



**NAFCU's 2017 Report on the State
of BSA Risks and Compliance Issues**

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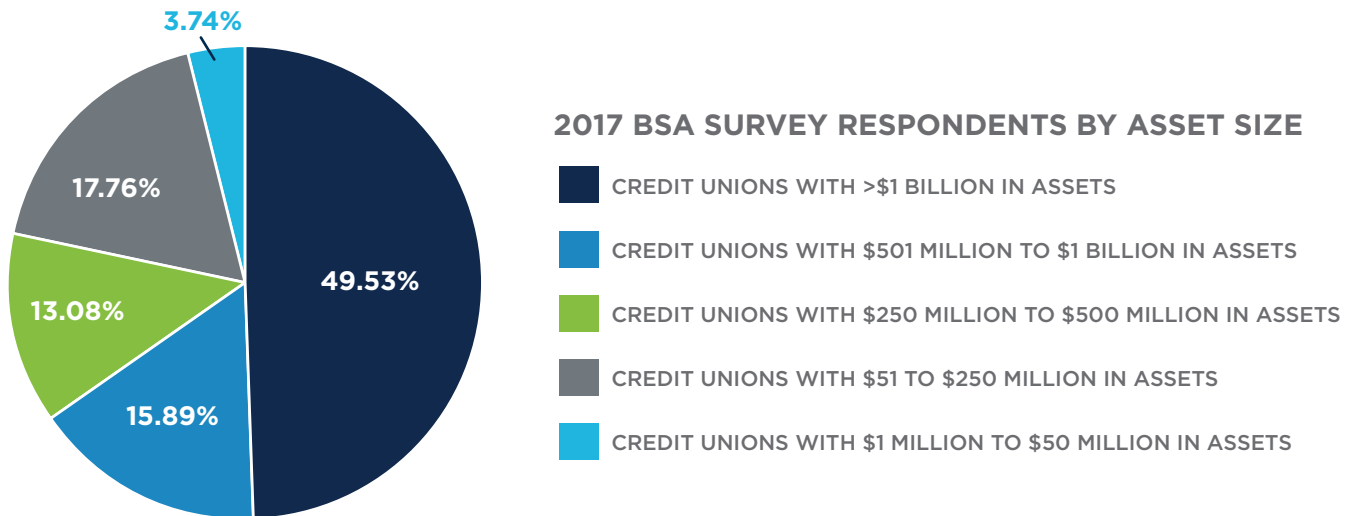
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INTRODUCTION TO NAFCU'S BSA SURVEY

As part of our 2017 BSA Seminar, NAFCU conducted a wide-ranging survey on the current state of BSA risks and compliance issues in credit unions. Our survey received feedback from 110 credit unions across all five NCUA regions. *It is important to note that this survey was conducted prior to [NCUA restructuring their regions](#).* NCUA Region 2 had the highest number of respondents at 23.74%. Regions 3 and 5 each make up 20.79% of the respondents. Regions 1 and 4 rounded out the survey with 15.84% and 18.81% of respondents, respectively.

In addition, the survey respondents represented a wide variety of asset levels. The largest volume of responses came from credit unions with more than \$1 billion in assets at 49.53%. However, we had excellent participation from all asset levels. 17.76% of the responses came from credit unions with between \$51 million and \$250 million in assets. The remainder of the responses came from credit unions with \$501 million to \$1 billion (15.89%), \$250 million to \$500 million (13.08%), and \$1 million to \$50 million (3.74%).



The volume of the response across the various asset sizes and the commonality of responses prove that risks are agnostic to asset size. Since 2015, BSA examinations and other BSA related issues have been on every single NCUA Supervisory Priority letter.

