



BSA/Security COVID-19 Discussion April 23, 2020

HOSTED BY:

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- ⚓ **Note: This session is being recorded.**



Upcoming Events

⚓ **ACH Rules Updates** – April 28th from 2:00-3:00 PM EST

⚓ **Common TRID Errors Explained** – April 30th from 2:00-3:00 PM EST

⚓ Visit our website to register for the events listed:
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Banks Blamed AML for Loan Logjam

- ⚓ 4/7/2020 *American Banker* article “Banks Blame AML Rules for Emergency Loan Logjam” – <https://www.americanbanker.com/articles/banks-blame-aml-rules-for-emergency-loan-logjam>
- ⚓ U.S. banks, facing criticism for prioritizing existing customers over new ones who are seeking coronavirus rescue loans, put the blame on federal rules meant to catch terrorists and money launderers.
- ⚓ “‘Small businesses and policymakers should understand that a primary reason most banks will be extending these loans only to existing customers is because the anti-money-laundering process is so onerous and time-consuming,’ said Greg Baer, president of the Bank Policy Institute, a Washington-based trade group for lenders that has been working closely with the Treasury Department and SBA. ‘Banks large and small have urgently sought relief from these requirements from day one, to no avail.’”
- ⚓ “A FinCEN spokesman pointed to a statement on the agency’s website that says it is ‘committed to promoting the success’ of the new stimulus law, ‘including the need to facilitate expeditious disbursement’ of funds. FinCEN plans to issue additional guidance as the law is rolled out and questions arise, the statement added.”

Banks Blamed AML for Loan Logjam

- ⚓ “Some members of Congress have also expressed frustration over who’s getting funds. Sen. Marco Rubio, a Florida Republican, has flagged reports that banks were only lending to customers who had a credit card or had previously taken out a loan. Maryland lawmakers, including Democratic Sen. Chris Van Hollen, urged Treasury in a Tuesday letter to insist that applicants not be required to have existing relationships with banks.”
- ⚓ “Bankers said they had repeatedly warned the Trump administration that money laundering rules would lead to problems with the so-called Paycheck Protection Program. Still, some firms said they were surprised that FinCEN has been so unresponsive to their concerns because it resides within Treasury, which has been the epicenter of the government rescue effort. Treasury Secretary Steven Mnuchin, they said, has been very willing to cut red tape and address issues lenders have had that could slow down payouts.”



ICBA is Requesting No BO for PPPs

- ⚓ 4/9/2020 Independent Bankers of America sent a letter to FinCEN – <https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/icbas-covid-19-request-pertaining-to-the-beneficial-ownership-rule.pdf>
- ⚓ “In response to recommendations by health care professionals, stay-at-home orders, and restrictions on businesses, small business owners and their employees will continue to suffer reductions in work hours, loss of revenue, layoffs, and unfortunately, complete closures. The Paycheck Protection Program (“PPP”)3 , was created to help sustain small business employment during this gravely challenging time. While banks are not required to reverify existing customers seeking PPP loans as noted in FinCEN’s April 3rd notice, we believe a more rigorous approach is necessary. Hence, ICBA requests a temporary suspension of the Beneficial Ownership Rule for entities seeking PPP loans that are not current customers of a bank as well as to facilitate quick access for non-PPP loans.”
- ⚓ “Under normal circumstances, the beneficial ownership rule has proven to be an onerous exercise. COVID-19 has not only highlighted the burden already associated with the rule but has created additional hurdles for small businesses, which creates a barrier for assisting small businesses. Therefore, for the reasons communicated, ICBA respectfully requests the temporary suspension of the beneficial ownership rule.”

FBI Issues Warning

- ⚓ 4/6/2020 FBI Press Release “Protect Your Wallet—and Your Health—from Pandemic Scammers” –
<https://www.fbi.gov/news/stories/protect-yourself-from-covid-19-scams-040620>
- ⚓ “We recently interviewed Steven Merrill, head of the FBI’s Financial Crimes Section, to discuss scams and crimes related to the [COVID-19 pandemic](#). Merrill gave us the latest information on the schemes the FBI is investigating and tips on how to protect yourself.”
- ⚓ Question: What are some of the most common fraud schemes you’re seeing?
- ⚓ Answers:
 - Government Impersonators
 - Fraudulent Cures or Medical Equipment
 - Work-from-Home Fraud
 - Investment Fraud

