

# AuditLink

Presents

## REGULATION D

The Present and Look to the Future

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# AGENDA

- Review CU\*BASE configurations as it relates to FR2900 and setting up policies related to types of transactions
- Discuss best practices
- Review the tools to help manage the violation register
- Setting up fees to alter member behavior
- Future enhancements
- Open discussion and plan for the future

# REGULATORY REQUIREMENTS

The requirements and interpretations of Regulation D are some of the most ambiguous found in the Federal Register and compliance sites. Listed below are the two strategies financial institutions can use to manage non-transactional accounts.

- *In order to ensure that no more than the permitted number of withdrawals or transfers are made, for an account to come within the definition of “savings deposit,” a depository institution must either:*
- *(a) Prevent withdrawals or transfers of funds from this account that are in excess of the limits established by paragraph (d)(2) of this section, or*
- *(b) Adopt procedures to monitor those transfers on an ex post basis and contact customers who exceed the established limits on more than occasional basis. For customers who continue to violate those limits after they have been contacted by the depository institution, the depository institution must either close the account and place the funds in another account that the depositor is eligible to maintain or take away the transfer and draft capacities of the account. An account that authorizes withdrawals or transfers in excess of the permitted number is a transaction account regardless of whether the authorized number of transactions is actually made. For accounts described in paragraph (d)(2) of this section, the institution at its option may use, on a consistent basis, either the date on the check, draft, or similar item, or the date the item is paid in applying the limits imposed by that section.*

# HOW AND WHY THE SYSTEM OPERATES

- CU\*BASE GOLD is based upon method (b)
  - Member focused
  - Configurable to alter behavior, create transactional savings accounts, or even restrict certain activities
  - Designed to be a daily monitoring task
  - We are not considering stopping transaction as there would be too difficult to get a consensus on which transactions to stop and the sheer number of posting programs to change would be huge

# CONFIGURATIONS SHARE ACCOUNT SET-UP

- MNCNFA #1

## Share Account Setup Update

Dividend application SH Corp ID 01 WESTERN DISTRICTS CREDIT UNION

**General Account Information** Dividend Information

Description	<input type="text" value="SHARES"/>	<input type="checkbox"/> Prompt for credit report on open
Account range	<input type="text" value="000"/> to <input type="text" value="000"/>	<input checked="" type="checkbox"/> Allow account nicknames
Application type	<input type="text" value="Share/savings products"/>	<input checked="" type="checkbox"/> Report dividends to the IRS
IRA plan type	<input type="checkbox"/>	<input type="checkbox"/> Club processing allowed
<input checked="" type="checkbox"/> Reg D transaction account		
Reg D transfers per month	<input type="text" value="06"/>	
ATM surcharge rebate program code	<input type="text" value=""/>	
Zero balance account option	<input type="text" value="No action taken"/>	

Accounting Interface	Share Draft/Checking Only
Liability G/L account # <input type="text" value="901.00"/>	Stop pay G/L # <input type="text"/>
Expense G/L account # <input type="text" value="381.01"/>	Stop pay fee <input type="text" value="0.00"/>
Accrual G/L account # <input type="text" value="854.01"/>	<input type="checkbox"/> Allow change of fee amount

# CONFIGURATIONS SETTING UP TRIGGERS

Session 2 CU\*BASE GOLD Edition - Transaction Management and Analysis




Transaction Analysis/Inquiry Tools	Transaction Management Maintenance Tools
<a href="#">Go!</a> Transaction Cost/Weight Factors by Origin/Dividend Application	<a href="#">Go!</a> Maintain Reg. D Transaction Policy
<a href="#">Go!</a> Reg. D Transaction Policy by Origin/Dividend Application	<a href="#">Go!</a> Configure Transaction Cost/Weight Factors
<a href="#">Go!</a> Transaction Configuration and Reversal Cross Reference	

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# CONFIGURATIONS SETTING UP TRIGGERS