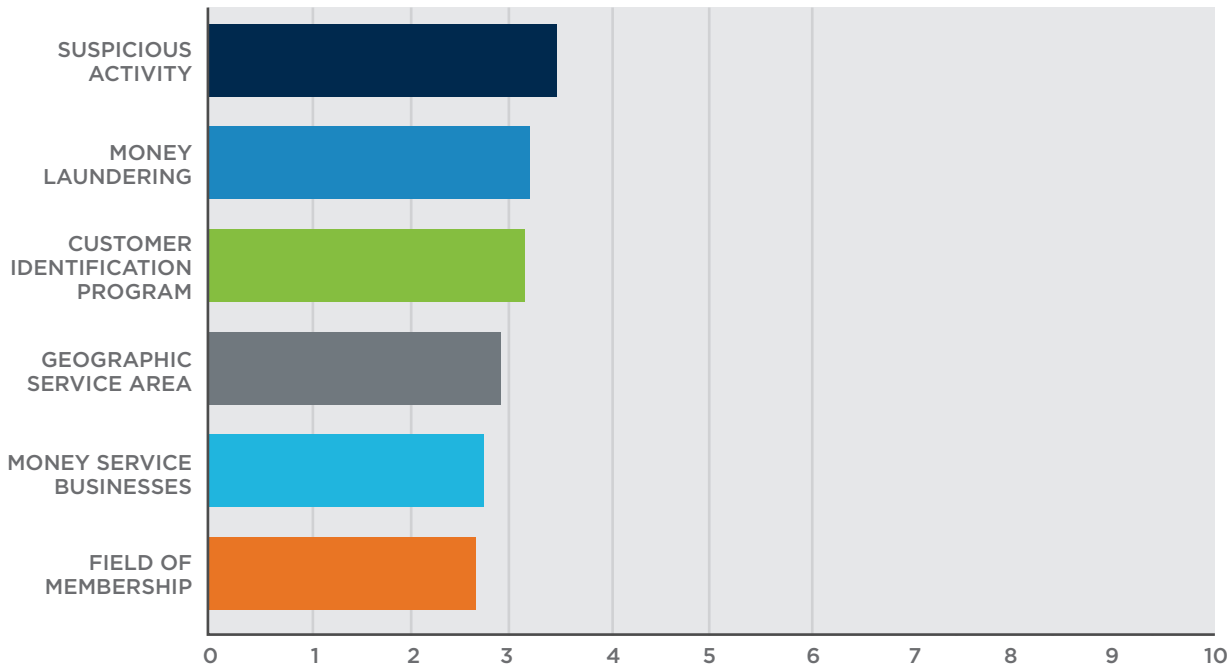
The 2017 survey on the current state of BSA risks for credit unions addressed the following issues, the results of which are explained on the following pages of this document:

1. BSA risks
2. Culture of BSA compliance
3. BSA training frequency
4. Automated transaction monitoring use
5. BSA examinations changes

RANKING THE SIX CATEGORIES OF BSA RISKS

In order to give credit unions a starting point to monitor and measure BSA risks, we asked them to rank the BSA risks they face.

Survey Question #1: Rank BSA risks according to your credit union's experience



It is interesting to note that Customer Identification Program (CIP), money laundering, and suspicious activity are almost equal among the highest risks present at credit unions, according to our survey respondents. These three BSA risks are interrelated and highlight the high regulatory burden that comes with complying with the Bank Secrecy Act regulations.

Rounding out the risks that credit unions are experiencing are:

- › geographic service area
- › money services businesses
- › field of membership

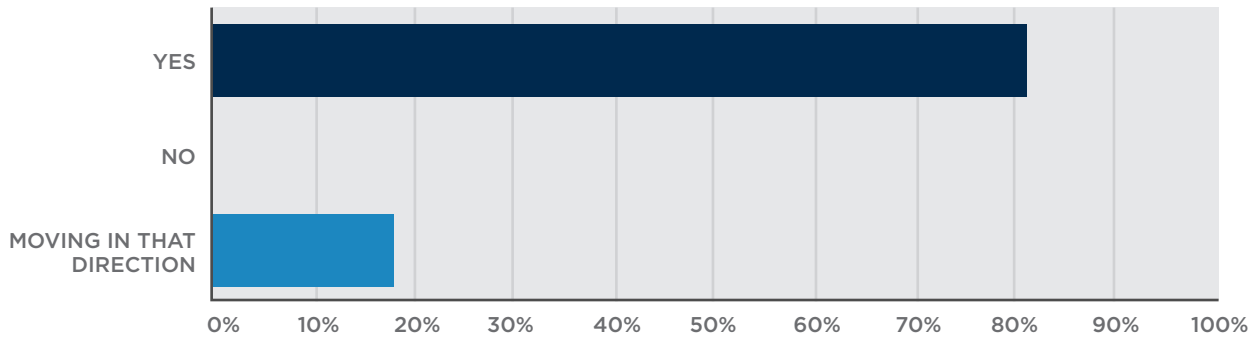
NAFCU will continue to track how these BSA risks evolve over time as credit unions' risk landscape changes.