More FBI Issuances

- ⚓ 4/13/2020 – FBI Press Release “FBI Expects a Rise in Scams Involving Cryptocurrency Related to the COVID-19 Pandemic” – <https://www.fbi.gov/news/pressrel/press-releases/fbi-expects-a-rise-in-scams-involving-cryptocurrency-related-to-the-covid-19-pandemic>
- ⚓ 4/13/2020 – FBI Press Release “FBI Warns of Advance Fee and BEC Schemes Related to Procurement of PPE and Other Supplies During COVID-19 Pandemic” – <https://www.fbi.gov/news/pressrel/press-releases/fbi-warns-of-advance-fee-and-bec-schemes-related-to-procurement-of-ppe-and-other-supplies-during-covid-19-pandemic>
- ⚓ 4/13/2020 – FBI Press Release “FBI Warns of Emerging Health Care Fraud Schemes Related to COVID-19 Pandemic” – <https://www.fbi.gov/news/pressrel/press-releases/fbi-warns-of-emerging-health-care-fraud-schemes-related-to-covid-19-pandemic>
- ⚓ 4/15/2020 – FBI Press Release “FBI and Secret Service Working Against COVID-19 Threats – Safeguarding the Nation from the ‘Other’ Coronavirus Crisis: Fraud – <https://www.fbi.gov/news/pressrel/press-releases/fbi-and-secret-service-working-against-covid-19-threats>
- ⚓ 4/22/2020 – FBI Press Release “Online Extortion Scams Increasing During the COVID-19 Crisis” – <https://www.ic3.gov/media/2020/200420.aspx>

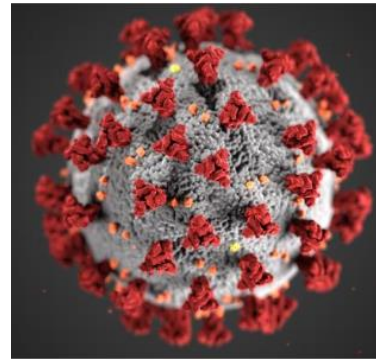
TIGTA Warns of Fraudsters

- ⚓ 4/20/2020 Treasury Inspector General for Tax Administration (TIGTA) Press Release “TIGTA Reminds U.S. Taxpayers To Be On The Lookout For Fraudulent Activity Concerning The CARES Act Economic Impact Payments” – https://www.treasury.gov/tigta/press/press_tigta-2020-04.htm
- ⚓ “The Treasury Inspector General for Tax Administration (TIGTA) today urged eligible Economic Impact Payment recipients, financial institutions, and other Federal, State, and local law enforcement partners to report suspected fraud relating to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act has authorized Economic Impact Payments to approximately 160 million taxpayers, which will be delivered by the Internal Revenue Service (IRS) through direct deposit or via U.S. Treasury check delivered by the U.S. Mail.”
- ⚓ “TIGTA’s Office of Investigations anticipates criminals will engage in various scams and schemes in attempts to intercept Economic Impact Payments, and/or steal sensitive taxpayer information during these challenging times.”
- ⚓ “TIGTA is responsible for conducting statutory oversight of issues relating to Federal tax administration and, as such, regularly investigates fraudulent activity related to the financial distributions of funds, such as the Economic Impact Payments, which are issued by the IRS.”

Info Released on IRS-Related COVID Scams

- ⚓ 4/16/2020 – TIGTA Announces Creation of Web Page and Reporting Form For Coronavirus Relief Payment Scams
- ⚓ WASHINGTON - The Treasury Inspector General for Tax Administration (TIGTA) today announced a new website providing information concerning IRS-related coronavirus scams. Taxpayers can visit the [Coronavirus page](#) on TIGTA’s public website to learn about scams involving the economic stimulus payments or other IRS-related coronavirus scams. In addition, taxpayers may report potential coronavirus scams to TIGTA at: tips.tigta.gov.
- ⚓ Last week, J. Russell George, the Treasury Inspector General for Tax Administration, warned taxpayers to “be on high alert” for potential scams related to government assistance to taxpayers impacted by the coronavirus.
- ⚓ A graphic containing the information can also be found on the [Coronavirus page](#).