Session 2 CU\*BASE GOLD Edition - Reg. D Transaction Policy

Application type     SORTED BY TRAN CODE

Transaction Code			Transaction Type		Origin		Regulation
Code	Apl	DR/CR	Type	Description	Code	Description	D (Y/N)
33	SD	DR	02	WITHDRAWAL	20	CU*EASYPAY! PROCESSING	N
33	SD	DR	30	WITHDRAWAL BY PHONE TRANSFER	07	JOURNAL ACCT TRANSFER P	N
33	SD	DR	30	WITHDRAWAL BY PHONE TRANSFER	15	PHONE OPERATOR TRANS	N
33	SD	DR	31	WITHDRAWAL, CASH	01	TELLER PROCESSING	N
33	SD	DR	31	WITHDRAWAL, CASH	04	DIRECT POSTING PROCESSI	N
33	SD	DR	31	WITHDRAWAL, CASH	21	KIOSK PROCESSING	N
33	SD	DR	31	WITHDRAWAL, CASH	99	AUTOMATIC SYSTEM PROCES	N
33	SD	DR	32	WITHDRAWAL, DRAFT	01	TELLER PROCESSING	N
33	SD	DR	32	WITHDRAWAL, DRAFT	02	SHARE DRAFT FROM BANK P	N
33	SD	DR	32	WITHDRAWAL, DRAFT	13	ATM NETWORK PROCESSING	N
33	SD	DR	32	WITHDRAWAL, DRAFT	16	DEBIT CARD PROCESSING	N
33	SD	DR	32	WITHDRAWAL, DRAFT	20	CU*EASYPAY! PROCESSING	N
33	SD	DR	32	WITHDRAWAL, DRAFT	99	AUTOMATIC SYSTEM PROCES	N
33	SD	DR	33	DIVIDEND WITHHOLDING	99	AUTOMATIC SYSTEM PROCES	N

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Sort by Origin

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# NUANCES OF SETTING UP SHARE CONFIGURATION AND TRIGGERS

- Does the account type have contractual limitations already? IRA and Club Accounts
- Does the credit union already charge for excess withdrawal limits and will that cover the credit union?
- Has the credit union attached debit cards to non-transactional accounts?
- Does the credit union use IPay or Fiserve?
- Does the credit union allow members to call in and have checks cut out of their account to third parties?
- Interpreting ACH splits as one or multiple transactions?
  - *Need help or just want someone to review your policies? Contact AuditLink*



# BEST PRACTICES FOR MANAGING VIOLATIONS

- Train staff on how the tool works and the importance of communicating the electronic restrictions to members at account opening. Highlight the transaction restrictions on the TIS document
- Review configuration settings and verify that all transaction types have been correctly chosen
- Review the violation register DAILY and communicate with members who appear on the report. Report name in CU\*SPY – PDRMTR
- Update an audit tracker after the member communication in order to track violation history

# BEST PRACTICES FOR MANAGING VIOLATIONS

- Set up a Regulation D violation fee to gain the attention of the member (vs. making money on it)
- Develop internal procedures for managing recurring offenders
  - Home banking access
  - Overdraft transfers
  - ACH
- Create a transactional savings account that is listed on the FR2900 along with other transactional accounts not subject to the violations
- Train phone center representatives on appropriate member communication when the warning message occurs while performing member transactions
- Do all of the items above consistently
- Or..... Reclassify your accounts to be transactional on the report to the Federal Reserve

# DID YOU KNOW? QUERY FILE REGD

## Specify File Selections

Choose a File

File name	<input type="text" value="REGD"/>		(Name of file)
Location	<input type="text" value="FILEXX"/>		(Location where the file is stored - FILExx or QUERYxx)
Member	<input type="text" value="*FIRST"/>		(Set of data within the file) <span style="float: right;">Optional</span>
Format	<input type="text" value="REGDR"/>		(An arrangements of fields within the record) <span style="float: right;">Optional</span>




Line	1	2	3	4	5	6	7	8	9	10	11
	Reg D	Reg D	Reg D	Reg D	Reg D	Reg D	Reg D	Reg D	Reg D	Reg D	Filler
	Status	App Type	Acct Base	Acct Type	Div App	MTD Total	First Violation	Last Violation			
000001	A	SH		0	SH	4	0	0			
000002	A	SH		0	SH	2	0	0			
000003	A	SH		0	SH	4	0	0			
000004	A	SH		0	SH	1	0	0			
000005	A	SH		0	SH	1	0	0			
000006	A	SH		0	SH	1	0	0			
000007	A	SH		0	SH	7	51,115	51,115			
000008	A	SH		0	SH	2	0	0			
000009	A	SH		0	SH	1	0	0			
000010	A	SH		0	SH	1	0	0			
000011	A	SH		0	SH	2	0	0			
000012	A	SH		0	SH	1	0	0			
000013	A	SH		0	SH	1	0	0			
000014	A	SH		0	SH	3	0	0			
000015	A	SH		0	SH	1	0	0			
000016	A	SH		0	SH	1	0	0			
000017	A	SH		0	SH	1	0	0			
000018	A	SH		0	SH	1	0	0			

# DID YOU ALSO KNOW?

## ALERTING CALL CENTER AGENTS

- Alert your member service staff when a Phone Operator transfer will exceed the number of transfers allowed by the Reg D requirements for the account.
- Will only appear in Phone Op transfers
- You may need to alter your Reg D configuration to count the Transaction Origin Code 15 (Phone Operator transfer).