COMMITMENT TO BSA COMPLIANCE CULTURE

Individuals with day-to-day BSA responsibilities know an organization's commitment to a culture of BSA compliance is paramount to the program's success.

The next question on the survey was intended to measure how many of our respondents have this crucial component of a BSA program in place.

Survey Question #2: Does your credit union have a culture of BSA compliance?

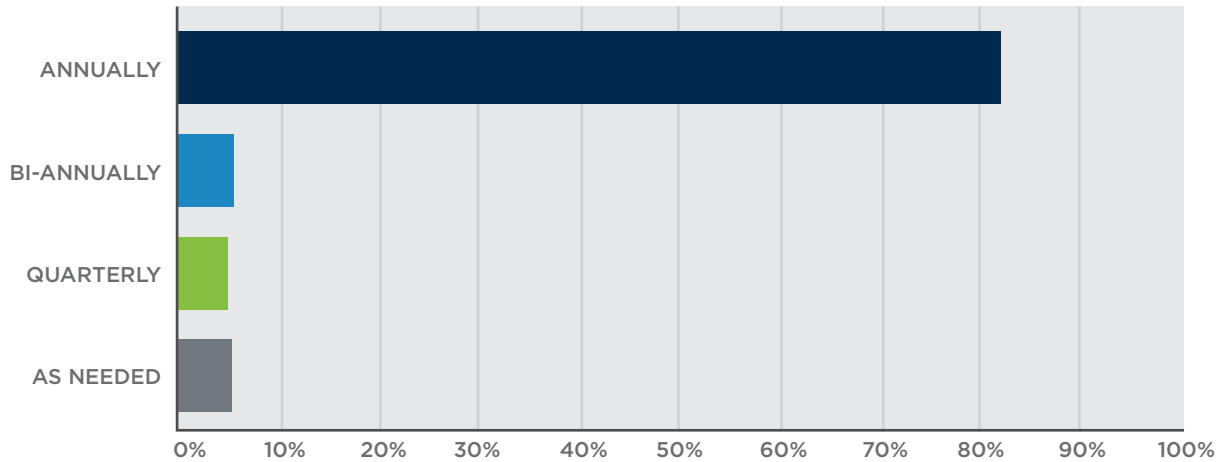


An overwhelming 82.41% of all respondents indicated that their organizations have a culture of BSA compliance. The remaining 17.59% indicated that they are moving in that direction. This is excellent to see as no respondents from our survey indicated that they do not have a culture of BSA compliance in place. The BSA culture of compliance is truly one of the foundational stones upon which a robust BSA program is built.

PROVIDING BSA TRAINING TO CREDIT UNION STAFF

Another fundamental pillar of any strong and compliant BSA program is ongoing training.

Question #3: How often does your credit union provide BSA training to staff?