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ICE HIS Launches “Operation Stolen Promise”

- ⚓ 4/15/2020 ICE Press Release “ICE HSI launches Operation Stolen Promise” – <https://www.ice.gov/news/releases/ice-hsi-launches-operation-stolen-promise>
- ⚓ “ U.S. Immigration and Customs Enforcement’s (ICE) Homeland Security Investigations (HSI) announced Wednesday the launch of **Operation Stolen Promise to combat COVID-19 related fraud and other criminal activity**. The operation intensifies collaboration with multiple federal departments and agencies, along with business and industry representatives. Surging criminal activity surrounding the COVID-19 pandemic requires an equally robust investigative response to protect the American public.”
- ⚓ Criminal organizations that have historically been engaged in financial scams are pivoting to exploit the coronavirus pandemic and the associated stimulus package for illegal financial gains. These networks are smuggling and selling counterfeit safety equipment and prohibited testing kits, medicines, and hygiene products, as well as running illicit websites to sell their merchandise. In the coming weeks, it is expected that financial fraud scams involving financial relief, COVID-19 stimulus checks, and traditional boiler room operations will increase. All these fraud scams also impact government public benefit agencies that are in the process of distributing aid and providing assistance.

Warning from ECCHO.org

- ⚓ 4/13/2020 Email – We are certain that you are aware of the U.S. Treasury’s CARES (Coronavirus Aid, Relief and Economic Security Act), specific to the ~150 million stimulus payments to individuals and married couples. The Treasury aims to make as many of these payments via ACH as possible, but some of these payments are expected to be made by U.S. Treasury Checks.
- ⚓ As an FYI, the first round of ACH payments will settle on April 15th. Two subsequent rounds of ACH payments will follow, with anticipated settlement dates of April 22 and April 29. There could be additional rounds of ACH payments.
- ⚓ Stimulus payments by U.S. Treasury checks may begin as early as the week of April 20th. A few of the details regarding these payments: the RTN used for these payments will be 0000-0051-8 (same RTN used for tax refund checks).
- ⚓ There is concern in the industry about fraudulent activity concerning Treasury Checks, when presented for deposit or payment. There are some indications that Treasury might improve its check verification system (TCIS: <https://fiscal.treasury.gov/tcis/>) however, details are to be determined.

Warning from ECCHO.org cont.

- ⚓ ECCHO has created an educational session regarding presentment guarantees that are made to the U.S. Treasury when presenting U.S. Treasury Checks. The session will assist you and your customer financial institutions understand security features of Treasury Checks to assist in reducing fraudulent attempts. Further, the session outlines obligations, risk and risk mitigation suggestions in handling Treasury Checks.
- ⚓ The session can be accessed here: <https://www.eccho.org/education> in the middle of the page.
- ⚓ ECCHO Members have free access to this recording. Please pass this information along to your Members.

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NCUA Issues Cybersecurity Considerations For Remote Work

⚓ 4/20/2020 – The National Credit Union Administration (NCUA) issued “Cybersecurity Considerations for Remote Work” – <https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/cybersecurity-considerations-remote-work>

⚓ Common cybersecurity risks for remote workers include:

- [Malware\(opens new window\)](#) attacks
- [Phishing\(opens new window\)](#) and other [social engineering\(opens new window\)](#) attacks
- [Advance Persistent Threat \(APT\)\(opens new window\)](#) attacks

⚓ Other sections include:

- Preparing Employees to Prevent Security Incidents
- Responding to a Security Incident
- Cybersecurity Resources

PPP = Pivot Point for the Future of Digital Security

- ⚓ 4/13/2020 *PYMNTS.com* article “Why PPP Will Be A Pivot Point For The Future Of Digital Security” – <https://www.pymnts.com/news/security-and-risk/2020/why-ppp-will-be-pivot-point-future-digital-security>
- ⚓ DataVisor (Security Firm) CEO Yinglian Xie had a conversation with PYMNTS.com CEO, Karen Webster. Below are some quotes from that conversation.
- ⚓ “The PPP, for all the good it is intended to do, is something nearly entirely new that an entire ecosystem is designing around overnight — and that is a massive task. Bank lending processes normally aren’t built for swiftness — they are built around anti-money laundering (AML) and know your customer (KYC) regulations, stability and security when it comes to handing out funds to SMBs. The process is slow, and denials are common. The PPP ‘loan’ program lacks many of these features as a matter of design because the core value is designed around speed and getting funds into the hands that need them as soon as possible.”

PPP = Pivot Point for the Future of Digital Security cont.

