

MAY 2023

CERTIFICATION NEWS

QUARTERLY NEWSLETTER FOR ICBA CERTIFIED COMMUNITY BANKERS



HOW I WORK...

RICHARD ROWLEY



Richard "Rick" Rowley is vice president of compliance at The Bank of Clovis in New Mexico.

Mail Theft and Fraud and SARs... "Oh My!"

FinCEN Alert on Mail Theft and SAR Requirements

Have you heard that checks are a dying breed? The industry has been saying that longer than I have been in banking, and more than half the time I have been alive, yet checks are still being negotiated! According to an article by the Federal Reserve Bank of Atlanta, while checks as a preferred method decreased 23% between 2015 to 2018, the average dollar amount per commercial check has been increasing annually.

In February 2023, the Financial Crimes Enforcement Network (FinCEN) published an alert, FIN-2023-Alert003, as a response to the surge in check fraud schemes. FinCEN states that "Fraud, including check fraud, is the largest source of illicit proceeds in the United States and represents one of the most significant money laundering threats to the United States, as highlighted in the U.S. Department of the Treasury's most recent National Money Laundering Risk Assessment and National

Q. Tell us your background/how you got here.

A. I was in the private practice of law for about 25 years. My grandfather started a law practice immediately after law school in the early 1930s after moving to Clovis, New Mexico from Kansas. My dad was able to work with his dad for many years, and I spent much of my 25 years in law with my dad as well.

Our law firm has been well respected in the State of New Mexico for many years, and we take immense pride in that. It has been a great privilege for me to work with my dad, but I

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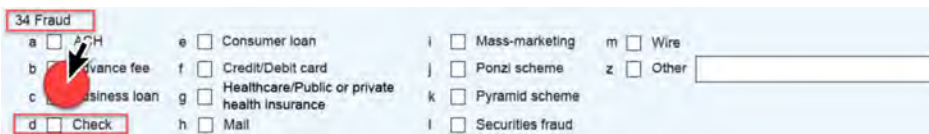
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Strategy for Combatting Terrorist and other Illicit Financing.” Further, it should be noted that fraud is also one of the anti-money laundering/ countering the financing of terrorism (AML/CFT) National Priorities.

The alert provides directives for financial institutions when filing suspicious activity reports (SARs) involving check fraud schemes when it also involves mail theft.

SAR FILING REQUEST

- » FinCEN requests that financial institutions reference this alert in SAR field 2 (Filing Institution Note to FinCEN) and the narrative by including the key term “FIN-2023-MAILTHEFT”
- » Marking the check box for check fraud (SAR Field 34(d))



34 Fraud			
a ☐ ACH	e ☐ Consumer loan	i ☐ Mass-marketing	m ☐ Wire
b ☐ Advance fee	f ☐ Credit/Debit card	j ☐ Ponzi scheme	z ☐ Other
c ☐ Business loan	g ☐ Healthcare/Public or private health insurance	k ☐ Pyramid scheme	
d ☐ Check	h ☐ Mail	l ☐ Securities fraud	

The mail theft-related check fraud targets all types of checks; however, business checks tend to be more lucrative given business accounts generally carry larger balances and time to discovery may be longer for these account types. The FinCEN Alert states: “... according to the United States Postal Inspection Service (USPIS), mail theft-related check fraud is increasingly committed by non-USPS employees, ranging from individual fraudsters to organized criminal groups comprised of the organizers of the criminal scheme, recruiters, check washers, and money mules.” Blue USPS boxes are being targeted in addition to residential mailboxes and cluster mailboxes (apartments, neighborhoods, etc.).



RED FLAGS FOUND IN THE FINCEN ALERT

- » Non-characteristic large withdrawals on a customer’s account via check to a new payee.
- » Customer complains of a check or checks stolen from the mail and then deposited into an unknown account.
- » Customer complains that a check they mailed was never received by the intended recipient.
- » Checks used to withdraw funds from a customer’s account appear to be of a noticeably different check stock than check stock used by the issuing bank and check stock used for known, legitimate transactions.

