

Issues & Answers



October 2021

It Could Be Raining



*By Glen Simecek,
President and CEO,
Washington Bankers
Association*

There's a great scene in the classic Mel Brooks comedy "Young Frankenstein," in which Victor Frankenstein and his trusty sidekick

Igor have snuck into a cemetery to exhume a body for the regeneration experiment. When Victor expresses his disgust at their task, Igor cheerily replies, "Could be worse; could be raining." Of course, a downpour immediately ensues.

I often think about "it could be worse," when I reflect on the hard work WBA and its members undertake in the advocacy arena.

Each year, we have plenty of reasons to shake our collective heads at questionable policies put forth by government officials, whether elected or appointed, at the local,

state, and federal levels. But the simple fact is that, for all the issues that don't work out the way we'd like, there are many more bad ideas that we're able to stop thanks to input, testimony, and the direct engagement of bankers with lawmakers.

Case in point: Thanks in large part to bankers speaking up, Congress has removed the proposal to impose new IRS data reporting requirements on banks from the most recent version of the tax package under consideration. I've personally had conversations with members of our state Congressional delegation and have been told that they've heard loud and clear from bankers opposed to this new reporting burden.

While things in DC are "not over until they're over," we're much better off having that proposal out of the package and having proponents trying to reinsert it than we would be if it were in the package and we were being forced to argue for its removal.

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On the Cover

Fall colors reflect brightly in the Wenatchee River outside of Leavenworth, Wash. The area attracts thousands of visitors each year to witness the changing of the seasons.

Photo courtesy Washington State Department of Natural Resources

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Another important issue is playing out in “our Washington.”

By now, most bankers are probably aware of the recent legislation to establish a new, \$36,500-per-individual long-term care (LTC) benefit, publicly funded by a new payroll tax of 0.58 percent on employee wages. Employees can opt of the state program and tax by providing proof of private LTC coverage but only have until November 1 to do so.

WBA has joined the broader business community, led by the Association of Washington Business, in urging the Governor and Legislature to suspend or at least slow implementation of this new program.

We’ve collectively pointed out several problems with the law as written. The November 1 deadline for individuals to demonstrate that they have obtained private coverage is unrealistic, given the small number of carriers currently operating in our market and the volume of applications they’re receiving. The Employment Security Department does not appear ready to process exemption applications promptly, which could result in some employees paying for both a private policy and the public program for some time – with no provision for state refunds when that happens. And several eligibility provisions will result in some employees paying the tax – potentially for many years – without receiving the benefit.

This bill is an example of the Legislature moving quickly on what is arguably a laudable goal, ensuring that more Washingtonians have more resources to pay for the care they could need as they age. But it’s also an example of why businesses, and especially bankers, need to explain the real-world consequences of legislation clearly and consistently.

This has been an important subject of discussion in our legislative roundtable meetings, and we’ve heard some lawmakers acknowledge that changes will have to be made to the program come January and the 2022 session. That’s an encouraging sign, but we need to keep up the volume, so every legislator understands the importance of this issue and the need to take action.

I urge you to take some time to learn more about the details of the new law and share that information with your employees and your customers who will also be impacted and may not be focused on the issue. Encourage them to ask questions and share their concerns with their representatives in Olympia.

As it currently sits, the long-term care program has serious problems. Working together, we may be able to correct some of its flaws and make it better.

Time and again, we see that when bankers speak up on important issues, it makes a big difference with lawmakers and the broader community they represent. This is a very good thing because we all know that another raincloud is bound to come along.

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Banking On Inclusion: America's Banks Embrace Bank On Movement



By Rob Nichols, President & CEO,
American Bankers Association

America's banks have a longstanding commitment to helping reduce the number of unbanked and underbanked individuals and families in the U.S. July marked a major milestone in that endeavor, with an announcement from the Cities for Financial Empowerment Fund that

the number of Bank On-certified deposit accounts now available has surpassed 100. At the time this column was written, it was up to 114.