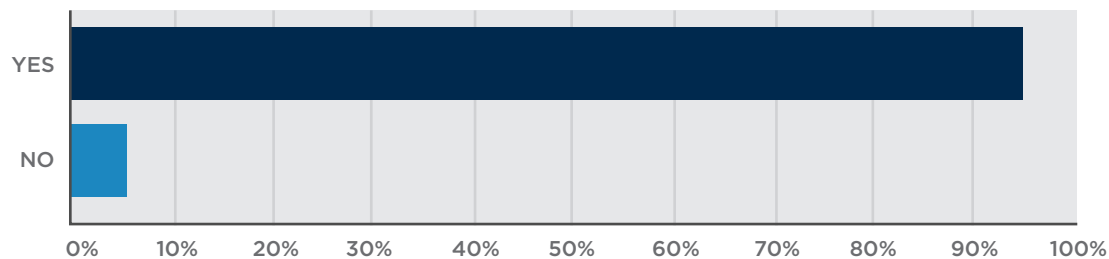


Not surprisingly, the majority (84.11%) of respondents stated that they provide training annually to their staff. However, what is surprising is that 5.61% of respondents stated that they provide bi-annual training and 4.67% responded with quarterly training. These increased trainings may be a direct result of the risk(s) posed to those credit unions and the management's risk mitigation strategy. It is also important to note that BSA regulations do have an annual training requirement.

USE OF AUTOMATED TRANSACTION MONITORING

To round out the survey, we asked about credit union use of automated transaction monitoring software.

Question #4: Does your credit union use an automated transaction monitoring system?

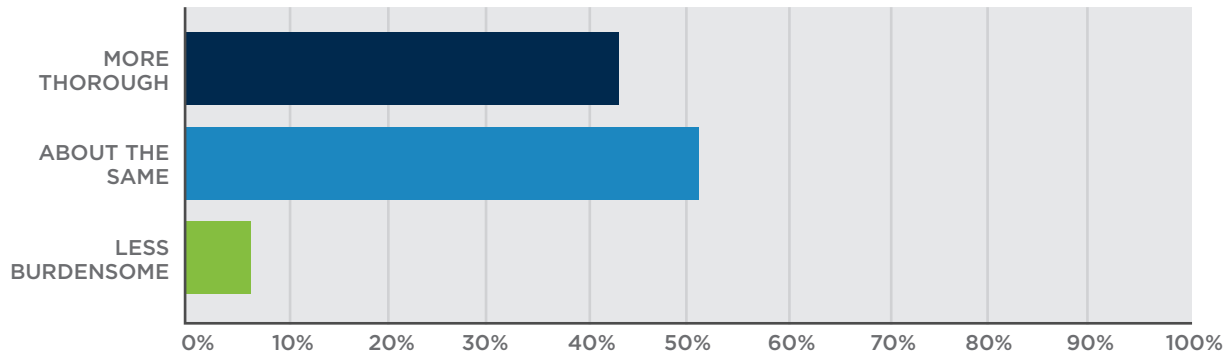


An astounding **94.44%** said that they utilize an automated transaction monitoring system. There is no cross reference for asset sizes in response to this answer. However, asset size may be one of the potential reasons why 5.56% of respondents do not utilize the software.

BSA EXAMINATION CHANGES AT CREDIT UNIONS

Finally, we wondered about the credit union experience with their BSA exam. We asked if, over the past two years, the exam has become more thorough, become less burdensome, or remained about the same.

Question #5: Has your credit union's BSA exam changed over the past two years?



The results were almost evenly split. 42.99% of survey participants said their BSA examinations have been much more thorough and 51.40% stated their [BSA examinations](#) have been about the same. A minority of respondents (5.61%) said their BSA examination has been less burdensome. BSA examinations remain a staple of NCUA examinations as the Financial Crimes Enforcement Network (FinCEN) delegated BSA examination authority to the agency. It is important to note that credit unions can expect to answer questions about their BSA program with every NCUA examination.

CONCLUSION

Credit unions face a wide variety of challenges when complying with the Bank Secrecy Act. There is no one-size-fits-all BSA program that is perfect for every credit union. It is the responsibility of everyone at the credit union to help manage the unique risks and challenges posed by BSA. The results provided in this paper are a starting point with which to compare your program. We hope the responses and analyses provide food for thought regarding your BSA program and help you consider what you'll need to do in order to better prepare yourself for increased regulatory scrutiny in the future. NAFCU will continue to provide BSA resources across a variety of channels, such as the upcoming [2018 BSA Seminar](#), August 12-15 in Denver, Colorado. If you ever have any questions, please feel free to [reach out to us](#).

Stay vigilant!

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