- ⚓ “‘That’s what makes PPP a particularly good target for so many types of fraud,’ Xie explained. ‘It’s targeted at small businesses who are applying by the millions all at once with the kind of surge of applications online far beyond what banks would process on a day-to-day basis. And with everyone encouraged to apply online, many banks weren’t ready from an infrastructure perspective on the back end, which delayed the launch or meant it launched with various bugs.’”
- ⚓ “Those bugs, she noted, **become a target for fraudsters who then try to insert themselves into the process and do things like steal a legitimate business’s identity (via the vast troves of information on the web) and move to misdirect their funds, or attempt to apply for funds from a business that doesn’t actually exist at all or qualify for the program.**”
- ⚓ “To support that type of fraud, she said, you’ll see ancillary frauds — phishing scams launched at SMBs to harvest the data they need to successfully impersonate the business they want to steal from. There might also be attacks on providers like payroll processors that suddenly find themselves flooded with remote information requests from their clients who need it to apply to the program.”

PPP = Pivot Point for the Future of Digital Security cont.

- ⚓ “‘People are trying to really submit the applications quickly, and so when we are thinking about security, it’s not just banks or lenders, you are also looking at relevant third parties being involved to make the whole process smooth,’ she said. ‘If there are weak links and a payroll system is not set up to authenticate users — that channel becomes a broken link, and you find the information going into the hands of someone other than those who should have it.’”
- ⚓ “And even those links, when shored up, aren’t the end of the line. Some fraudsters, she noted, will let the business get through the tough work of securing the funds through the application process before springing malware on their systems and holding them hostage until they pay out their relief funds as a ransom.”
- ⚓ “The fraudsters, she said, are going to keep coming in waves to target different parts of this whole process, which means protecting those funds won’t simply be a matter of reinforcing one system or another but making sure the interconnected chain as a whole is secure. It won’t be easy work, but it will be done because it has to be — and will leave an important lesson behind in its wake.”

Risk Assessment

⚓ Review your risk assessment and document:

- Your review
- Any deviations you are making

⚓ Why? Regulators expect you to make some changes based on COVID-19 challenges

- Prepare for coming exams by documenting well
- Be sure to lay out clearly what you did and why
- **If any issues, log communications with FinCEN and regulators**

⚓ Consider:

- Fraud typologies
- ML/TF
- Security/Robbery
- Risk Priorities
- Customer types and risks associated
- Staffing considerations
- Remote working considerations
- Systems and processes

Risk Assessment Resources

⚓ On 4/15/2020 the FFIEC issued an update to the BSA Exam Manual – <https://www.fdic.gov/news/news/financial/2020/fil20044.html>

⚓ 2/6/2020 – The National Strategy for Combating Terrorist and Other Illicit Financing – <https://home.treasury.gov/system/files/136/National-Strategy-to-Counter-Illicit-Financev2.pdf>

⚓ 12/20/2018 – Treasury Publishes National Illicit Finance Strategy and Supporting Risk Assessments – <https://home.treasury.gov/news/press-releases/sm581>



Remember!

⚓ You should already have a risk assessment that addresses money laundering and terrorist financing. It is not a complete **rewrite** of your risk assessment unless you never addressed those concerns. It is a **review** and **refocus** if necessary to ensure you have addressed those concerns sufficiently.



AML & Crisis Planning

Per Sarah Beth Felix

- ⚓ Unchartered territory requires planning beyond current BCP or DRP programs
- ⚓ Defining the risk-based approach (RBA) is the best way to navigate reduction in resources, disparate approaches to sanctions, slow systems (remote)
- ⚓ The RBA should be defined by a tiered approach incorporating # of people available and should include:
 - Steps to take with inefficient rules
 - Typologies
 - Removal of requirement to get board approval for changes
 - Sanctions risks and operational considerations
- ⚓ RBA should include how the institution will return back to normal – not just an ON/OFF switch

ifollowdirtymoney.com offers a low-priced Crisis Planning bundle that includes a policy template, operational workflow planning, sample forms and analysis worksheets
sarah@palmeraconsulting.com

