

TBB THE BANKERS BULLETIN

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COMPLIANCE ALPHABET SOUP

by Shannon Truax, Bankers Professional Services, Inc.

What You Should Know About BSA/AML/CFT and What is With All of the New Acronyms?

The Anti Money Laundering (AML) Act of 2020 has brought some changes to what we have historically known as the Bank Secrecy Act (BSA). Many regulatory agencies, including the Financial Crimes Enforcement Network (FinCEN), are now using the terms AML/CFT (Countering the Financing of Terrorism) instead of BSA/AML to better align with the AML Act of 2020. Reference to the BSA is not being replaced, only enhanced. The Federal Financial Institution Examination Council (FFIEC) continues to provide the electronic versions of the “BSA/AML” manual and examination procedures.

In recent years, we have seen some other new acronyms arise such as replacing Privately Owned ATM (POATM) with Independently Owned ATM (IOATM) and Non-Government Organizations (NGO) with Non-Profit Organizations (NPO). These are just changes to the labels. The risk-based requirements have not changed.

With the FinCEN BOI Page Up and Running, Can Banks Stop Asking for Beneficial Ownership Information Yet?

One change that we are seeing and need to take note of is regarding Beneficial Ownership Information (BOI). Pursuant to the Corporate Transparency Act (CTA), FinCEN previously issued a final “Reporting Rule” effective January 1,

The Bankers Bank

35th ANNUAL

GOLF CLASSIC

6.10.2024 at Oak Tree | Register at TBB.bank

...continued from page 1

2024 which requires certain corporations, LLCs, and other entities to report information on their beneficial owners to FinCEN utilizing a secure database. The CTA's next step was the "Access Rule." This final rule, effective February 20, 2024, created circumstances in which beneficial ownership information is disclosed to authorized recipients. It also laid out the plans for protection of the data. The final step that financial institutions are waiting on will revise current Customer Due Diligence (CDD) requirements. This long-awaited rule will bring the current CDD rules into conformity with the AML Act of 2020 and the CTA. It will also account for a financial institution's access to the FinCEN BOI database and reduce any burdens on financial institutions and legal entity customers that are unnecessary or duplicative of the CTA. Unfortunately, we do not have a timeline for the third rule yet. For more information see <https://www.fincen.gov/boi>.

How to Ensure a Successful BSA/AML/CFT Audit or Exam - Cool Tips and Hot Topics:

Exams and external audits always go better if there is an organized auditor/ex-

aminer and an organized client. Keeping things organized on both ends will be key in adhering to the anticipated timeline. Make sure to schedule or attend meetings throughout the process to discuss potential problems or to gain clarity. If an auditor or examiner seems to inquire about processes that do not seem entirely relevant to the audit, they are trying to understand the operational processes to conduct a thorough audit or exam.

Some hot issues involve Cannabis Related Businesses (CRB) and Money Service Businesses (MSB). If your bank has clients in either category, make sure you are following Enhanced Due Diligence (EDD) and that your customers are properly risk-weighted, and you are maintaining required documentation. Another hot topic is Currency Transaction Reports (CTR) and Suspicious Activity Reports (SAR) and ensuring that they are carefully reviewed for any technical reporting information. Although both forms have fields that are asterisked as "critical" fields for technical filing purposes, banks should provide the most complete filing information available regardless of whether or not the fields are deemed

critical. The filing timeline requirement of both CTRs and SARs is very important. Lastly, Automated Surveillance Monitoring (ASM) is becoming more widely used and banks should ensure they also have enough staff to manage the alerts and are periodically reviewing, testing, and tweaking the alerts and scenarios. Documentation of ASM reviews and changes should be retained.

Some tips to help guide you through an exam or audit is to check your policies and risk assessments prior to an exam or audit to ensure that any changes within the regulations or the Bank's processes or products are addressed. Additionally, ensuring that your Board of Directors stays informed with any developments or deficiencies within the BSA/AML/CFT program. Lastly, be open to auditor feedback since they have the opportunity to read more external audits and peer state and federal examination reports. Do not be afraid to push back though if a finding seems to be unfair or cannot be supported.

Bankers Bancorp ANNUAL SHAREHOLDER MEETING

On Friday, March 29th, TBB had our Annual Shareholder Meeting. Outgoing Chairman, Evans McBride, commented on the growth and success of TBB during his term on the Board. CEO and President, Troy Appling, was pleased to report that TBB had three record years in a row. Another significant dividend of \$20 per share was paid with Bancorp subsidiaries Forward in Technology and Bankers Professional Services, Inc. contributing to the dividend for the second year in a row. We also welcomed new board members Adam Anderson and Mark Poole.



ADAM ANDERSON
President & CEO
Bank of Commerce
Catoosa, OK



MARK POOLE
President
BancFirst
Vinita, OK

managing your REGULATOR RELATIONSHIP



by Mike Murphy, EVP & Chief Risk Officer

As a long-time banker who used to be an examiner, I am sometimes conflicted like the guy with the angel and the devil arguing on each of my shoulders. This is especially true when working with regulators whether during the exam process, filing regulatory reports or even doing a branch application. You can get so frustrated, but then you ask yourself why, and try to look at it from their perspective.

From the Fed's Commercial Bank Exam Manual, "Regulation and supervision are distinct, but complementary activities. Regulation entails establishing the rules within which banks must operate...Once (the rule is adopted), the Federal Reserve's supervision process includes monitoring, inspecting, and examining banks to assess whether a bank is in compliance with (those rules)." How many of you have read the sections of the exam manuals that deal with your areas of responsibility at your bank? To aid in gaining that perspective, here are some tips:

DID YOU KNOW?

