risk assessments when planning and conducting examinations. The extent of examination activities may depend on a credit union’s risk profile and the quality of its risk management process. A common practice is to consider the credit union’s ability to identify, measure, monitor and control risks.

In addition, the NCUA previously issued [Letter to Credit Unions No. 05-CU-09](#) notifying credit unions that they should provide, at a minimum, annual BSA training for their staff.