Communicate OFAC Compliance Concerns

- ⚓ 4/20/2020 – OFAC issued a Press Release “OFAC Encourages Persons to Communicate OFAC Compliance Concerns Related to the Coronavirus Disease 2019 (COVID-19)” – <https://content.govdelivery.com/accounts/USTREAS/bulletins/2876af5>
- ⚓ “On March 13, 2020, President Trump declared a National Emergency in response to COVID-19. On April 16, 2020, OFAC published a fact sheet that summarizes existing exemptions and authorizations to provide humanitarian assistance in the context of the Iran, Venezuela, North Korea, Syria, Cuba, and Ukraine/Russia-related sanctions programs.”
- ⚓ “Separately, OFAC encourages persons, including financial institutions and other businesses, affected by the COVID-19 global pandemic to contact OFAC as soon as practicable if the person believes it may experience delays in its ability to meet deadlines associated with regulatory requirements administered by OFAC. This includes requirements related to filing blocking and reject reports within ten business days as required by 31 C.F.R. §§ 501.603 and 501.604, responses to administrative subpoenas issued pursuant to § 501.602, reports required by general or specific licenses, or any other required reports or submissions.”

Communicate OFAC Compliance Concerns cont.

⚓ The appropriate OFAC contact information is below:

- **Blocking / Reject Reports:** 202-622-2490 / 800-540-6322 or ofac_feedback@treasury.gov
- **Administrative Subpoenas:** Please contact the case officer identified on the particular administrative subpoena.
- **License Reports:** 202-622-2480, ofac_feedback@treasury.gov or through the [online licensing portal](#)
- **Requests for Reconsideration of a Listing as an SDN (Petitions):** Please contact ofac.reconsideration@treasury.gov

⚓ In addition, OFAC encourages persons to submit self-disclosures to the following e-mail account rather than through physical mail: OFACdisclosures@treasury.gov. Please also refer to OFAC's [Data Delivery Standards](#) for detailed electronic submission guidance.

Law Enforcement Request

⚓ “I’m sending this email to ask for assistance from the banking community. As you all know, COVID-19 has affected everyone’s life in a major way over the past couple of months. Like anything else, a crisis like this always brings out the fraudsters. With that said, the US Attorney’s office in New Jersey has been tasked with investigating a prosecuting anyone conducting fraud relating to COVID-19. This has been made a high priority in the law enforcement community. From a financial standpoint, you are the frontline! I am asking that anything you see relating to COVID-19 be reported to us immediately.”

⚓ Brad Jones, (Bradley.Jones@ci.irs.gov); Paul Donahue (Paul.Donahue@ci.irs.gov); and Jason Annuziato (Jason.Annuziato@usdoj.gov) are the points of contact for these investigations as part of a COVID-19 Task Force which is comprised of several federal and local agencies dedicated to confronting this issue. Please reach out them directly if you see any matters relating to price gouging, hoarding of supplies, consumer fraud, identity theft, fraudulent stimulus payment issues, etc.

Law Enforcement Request cont.

⚓ “I’d like to thank you all in advance with your assistance! I know you will serve as a tremendous asset in this fight as you already are in all other financial related crimes. If you have any questions, please let me know. Thank you”

Carlo Nastasi

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Polls

General/BSA Polls

- ⚓ How are you addressing your COVID-19 policy changes? Are you addressing them more on an enterprise-wide basis covering multiple risk categories, e.g. credit, compliance, operational, fraud, cybersecurity, etc. or per functional area (loans, deposits, etc.)?
- ⚓ Are you going to start monitoring deposit accounts of your own customers who received PPP funds to ensure the funds are being used according to the guidelines? Are you planning to file SARs if they are not? I haven't seen any specific guidance on this last one, so I am reluctant to start defensive filing. I don't think it's up to the banks to monitor this, since they could be using funds from other deposit accounts, and remain in compliance with guidelines, etc.
- ⚓ Businesses that are currently shut down should have lesser/non-existent activity. Are you monitoring businesses who should be currently shut down for maintaining usual cash/activity levels-which may indicate illicit activity?

General/BSA Polls

- ⚓ Customers need appointments to come in to get to their safe deposit boxes and they are telling us that they need to access cash that's in there or they make withdrawals to put cash in there. Do you file a SAR on people who remove cash from or place cash in a safe deposit box?
- ⚓ When a customer withdraws excessive cash and states it is due to COVID-19, do you file a SAR whether it is one transaction or multiple that could appear structured.