The Bankers Bank is Now Offering PRINGLE® Strategic Plans for Community Banks

This is not a review of historical information, but a look at the bank now and how prepared you are for the future and new business opportunities. It is a tool kit, including supporting documents, to help you build a professional strategic plan for your bank.

1 The bank supervision team is often made up of people who are relatively new to banking. They have not seen everything you have seen in the banking industry, and they certainly do not know your bank like you do. That is why you need to create the narrative – in your minutes, in your policies, your procedures, your credit memos, and your responses to their questions. This does not have to be TLDR (too long didn't read), but it does need to tell the story you want to tell honestly.

2 Know your examiners. Each agency now uses a Central Point of Contact approach. This CPC is the one reviewing your quarterly numbers offsite and calling you with questions. If your bank's team is choosing to try a new product or service, especially one that is out of the ordinary, then call them and walk them through your plan. Give them time to research the matter, discuss it with others and get back to you. Be proactive.

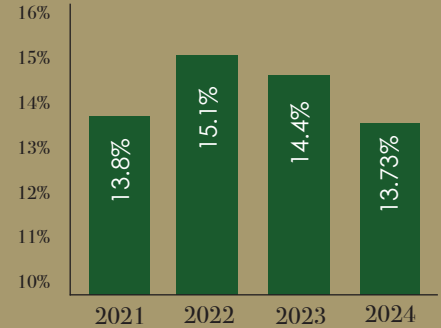
3 Take the time to do an honest and thorough review of the CAMELS components at least annually and certainly before an examination. Know where you stand, where your strengths are and your weaknesses. This process will help you gain a plan on how to address your weaknesses and accentuate your strengths. And again, it will help you tell the story you want the regulators to hear.

A final reminder: be kind and respectful to the exam team or your regulator. Follow the golden rule.

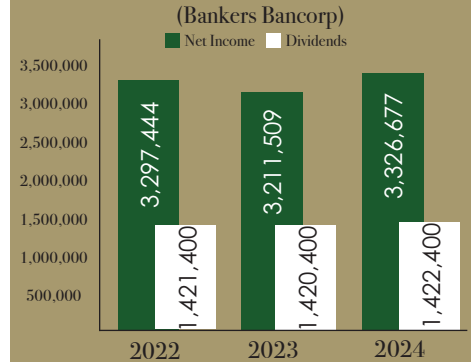
If you want to talk with someone confidentially about your exam, regulatory requirements, or something else that might impact your relationship with the regulators, I would be happy to help. Just call me at 405.613.8018 or email me at mmurphy@tbb.bank.

TBB BY THE NUMBERS

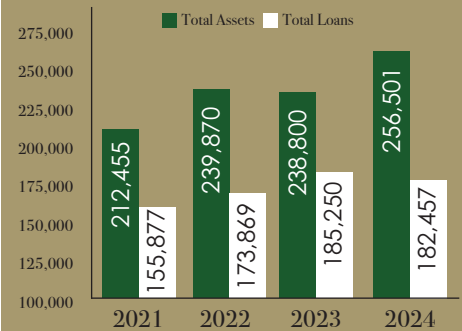
CAPITAL RATIO - YEAR END (CBLR)



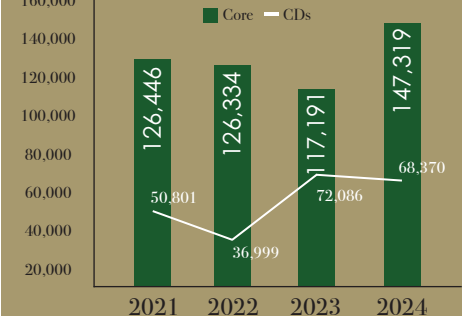
NET INCOME & DIVIDENDS (Bankers Bancorp)



BANK TOTAL ASSETS & TOTAL LOANS



DEPOSIT MIX





FEDNOW vs. RTP

a breakdown of your bank's instant payment options

by Kas Stewart, SVP & AAP

OWNERSHIP	Federal Reserve	The Clearing House*
LAUNCH	July 2023	November 2017
PARTICIPANTS	700	280+
TECHNOLOGY	Agile Methodology	Vocalink
FEES	Waived for 2024**	\$0.045
USE CASES	Use case agnostic	B2B, B2SB, B2C
SETTLEMENT	Master Account***	Federal Reserve, NY****
MESSAGE FORMAT	ISO20022	ISO20022
TRANSACTION LIMIT	\$500,000	\$1,000,000
AVAILABILITY	24/7/365	24/7/365
SPEED	40 seconds	Instant
TRANSFER TYPE	Domestic Credit	Domestic Credit
REVOCABLE	No	No

*Bank association and payment company owned by the largest banks in the US.

**Proposed Federal Reserve Fees: \$25 monthly participation; \$0.045 per transaction.

***Settlement in your own master account or the master account of a correspondent bank.

****Joint account at the Federal Reserve Bank of New York, prefunded.

If you have questions about instant payments or would like to start utilizing FedNow and/or RTP, contact your Calling Officer to schedule an informational call with our team of experts!



DID YOU Know...?

TBB is making strategic planning simpler for community banks

"By failing to prepare, you are preparing to fail."

— Benjamin Franklin



Is your bank planning for the future?
Ask us about PRINGLE® Strategic Plan.