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decided that I wanted a change. I also had a desire to give back to the community that has given me so much.

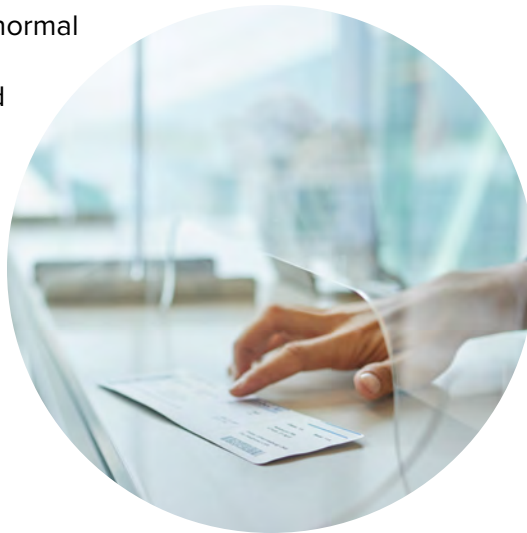
I knew the local district attorney’s office needed help, and I always had an interest in prosecuting criminal cases. So, I accepted an offer to be a prosecutor for the DA’s office. For those who are familiar with the practice of law, that is a very atypical path. Although the cases I prosecuted in the DA’s office were some of the most interesting I had ever handled, I knew it would not be a long-term endeavor for me.

Several months after I had been with the DA’s office, the president of the bank where I am currently working approached me and asked if I would be interested in coming to work for the bank as a compliance officer. Although my dad and I had represented banks and other financial institutions in foreclosures and other collection matters, I knew little about federal banking regulations at that time. The thought of learning that world was daunting to say the least.

After much consideration and prayer, I decided to make the move to bank compliance officer. I have absolutely no regrets and consider it an honor to work with the wonderful people I get to work with every day. The icing on the cake is that my dad is still practicing and I regularly get to consult with him on legal matters for the bank as well as various other cases.

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- » Existing customer with no history of check deposits has new sudden check deposits and withdrawal or transfer of funds.
- » Non-characteristic, sudden, abnormal deposit of checks, often electronically, followed by rapid withdrawal or transfer of funds.
- » Examination of suspect checks reveals faded handwriting underneath darker handwriting, giving the appearance that the original handwriting has been overwritten.
- » Suspect accounts may have indicators of other suspicious activity, such as pandemic-related fraud.
- » New customer opens an account that is seemingly used only for the deposit of checks followed by frequent withdrawals and transfer of funds.
- » A non-customer that is attempting to cash a large check or multiple large checks in-person and, when questioned by the financial institution, provides an explanation that is suspicious or potentially indicative of money mule activity.



RESOURCES FOR CUSTOMERS FROM THE FINCEN ALERT

- » Mail Theft-Related Check Fraud Reporting Hotline for Victims with United States Postal Inspection Service (USPIS) at 1-877-876-2455 or www.uspis.gov/report.
- » Tips from the USPIS on how to protect against mail theft: www.uspis.gov/tips-prevention/mail-theft.
- » Customers appear to be a victim of a theft involving USPS money orders: www.usps.com/shop/money-orders.htm.

Across the country, we have seen an increase in BSA program criticism. While BSA has been in place for a significant number of years there continues to be a need for investing resources in complying with this regulatory requirement.

By Karen Leiter, Regulatory Compliance Director, CLA

Q. Briefly describe how you construct your day for optimal productivity.

A. I'm old school about this. I keep two handwritten lists. One list has items that I need to accomplish that day, and the other has tasks that have a little more flexibility. I prioritize both lists from most important to least important. I usually update both lists before I leave the bank in the evening. I know it sounds simple and it is, but simple is best for me.