Fraud/Security Polls

- ⚓ What are you doing about people adding their children on the payroll so that it looks like there are more employees and more payroll expenses?
- ⚓ What are you doing about partnerships applying and being approved in addition to each partner applying and being approved? Then the clarification came out that this is not permitted, but the customers are demanding to be funded. They say if they have to pay the proceeds back, they will put it will be a 2 year loan at 1% until then. Is the Lender liable if loans are funded that conflict with FAQs or Interim Final Rules, etc. if they have SBA Approval #s? Will the Lender be liable if they don't fund (within 10 days)? Show the Lender fund and file a SAR?
- ⚓ What steps should be taken if the borrower says they are going to use the proceeds for another purpose that is stated in the certifications?

Fraud/Security Polls

- ⚓ What steps should be taken if the borrower says they are going to pay employees (or themselves) more just to use the entire PPP loan amount within 8 weeks for a forgivable amount?
- ⚓ What are financial institutions plans for when lobbies can start opening again?
- ⚓ What prevention measures will be in place for customers/staff?
- ⚓ How will you handle social distancing requirements?
- ⚓ When/How will you identify customers wearing masks?
- ⚓ Will you have other options for account opening?
- ⚓ Have you thought about additional security measures?
- ⚓ Will you add additional lobby entrance personnel for safety?

Fraud/Security Polls

- ⚓ Have you created or plan to create a COVID-19 policy, and more specifically does it include an employee “back to work” policy? If so, would you be willing to share it with the group?
- ⚓ How are you handling going back to business as usual when the Governor reopens the state? Are you going to slowly open your branches to lobby hours or are you going to open as business as usual?
- ⚓ If you do not have lobby hours are they still requiring personnel to do complete walk-throughs before leaving for the night?
- ⚓ Has anyone else been asked to provide procedures or guidance in regards to the robbery of customers who are waiting in line at the drive through? (Someone robs them, from outside their vehicle, before they get to the tube to conduct their transaction.)



Discussion

General/BSA

- ⚓ Currently we do not offer online account opening. However, during this time we intend to accept account opening via email. Any suggestions in regards to identifying & authentication account owner?
- ⚓ We have a large uptick on money laundering alerts, mainly due to customers withdrawing much more cash than they used to do. Most responses upon asking are due to COVID-19 concerns or a government shutdown. Extra time is needed (with a much reduced staffing level due to employees staying home) to work through each one and review past activity to ensure its isolated and not actual attempt at money laundering.
- ⚓ Under the PPP program if we do notice that the proceeds were not spent accordingly, does the SBA have expectations for us to file a SAR? Say, for example purposes - tax evasion or shell companies for the SAR reason. Do we need to reopen those files and do 90 day follow up reviews?

General/BSA cont.

- ⚓ If we filed a SAR at some point and we gave them PPP money, will that require different monitoring?
- ⚓ There was an overly broad statement that the SBA had put out that essentially said to follow BSA but wasn't clear how that would mechanically look now that the PPP loans are being funded. Some of the names may be familiar to the BSA side of the house, but not necessarily the loan side of the house. Does anyone have any thoughts on this?
- ⚓ CIP for new accounts includes obtaining unexpired gov't issued identification. With the Dept of Motor Vehicles closed to foot traffic in many states, we found that we had to figure out what each state we get new customers from is doing, and advise our frontline and lenders to comply with the accommodations state specific. In the case of NH, where the person is still required to apply for an extension till this is over, I think we'll have to accept the expired DL with proof or a statement that they've applied for an extension. See "Handouts" for the information on NH, VT, and MA.

General/BSA cont.

- ⚓ The PPP loans were processed so quickly and the staff was working so hard to keep up (nights and weekends) that we feel that we need to go back and do a more thorough QC of CIP and Beneficial Ownership (in the case of new customers) than usual. This is because the normal process reviewers have been pulled to handle loan booking, set up, etc. and they are maxed!
- ⚓ Has anyone else set up a process for BSA/CIP & CDD review post-closing outside of their normal process?
- ⚓ If you also opened deposit accounts to disburse funds, are you comparing to assure continuity?
- ⚓ Are you verifying business registration with State?
- ⚓ We've seen an increase in business customers jumping on the "medical supplies bonanza" right now. I've got one in particular with all kinds of money coming in and out that wasn't part of the business before. Any discussion around these occurrences for the monitoring of money laundering would be helpful.

