

# CORPORATE CREDIT UNION GUIDANCE LETTER

No. 2005-01

DATE: February 23, 2005

SUBJ: Bank Secrecy Act (BSA) Compliance

TO: The Corporate Credit Union Addressed

The purpose of this letter is to provide guidance to corporate credit unions regarding their responsibilities for BSA compliance, particularly when “unbatching” previously batched transactions during processing or settlement services.

Previous guidance (2004-02 Corporate Credit Union Guidance Letter) concluded it was reasonable, in the case of non-batched transactions, to expect a corporate to periodically check its monetary instruments record (containing transaction data it is required to keep) for characteristics of structured transactions. The guidance applied only to non-batched transactions where the telltale characteristics of structuring are readily apparent. Such characteristics include common names, addresses and account numbers among the transferors; common names, destinations and account numbers among transferees; the frequency and schedule of the transactions; and whether the amounts of the transactions fall just below a BSA recordkeeping or reporting minimum.

Guidance did not specifically address the “unbatching” of previously batched transactions. In order to perform certain services on deposit and payment items received in batched form, corporates may need to run sort patterns or other processing that would yield such telltale characteristics as common names, addresses, account numbers, etc. Once a corporate credit union converts the batched data into a form that makes the telltale characteristics of structuring apparent, it has triggered a due diligence responsibility to determine whether there is “reason to know or suspect” a violation of BSA anti-money laundering rules. This includes the duty to make reasonable efforts to check for telltale characteristics of structuring among the now “unbatched” items, and to file a Suspicious Activity Report (SAR) when warranted. Regardless whether the corporate itself or a third-party vendor performs such services, the due diligence liability remains with the corporate credit union.

For example, while performing large item return notification, corporate credit unions must unbatch unpaid items to extract the information required by regulation to be provided to the Bank of First Deposit (BOFD), such as the payee’s name, the amount, the date of depository bank endorsement, and depository bank customer’s account number. Failed transactions meet the reporting requirements under BSA as transactions conducted or *attempted by*, at, or through the financial institution.

The information provided in this letter is intended for “guidance” purposes. Each corporate credit union must make a comprehensive review of every transaction processing activity engaged in, assess its due diligence requirements, and immediately effect compliance with the BSA and its implementing regulations.

If you have any questions, please contact this office or your state regulator.

Sincerely,

/S/

Kent Buckham  
Director  
Office of Corporate Credit Unions

cc: State Supervisory Authorities  
NASCUS  
NAFCU  
ACCU