



InfoSight Highlight

IRS Form 1099-INT

Rules for Delivering Form 1099 Statements to Recipients

The mailing must contain the official IRS Form 1099-INT or an acceptable substitute. The statement mailing can also contain the following enclosures:

- Form W-2, W-8, W-9, or other Forms 1098, 1099, and 5498 statements;
- A check from the account being reported;
- A letter explaining why no check is enclosed;
- A statement of the person's account that is shown on the 1099-INT; and
- A letter explaining the tax consequences of the information shown on the statement.

No additional enclosures, such as advertising, promotional material, or a quarterly or annual report, are permitted. Even a sentence or two on the year-end statement describing new services offered by the credit union is not permitted. However, logos are permitted on the envelope and on any non-tax enclosures.

There must be a legend on the outside of the envelope that states, "Important Tax Return Document Enclosed" in a bold and conspicuous manner. This legend must also appear on each letter explaining why no check is enclosed or on each check or account statement that is not perforated to the recipient statement. The legend is not required on any tax form, tax statement, or permitted letter of tax consequences included in a statement mailing.

Credit unions may provide a copy of Form 1099-INT to members electronically if the member electronically consents or agrees to receive the statement electronically; the credit union discloses certain information at or before the time the member consents to receive the statement electronically; and the credit union posts the statement on its website on or before January 31 and maintains access through October 15 of the following year after the year the payment was made. The credit union must also notify the member on or before January 31 that the statement is available on its website.

For additional information, click [here](#) for the topic.

Review the information today to help your credit union remain in compliance.

Compliance News

Holiday Season Reminders On the Bank Bribery Act!

During the holiday season, credit union employees are often given gifts from vendors and members. Can you accept these? It depends. If your credit union has a policy to address such, follow it. If your credit union does not have a policy, your employees should not accept the gift, or better yet, adopt a policy for your credit union.

Why? The problem lies with the "gift" being considered by the authorities as a potential bribe. Even a box of chocolates can cause a problem if your credit union does not have a policy.

Does your credit union have a policy in place for gifts or incentives that



InfoSight
Compliance eNEWSLETTER
November 14, 2016
Vol. 10, Issue 46

Created in partnership with the



Credit Union National Association

Compliance Video

NEW VIDEOS

Military Lending and 3rd Quarter 2016 Review

In this [newly released video](#), Glory LeDu reminds us of the regulatory changes that became effective in the 3rd quarter of 2016 and provides an overview of those that are coming up in the 4th quarter, including FinCEN Member Due Diligence, NACHA Same Day ACH rules as well as the Military Lending Act and the Overtime Rule from the Department of Labor.

Member Business Lending

This [new video](#) provides the details you will need to know to comply with the NCUA's Member Business Lending rules.

Compliance Calendar

November 24, 2016:

Thanksgiving Day - Federal Holiday

December 1, 2016:

Overtime Rule - Department of Labor

employees receive from time to time? If not, consider these serious consequences:

- Both parties are subject to prosecution, both the person(s) giving the bribe/gift and the person(s) receiving the bribe/gift.
- Bribes/gifts of \$100 or less subject violators to fines not to exceed \$1,000 and/or prison terms of up to 1 year.
- Bribes/gifts of more than \$100 subject violators to fines of up to \$1,000,000 or three times the bribe, whichever is greater, and/or prison terms of up to thirty years.

The Bank Bribery Act prohibits any officer, director, committee member, employee, agent, or attorney of a credit union from giving and receiving bribes (anything of value) in connection with the credit union's business affairs.

Your credit union should have a code of conduct and written policy that clearly states what's prohibited, what's permitted, and to whom the policy applies. Some model policies, based on the prosecution guidelines found in the Act, suggest that gifts under \$100 could be accepted on an occasional basis. If your credit union permits occasional gifts of nominal value, make sure to require that any such gifts are recorded and reported to management immediately.

The credit union's code of conduct may include the following exceptions to the general prohibition regarding the acceptance of things of value in connection with credit union business:

- Gifts or favors based on family or personal relationships.
- Meals, refreshments, or entertainment of reasonable value and where the purpose is credit union business.
- A regular member loan from the credit union.
- Advertising or promotional material of nominal value, such as pens, calendars, etc.
- Discounts or rebates on merchandise or services that do not exceed those available to other members.
- Gifts of reasonable value that are related to commonly recognized events/occasions, such as a promotion, new job, wedding, retirement, or holiday (that box of chocolates).
- Civic, charitable, educational, or religious awards for recognition of service and accomplishment.
- Bona fide salary, wages, fees, or other compensation, or expenses paid or reimbursed.