Session 2 CU\*BASE GOLD Edition - Reg. D Transaction Policy

Position to origin code     SORTED BY ORIGIN

Transaction Code			Transaction Type		Origin		Regulation
Code	Apl	DR/CR	Type	Description	Code	Description	D (Y/N)
33	SD	DR	57	ATM NETWORK WITHDRAWALS	13	ATM NETWORK PROCESSING	N
33	SD	DR	68	WITHDRAWAL, SALES TAX	13	ATM NETWORK PROCESSING	N
13	SH	DR	55	SALES TAX/MISC FEE	14	STOP PAY FEE PROCESSING	N
33	SD	DR	35	WITHDRAWAL, STOP-PAY REQUEST F	14	STOP PAY FEE PROCESSING	N
33	SD	DR	55	SALES TAX/MISC FEE	14	STOP PAY FEE PROCESSING	N
13	SH	DR	30	WITHDRAWAL BY PHONE TRANSFER	15	PHONE OPERATOR TRANS	N
13	SH	DR	37	WITHDRAWAL BY CHECK	15	PHONE OPERATOR TRANS	N
13	SH	DR	40	WITHDRAWAL, MISC RECEIPTS	15	PHONE OPERATOR TRANS	N
13	SH	DR	55	SALES TAX/MISC FEE	15	PHONE OPERATOR TRANS	N
13	SH	DR	68	WITHDRAWAL SERVICE CHARGE	15	PHONE OPERATOR TRANS	N
33	SD	DR	30	WITHDRAWAL BY PHONE TRANSFER	15	PHONE OPERATOR TRANS	N
33	SD	DR	37	WITHDRAWAL, CHECK	15	PHONE OPERATOR TRANS	N
33	SD	DR	40	WITHDRAWAL, MISC RECEIPTS	15	PHONE OPERATOR TRANS	N
33	SD	DR	55	SALES TAX/MISC FEE	15	PHONE OPERATOR TRANS	N

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Sort by Tran Code

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<http://help.cubase.org/cubase/#UREGDT-01.htm>

# TRANSACTION SERVICE CHARGES THE ONLY WAY TO ALTER MEMBER BEHAVIOR

- Must be equivalent to the credit unions Reg D policy trigger choices
- Recommend that you use client service staff to set up and test
- Implementing requires a TIS update and advance notice if change in fees
- Will only charge member on a monthly basis

# NEVER MONITORED REG D? HOW TO GET THE HORSE BACK IN THE BARN

- Daily violation register could potentially contain hundreds of names
- Review prior reports to determine the source of violations
- Understand how to best approach a solution
- Process may take up to 12 months to implement



# HOW CAN WE MAKE THE TOOLS BETTER FOR YOU?

- Soft message in online banking – one individual said this is where the majority are coming from
  - Status: Specification submitted, awaiting programming
- Create an event around the violation that generates a notice and tracker record, tracker records could then be used for both monitoring the number of occurrences and also for outbound calling queues
  - Status: In the specification writing phase
- Add an additional end-of-day report which shows total violations by member to day of month
  - Status: In envisioning stage



# WHAT'S THE PLAN AND HOW YOU CAN HELP

- Collaborate and send AuditLink your policies, procedures, or narrative on how you win the Reg D battle
  - Our goal is to compile these and share them with the entire network by the middle of June.
- Weigh in if you think more investment needs to be made at all
- Watch for upcoming announcements on the final specifications for software at <https://auditlink.cuanswers.com/>
- Share your thoughts with the core compliance group and start a conversation on best practices and management techniques. To get involved contact [jvilker@cuanswers.com](mailto:jvilker@cuanswers.com) or [marsha.sapino@cuanswers.com](mailto:marsha.sapino@cuanswers.com)

# OPEN DISCUSSION

## EARN \$250!

- Be an author for our next Network Compliance Teacher newsletter
- Topic will be Reg D
- 750 word minimum per article
- Email Marsha Sapino at [marsha.sapino@cuanswers.com](mailto:marsha.sapino@cuanswers.com)