Q. How do you keep track of what you must do?

A. My lists for sure. The bank also has an established schedule of monthly and quarterly tasks that each employee must complete. Some of those tasks such as quarterly compliance monitoring are assigned to me.

Q. Take us through a typical workday.

A. Although I am the bank compliance officer, I also do legal work for the bank. It's difficult to describe a typical day. However, one of the things I love about our bank is that we have a bank-wide meeting every Wednesday morning. We all sit in a big circle and discuss what's going on at the bank, both personally and professionally.

In addition to learning about our successes and problems, I get the opportunity to discuss any compliance issues that I am seeing and get feedback from all employees. My day only becomes “typical” when I am doing quarterly

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compliance monitoring over a period of several days or performing one of my other scheduled duties.

Also, because I enjoy people in general, I can spend a good deal of time visiting with our customers and finding out what's going on in their lives. If there is one thing I've learned in my time at the bank, it's that no matter what your banking duties are, banking is still mostly about relationships.

Q. What tools/software/resources can't you live without?

A. I still use (all the time!) my manuals from the ICBA Compliance Institute when I became a CCBCO. I have oodles of notes and inserted pages with revisions to regulations, but I continue to use these binders as a reference on a daily basis. I also regularly rely on the connections I made during the Compliance Institute. The instructors are outstanding and I frequently rely on their guidance—particularly when we just can't seem to figure it out.

Q. Can you share a problem/challenge you're working on or trying to solve?

A. I've been working with a lender, the customer, and the customer's flood insurance company to try to determine whether a detached garage meets the detached structures exemption for flood insurance requirements. The facts

surrounding the use of this structure make it a close call, and we are working to make sure we have our decision properly investigated and documented.

Q. What's the best advice you have for other people in your role?

A. Becoming a CCBCO and maintaining that designation was hands down the most helpful thing I have done to learn bank compliance. I should mention that I am still a work in progress, but I think that is true for most compliance folks given the ever-changing world of bank regulation. The other advice I would offer is to make sure you are working for a bank that takes compliance seriously and is willing to invest the resources necessary to have a solid compliance program. You'll sleep a lot better.

Q. What are you currently reading?

A. I take my Catholic faith seriously, and I am reading a classic book entitled "The Imitation of Christ" by Thomas à Kempis which I recently discovered is believed to be the second most widely read Christian devotional book of all time after the Bible.

Q. Who are the people who help you get things done?

A. We are a small community bank so I can easily say that all of our employees who have been here for any

length of time have helped me get things done at one time or another.

Q. How does your bank use training to solve for succession planning?

A. Despite the fact that we are a smaller community bank, the bank does a great job of cross training employees for both succession planning as well as unplanned employee absences.

Q. What is your favorite thing about the ICBA Compliance Institute or the Annual Current Issues Certification Conference?

A. Without a doubt, my favorite thing is meeting other bankers and comparing notes. The regulatory update session of the Annual Current Issues Certification Conference is invaluable, but visiting with the people who attend is my favorite part.

Q. How has your designation affected your career/role at the bank?

A. I started at ground zero when I began my career at the bank so having the CCBCO designation and the education that goes along with it was a lifesaver to me. It continues to be just that.