If the "gift" is given to the credit union and in turn, the credit union distributes it to its employees, the credit union should be fairly well protected from prosecution.

For example, if a vendor wishes to give an incentive for the employee that sells the most insurance, the vendor should give it to the credit union and the credit union then award it to the winning employee. If the gift provides educational value to the credit union (i.e. training seminar), the credit union should be fairly well protected.

Note: There is a Model Bank Bribery Act Policy in [PolicyPro](#).

FFIEC Issues Uniform Interagency Consumer Compliance Rating System

The Federal Financial Institutions Examination Council (FFIEC), recently announced the issuance of an updated [Uniform Interagency Consumer Compliance Rating System](#). The revisions reflect the regulatory, examination,

December 26, 2016:

Christmas Day (observed)-
Federal Holiday

January 1, 2017:

Member Business Loans;
Commercial Lending (NCUA) -
Effective date

January 1, 2017:

HMDA - Regulation C, excludes
low volume depository institutions
from coverage -
Effective date

January 2, 2017:

New Year's Day (observed) -
Federal Holiday

[Click here for upcoming
compliance dates.](#)

Compliance Training

November 14, 2016

[Nonresident Alien Accounts: W-8s, W-8BENs, BSA, Rules & More](#)
Webinar
3:00 - 4:30 ET

November 15, 2016

[Recognizing & Responding to Elder Fraud: What Every Staff Member Should Know](#)
Webinar
3:00 - 4:30 ET

November 16, 2016

[Quarterly Supervisory Committee Series: What the Board Needs to Know to Manage IT](#)
Webinar
3:00 - 4:30 ET

November 17, 2016

[Handling ACH Exceptions & Returns: Unauthorized, Revoked, or Stop Payment?](#)
Webinar
3:00 - 4:30 ET

November 22, 2016

[Trust Accounts: Opening, Transacting, Deposit Insurance & More](#)
Webinar
3:00 - 4:30 ET

technological, and market changes that have occurred since the release of the original rating system. The FFIEC member agencies plan to implement the updated rating system on consumer compliance examinations to begin on or after March 31, 2017.

The Consumer Compliance Rating System is a supervisory policy for evaluating financial institutions' adherence to consumer compliance requirements. The Uniform Interagency Consumer Compliance Rating System is designed to more fully align the rating system with the FFIEC agencies' current risk-based, tailored examination approaches. It was not developed with the intention of setting new or higher supervisory expectations for financial institutions. The rating system's adoption will represent no additional regulatory burden for financial institutions.

The FFIEC members proposed the guidance in May 2016 and invited public comments through July 5, 2016. The agencies received 17 comments through the proposal process. Those comments were taken into account in finalizing the Uniform Interagency Consumer Compliance Rating System. The updated rating system will be published shortly in the Federal Register.

Regulation D Reserve Requirements for 2017

The Board of Governors of the Federal Reserve is amending Regulation D, Reserve Requirements of Depository Institutions, to reflect the annual indexing of the reserve requirement exemption amount and the low reserve tranche for 2017. The Regulation D amendments set the amount of total reservable liabilities of each depository institution that is subject to a zero percent reserve requirement in 2017 at \$15.5 million (up from \$15.2 million in 2016). This amount is known as the reserve requirement exemption amount. The Regulation D amendments also set the amount of net transaction accounts at each depository institution (over the reserve requirement exemption amount) that is subject to a three percent reserve requirement in 2017 at \$115.1 million (up from \$110.2 million in 2016). This amount is known as the low reserve tranche. The adjustments to both of these amounts are derived using statutory formulas specified in the Federal Reserve Act. The Board is also announcing changes in two other amounts, the nonexempt deposit cutoff level and the reduced reporting limit, that are used to determine the frequency at which depository institutions must submit deposit reports.

Your CU Should Know...

NCUA Renames Office

The National Credit Union Administration published at 81 FR 76495 in the 11/3/16 *Federal Register* a notice renaming its Office of Consumer Protection. The new name, effective immediately, is the Office of Consumer Financial Protection and Access.