Fraud

- ⚓ We have seen an increase in on-line banking takeover alerts due to both actual fraud but also due to the fact that more customers are utilizing electronic banking services with changes in branch hours and drive up service only. Are others seeing this as well?
- ⚓ We have seen an increase in wire fraud alerts due to the PPP loan funding. All I have to go by is looking up the SBA docs in our wire system and hoping they are legit to clear the alert as commercial is swamped trying to process over 500 applications.
- ⚓ Scams are on the uptick again, and we've seen mostly sweetheart scams and "Microsoft" scams. Vulnerable customers are home more and possibly lonely so more susceptible to falling for fraudsters scams. Many aren't financially savvy to I struggle with how to educate them as most don't read statement stuffers to look at the fraud pages of our website. Thankful we have fraud software but it takes staffing time to contact them, try and stop the fraud, close out accounts, disable electronic channels. On top of this, we are working with reduced staffing due to COVID-19 and social distancing.

Fraud cont.

- ⚓ What are you doing about partnerships applying and being approved in addition to each partner applying and being approved? Then the clarification came out that this is not permitted, but the customers are demanding to be funded. They say if they have to pay the proceeds back, they will put it will be a 2 year loan at 1% until then. Is the Lender liable if loans are funded that conflict with FAQs or Interim Final Rules, etc. if they have SBA Approval #s? Will the Lender be liable if they don't fund (within 10 days)? Show the Lender fund and file a SAR?
- ⚓ How are other banks staffing their branches? Do they have their standard hours or have they cut them? How are they handling open and closing procedures if their branch is opening later and some employees are coming in before the retail staff?
- ⚓ Are they sticking by their security programs? How do you know if the personnel are actually following procedures?
- ⚓ How the others are handling cash withdrawals for an elderly's account? Can the family member withdraw cash or cash a check on behalf of the elderly? What type verification is required?

Various Types of Fraud Concerns

- ⚓ Fraudulent Debt Relief Scams
- ⚓ Imposter Scams
- ⚓ Investment Scams
- ⚓ Elder Fraud
- ⚓ Securities Fraud – Insider Trading
- ⚓ Phishing Scams
- ⚓ Cyber Attacks
- ⚓ Advance Fee Schemes
- ⚓ Charity Fraud
- ⚓ Benefits Fraud
- ⚓ Possible litigation over fraud schemes perpetrated by former customers or fraudsters

Red Flags for Fraud

- ⚓ The applicant, or any of its beneficial owners, have a criminal history, questionable background or is the subject of news reports indicating criminal, civil, or regulatory violations
- ⚓ Information provided by applicant regarding prior delinquency or default is false, misleading, or substantially incorrect
- ⚓ Payroll fraud red flags for ghost employees, falsified time & commissions:
 - Blank SSNs for employees
 - More than one employee using the same bank account number, SSN, or address
 - Employees with no deductions for payroll taxes or benefits
 - Unusually high overtime pay
 - Employee paid for working more than 24 hours in one day
 - Employees not based in U.S.
 - “Employees” are actually small children of the applicant (people applying have disclosed this to the FI)

Security

- ⚓ With many states now mandating the wearing of masks, I am curious as to how other banks are handling the opening of accounts for new customers? Although our lobbies are closed we are currently allowing customers (new and existing) to open accounts by appointment only. The wearing of masks opens up a huge security risks.
- ⚓ If an employee tested positive for COVID-19, what documentation should be required for them to return to work?
- ⚓ Have you created or plan to create a COVID-19 policy, and more specifically does it include an employee “back to work” policy.
- ⚓ To the extent anyone has created a policy, would they be willing to share with the group?

NJ Bank Plan from Steve Botto

- ⚓ Under NJ Executive Order 122 all visitors need to wear cloth face masks prior to entering a location. Please give, whenever possible, advance notice to visitors to wear a face mask/face cloth covering for entrance to any bank premises.
- ⚓ To maintain proper security for both our employees and customers during this pandemic, and ensure safe access to the building:
 - Customers will call in to the Branch to let them know they are at the Branch
 - All visitors will need to present bank policy approved identification prior to entering any bank premises.
 - The visitor will be met at the front door by the Branch Manager or Supervisor. Then the visitor will be requested to please pull down their mask and present their ID before being permitted to enter the bank premises.
 - Once the visitor's identification has been verified, they can enter the location.
 - Immediately upon entry into the location, the visitor will need to sign the visitor's log. This log will be located at an empty teller station and the visitor must lower their mask again briefly so that they can be recorded via the cameras. After signing the log, the visitor must pull up their mask and keep their mask on while inside the building.
 - Make sure that during the visit to practice safe distancing.
 - Once the visitor has left the building, be sure to clean all areas that the visitor

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