VIRTUAL AND IN-PERSON OPTIONS

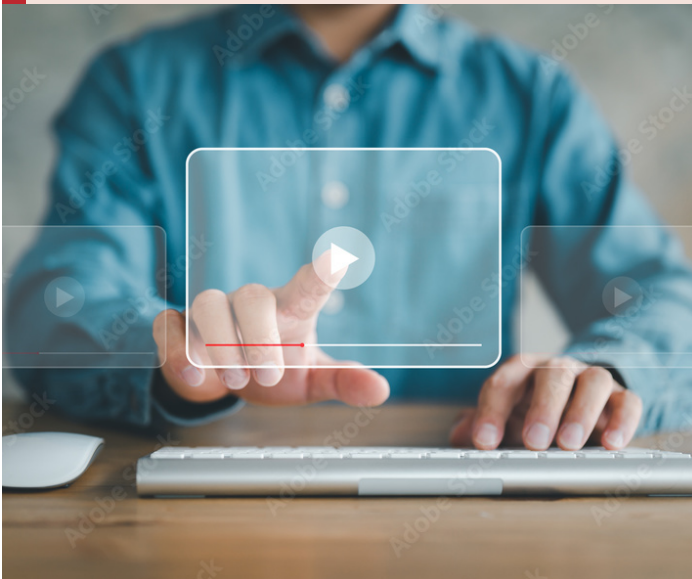
ICBA Annual Current Issues Certification Conference

A four-day conference that focuses on key issues and trends related to auditing, BSA/AML, regulatory compliance, and security and fraud.

DAY 1	DAY 2	DAY 3	DAY 4
Auditing Issues	Lending and Deposit Compliance Issues	BSA/AML Issues	Fraud and Physical Security Issues

Register now for enlightening presentations, insightful Q&A, plus the opportunity to learn from and engage with your peers and instructors. Attend one day or all four to stay in-the-know and earn live CPE to maintain your certification.

VIRTUAL SEPT. 25–28



SAN ANTONIO, TEXAS OCT. 23–26



Visit icba.org/certification or call 800-422-7285 to learn more and register.



2023 Certification Calendar

ICBA Certification Institutes help achieve your career goals and earn CPE to maintain your certification. See our in-person and virtual events for 2023.

**This virtual institute is split over two weeks.*

If you wish to test for certification, the testing fee is \$500 in addition to the registration fee.

INSTITUTES	Dates	Delivery	CPE	ICBA Members
ICBA Audit Institute Learn everything from defining the audit function, developing a risk model and audit plan, to designing and executing the audit program by examining audit assets, liabilities, operations, and bank information systems.	May 16–18 and 23–25*	Virtual	49.5	\$3,299
	Sept. 17–22	Bloomington, MN		
ICBA Bank Security Institute Ground yourself in the bank security basics and learn about situations you may not be prepared for.	Aug. 28–30	Bloomington, MN	21	\$1,699
ICBA BSA/AML Institute Identify emerging areas of customer, product, and geographic risk, such as banking marijuana-related businesses and their potential effects on your bank's BSA/AML program.	May 2–4	Virtual	20	\$1,699
	Aug. 7–9	Bloomington, MN		
	Nov. 7–9	Virtual		
ICBA Commercial Lending Institute Learn to efficiently identify and analyze opportunities, assess, and mitigate risks, and structure and manage commercial loans.	Aug. 20–25	St. Louis, MO	47	\$2,299
ICBA Compliance Institute Receive a detailed study of the relevant areas of regulatory compliance with a focus on real-life scenarios you will encounter in a compliance role.	June 6–8 and 13–15*	Virtual	44	\$2,899
	Oct. 1–6	Bloomington, MN		
ICBA Consumer Lending Institute Review all aspects of the application process, financial statement analysis, credit analysis, loan structure, compliance, documentation procedures, and closing.	Sept. 10–13	Bloomington, MN	25.5	\$1,699
ICBA Credit Analyst Institute Examine the evolving role of the credit analyst and critical functions such as financial analysis, overall business risk, legal liability, and customer relationship needs.	Aug. 15–17	Virtual	27.5	\$1,699
	Oct. 1–4	Bloomington, MN		
ICBA IT Institute Learn how information technology solutions are evolving and allowing community banks to increase efficiency, improve service capabilities, and better safeguard customers.	Oct. 15–19	Bloomington, MN	38	\$2,699
ICBA Risk Management Institute Discover strategies surrounding bank governance, credit risk, interest rate risk, liquidity risk, operational risk, compliance risk, and legal risk.	June 26–28	St. Louis, MO	22.5	\$1,699

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