



---

## **5 Steps to Integrate the ‘Fifth Pillar’ of BSA Compliance**

**By Cindy Hagan, senior consultant, compliance services  
Sollievo Group, LLC**

The year was 1970. It was a time of bell-bottom jeans, feathered hair and Mary Tyler Moore makin’ it after all. It was also the year that Congress passed the Bank Secrecy Act (BSA), a law which required financial institutions to work with the government to snuff out money laundering and fraud.

Over the past four (almost five) decades, BSA has endured constant rules and regulations changes. These regulations have resulted in what is called the “four pillars” of BSA. The pillars state the financial institutions, including credit unions, must abide by and enforce the following procedures as part of their BSA compliance:

1. A system of internal controls to ensure ongoing compliance.
2. Independent testing of BSA compliance.
3. A specifically-designated person(s) responsible for managing BSA compliance (aka, a BSA compliance officer).
4. Training for appropriate personnel.

The most recent rule change from FinCEN requires financial institutions to gather information for beneficial owners of a legal entity customer (i.e., a corporation, LLC, etc.) and establish a risk-based customer due diligence program. This new rule has now taken the role as fifth pillar of BSA and should be implemented within all credit unions by May 11, 2018.

The official verbiage to describe the pillar, as stated by FinCEN, is:

“To identify beneficial owners of legal entities for which a covered financial institution provides an account (‘legal entity customers’), and to add risk-based customer due diligence procedures to the existing ‘four pillars’ of AML program requirements.”

So how can your credit union integrate the fifth pillar into your BSA compliance process?  
Follow these five steps:

---



- 
1. Perform additional verification on all new accounts opened under a legal entity, rather than an individual. You will need to identify the natural person(s) behind the legal entity to determine who has beneficial ownership of the account.
  2. Incorporate beneficial ownership verification into your procedures and account opening documentation. You may use FinCEN's format or create your own form that includes, at a minimum, the requirements set forth by FinCEN.
  3. Develop of method of assigning risk values to members and conduct ongoing monitoring of your membership. The frequency of monitoring should correlate to the level of risk assigned to the account(s).
  4. Establish risk rating criteria to be used during ongoing due diligence monitoring. Create monitoring schedules based on assigned risk and procedures for changing a risk rating. Define clear documentation expectations for all staff.
  5. Provide training to your BSA/AML officers, staff, directors and frontline staff so they know and understand new procedures under the fifth pillar.

While it may seem like the fifth pillar brings about more work for credit union staff, the necessity of this rule change cannot be disputed. Two words: Panama Papers.

The truth is, BSA will always be an evolving regulation - it has to be to keep up with new money laundering schemes and fraud attempts. But for now, stick to the five steps for implementing the fifth pillar at your credit union.

This will ensure compliance, protection against money laundering threats and that...hey...you'll make it after all, too!

#### ***About Cindy Hagan***

Cindy Hagan is a senior consultant of compliance services at Sollievo, the risk management CUSO of Vizo Financial Corporate Credit Union. She may be reached at (855) 605-5664 or [seniorconsultant@sollievo.com](mailto:seniorconsultant@sollievo.com). Ms. Hagan has over 15 years in retail banking where she spent several years managing the BSA/AML and Fraud area. Ms. Hagan administers and coordinates the bank secrecy act/anti-money laundering program to ensure compliance with federal regulations, NCUA, and the industry standards of the FFIEC's BSA/anti-money laundering examination manual.

#### ***About Sollievo***

Sollievo Group, LLC is a wholly owned CUSO of Vizo Financial Corporate Credit Union located. Sollievo (pronunciation: sol'ljevo), an Italian word that means relief, offers a comprehensive collection of risk-management products and services to credit unions. Sollievo's mission is to provide peace of mind and help meet compliance obligations and improve the overall risk posture of credit unions. Services include enterprise risk management, information security services, training, business continuity services, and more. For more information, please visit [www.sollievo.com](http://www.sollievo.com).

---