Justice Department Announces Pilot Program to Provide Military Communities Across the Country with Dedicated Legal Support

The U.S. Department of Justice has announced a new program, the Servicemembers Civil Relief Act Enforcement Support Pilot Program, to support enforcement efforts related to protecting the rights of current and former military personnel as part of the department's Servicemembers and Veterans Initiative. The new pilot program funds Assistant U.S. Attorney and trial attorney positions to assist with SCRA enforcement, and also designates military judge advocates currently serving as legal assistance attorneys to serve as Special Assistant U.S. Attorneys to support the department's

November 29, 2016

Top 10 IRA Issues: Compliance, Reporting, Death & Distributions
Webinar
3:00 - 4:30 ET

November 30, 2016:

Annual Robbery Training for All Staff
Webinar
3:00 - 4:30 ET

December 1, 2016:

Meaningful & Strategic Stress Testing: A Valuable Board & Management Tool
Webinar
3:00 - 4:30 ET

December 6, 2016

Cyber Series: Requirements for Tech-Based Marketing: Websites, Social Media, Robo Calls & More
Webinar
3:00 - 4:30 ET

December 13, 2016

Loan Review: Consumer, Commercial & Real Estate
Webinar
3:00 - 4:30 ET

December 14, 2016

Director Series: Essential Compliance Training for the Board & Senior Management
Webinar
3:00 - 4:30 ET

December 15, 2016

Frontline Series: Powers-of-Attorney In-Depth: Good Faith, Fraud & Fiduciary Capacity
Webinar
3:00 - 4:30 ET

December 20, 2016

Disaster Preparedness, Recovery & Business Continuity
Webinar
3:00 - 4:30 ET

December 21, 2016

Emerging Need & Regulatory Expectations for Enterprise Risk Management Framework
Webinar
3:00 - 4:30 ET

enforcement efforts related to the SCRA. U.S. Attorneys throughout the country will also be appointing Initiative Liaisons to work with local military and veteran communities.

New NCUA Guidebook: The Basics of Data Processing Contracts

NCUA's Small Credit Union Learning Center has released a guidebook on negotiating contracts with third-party vendors for digital services. The guidebook, [*The Basics of Data Processing Contracts*](#), covers the core elements of the contracting process such as:

- Requesting and evaluating bids
- Performing due diligence on potential vendors
- Negotiating terms, including pricing, performance requirements and liabilities; and
- Contract management and compliance.

Fed Adds to Reg II FAQ

The Federal Reserve Board has added a new question and answer to its [Regulation II \(Debit Card Interchange Fees and Routing\) FAQs](#). Question 4 under the heading of "§ 235.7 Network Exclusivity and Routing Provisions" indicates that card networks cannot require merchants to allow debit cardholders to choose EMV chip application when one application routes to a single network. The Board's interpretation of the Durbin Amendment could cause more debit card transactions to be processed as PIN transactions rather than by signatures, and could therefore affect card issuer interchange income.

2017 HMDA Data Submission Changes

The CFPB has [posted information](#) on changes to the submission process listed in the [Filing Instructions Guide](#) for HMDA data collected in 2017. Beginning with the HMDA data collected in 2017, filers will submit their HMDA data to the CFPB using a web interface referred to as the HMDA Platform. HMDA filers will interact directly with the HMDA Platform to file their HMDA data. The Data Entry Software currently provided by the FFIEC will no longer be available as a method of data entry or data submission.

FinCEN Restricts North Korean Access

Treasury has [announced](#) that FinCEN has issued a final rule under Section 311 of the USA PATRIOT Act to further restrict North Korea's access to the U.S. financial system. The final rule prohibits U.S. financial institutions from opening or maintaining correspondent accounts for North Korean banks and also requires U.S. financial institutions to apply additional due diligence measures in order to prevent North Korean financial institutions from gaining improper indirect access to U.S. correspondent accounts. The rule was proposed in June 2016 along with publication of the notice of finding that North Korea is a jurisdiction of "primary money laundering concern" engaged in illicit conduct, including using state-controlled financial institutions and front companies to engage in proliferation of weapons of mass destruction and ballistic missiles and to evade international sanctions.

Technical Amendments to FinCEN BSA Regs

The Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) has published at [81 FR 76863](#) in the *Federal Register* a final rule making a number of technical amendments. This final rule updates various sections of the regulations implementing the Bank Secrecy Act ("BSA") by removing or replacing outdated references to obsolete BSA forms, removing references to outdated recordkeeping storage media, and replacing several other outdated terms and references. The changes, which affect 31 CFR parts 1010, 1020, 1021, 1022, 1023, 1024, 1025, and 1026, are effective 11/4/16.

**BSA Training Opportunities
through GCUA**

[Click here for details](#)

**2017 GCUA Webinar/Online
Education Options**

Coming Soon

The [CUNA Advocacy Update](#) keeps you on top of the most important changes in Washington for credit unions - and what CUNA is doing to monitor, analyze, and influence government agencies and federal law. You can view the current report and past reports from the archive.

Click [here](#) to request to be added to the mailing list for this and/or other GCUA email publications.

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Need a BSA, ACH or Website review? Email compliance@gcua.org.