

Hot Topics in Compliance

*A Closer Look at Core Deficiencies
Commonly Cited by DFS*

FSCNY General Membership Meeting

New York LaGuardia Airport Marriott

September 11, 2018, 2018



Pillar 1: Development of Internal Policies, Procedures, and Related Controls.

- ❑ Compliance Program lacks an adequate assessment of the risks posed by its customer base, products, services, and operations.
- ❑ Compliance officer failed to update the program with documented procedures to reflect the current requirements of 31-CFR-X.
- ❑ Licensee's practices are inconsistent with written policies and procedures
- ❑ Internal review program must be enhanced to include documented reviews of the licensee's compliance with applicable federal and New York laws and regulations.
- ❑ Licensee fails to establish the basis for a sound BSA/AML compliance program consistent with regulatory guidance and sound industry practice.

Recordkeeping and Reporting Issues

- ❑ Compliance officer does not assure that the licensee creates and retains records in accordance with 31-CFR-X.
- ❑ Most CTRs omitted the occupation of the individual conducting the transaction.
- ❑ Inadequate CIP and KYC information (e.g., the licensee failed to record addresses of commercial payees).
- ❑ Record of money orders sold does not include all required information.
- ❑ CTRs not filed within in a timely manner
- ❑ The licensee cashing of post-dated checks
- ❑ Licensee is cashing checks that are likely to be dishonored

Monitoring and OFAC Filtering Issues

- ❑ Failure to implement transaction monitoring procedures to detect transactions that were structured, as defined in section 1010.100 (xx) and prohibited by section 1010.314 of CFR-X, to evade federal currency reporting requirements.
- ❑ The licensee has not assessed the “fuzzy” logic and performance of the OFAC function.
- ❑ The licensee has not assessed automated point of sale system's (POS) performance to ensure the threshold settings and "fuzzy" logic tools map to BSA/AML risk.
- ❑ Licensee does not maintain a record of OFAC screening in commercial customer's file

Pillar 2: Designation of a Qualified Compliance Officer

- ❑ Licensee's compliance officer lacks experience and/or training to serve in that capacity
- ❑ Compliance officer has not received ongoing training in connection with the job responsibilities
- ❑ Licensee has failed to notify DFS of change in compliance officer
- ❑ Delegation of compliance duties by compliance officer not memorialized in writing

Pillar 3: Implementation of an Effective Employee Training Program

- ❑ Licensee's training materials fail to address or reflect policies and procedures or the particular risks associated with principal business lines.
- ❑ The licensee's training program as set forth in the Compliance Manual is not followed.
- ❑ Lack of compliance training by Senior Management or Ownership
- ❑ Employee training is not properly documented
- ❑ No diversity in compliance training offered to employees

Pillar 4 - Independent Review

Process

- ❑ Licensee's independent review is performed by someone who is not qualified to perform the function
- ❑ Licensee (or reviewer) failed to provide the reviewer's work papers
- ❑ Independent reviewer fails to conduct transaction testing
- ❑ The licensee's Senior Management and/or Board has not reviewed the independent review findings and/or has not documented response and corrective action taken

QUESTIONS