As you may recall, nearly a year ago I challenged banks of all sizes to offer Bank On-certified products, which are designed to promote access to financial services to the roughly 5% of U.S. households that remain unbanked. To receive Bank On certification, the account must meet certain standards, including low costs, no overdraft fees, robust transaction capabilities via a debit or prepaid card, and free online bill pay. The certification is free and the process is simple.

When I issued that challenge in October 2020, there were 43 banks offering accounts that were Bank On-certified. Today, there are more than 90, with plenty more in the process of obtaining certification. In particular, we've seen a significant uptick in the number of community banks offering Bank On-certified accounts. This is due in part to ABA's efforts to engage with 20 of the nation's core technology providers—including Fiserv, FIS, Jack Henry and Associates, and Finastra—and encourage them to simplify the process for their bank clients to create and offer these important products.

Today, Bank On accounts are available in more than 32,500 branches, in 99 out of the 100 largest metropolitan markets, and in all 50 states. They have received plaudits from bank regulators and policymakers alike—and for good reason. Research suggests that the initiative is working as intended: according to the Federal Reserve Bank of St. Louis, 75% of consumers opening Bank On certified accounts were new customers for that bank. Additionally, while these accounts have

widespread appeal, CFE Fund reports that close to 60% of Bank On certified accounts were opened by customers in communities with 50% or more people of color.

The importance of having a banking relationship has never been more apparent than during the COVID-19 pandemic. From obtaining Paycheck Protection Program loans to receiving economic impact payments quickly, there are countless stories that speak to the benefit of having a trusted banking partner—and to the disadvantages of not having one.

“For a long time, we'd known that we have consumers that don't have bank accounts in our market. It could be for cost, it could be for convenience, there could be a lot of reasons. The stimulus checks brought the issue to light a little more,” says Gary Kleer, CEO of First Bank Richmond in eastern Indiana, whose bank recently had its Easy Fit Checking Account Bank On-certified. “When we saw this initiative being offered, we decided to get on board so that we could offer our consumers a more safe and affordable way to handle their money.”

As we strive for a more equitable and inclusive society, one of the most constructive ways banks can help move the needle is to ensure that every American has the opportunity to access the banking system. That's why the Bank On certification is so important—it signals to those who may be hesitant to come in the door and start that banking relationship that the bank offers a product they can trust to meet their needs.

Many banks are already offering checking account options that meet Bank On standards—but it's time to go the extra step and get them certified – for free – with the Bank On seal of approval. If you haven't yet, I encourage you to visit www.aba.com/BankOn to learn more about the Bank On movement, how to certify an account product and why other banks were motivated to get involved. ABA staff is available to meet with your bank about the Bank On process and to answer your questions; reach out anytime through our dedicated inbox: bankon@aba.com.

Together, we can bring more Americans into the banking system—a crucial step toward ensuring economic prosperity for all.

Events Calendar

October 6 – 2021 Hybrid Retail Branch Manager Development Program

November 4-5 – Virtual Women in Banking Conference

December 2-3 – Virtual Bank Executive Conference

January 26, 2022 – Executive Development Program

February 10-11, 2022 – NW Compliance Conference, DoubleTree Suites, Southcenter

March 2-3, 2022 – Virtual Senior Credit Conference

March 29, 2022 – Retail Sales & Leadership Conference, Washington Athletic Club, Seattle

March 31, 2022 – Marketing Conference, DoubleTree Suites Seattle Airport

To register or to learn more about any of the listed events, please visit www.wabankers.com/calendar.

Executive Development Program Registration Now Open for 2022

Registration is now open for the WBA's flagship Executive Development Program.

This comprehensive 12-month program focuses on the skills bankers need to take on executive roles within their organization. Sessions cover a variety of topics, including today's banking environment, leadership and management, financial profitability, liability and assets, credit and risk review, audit and compliance, and much more. In 2022, the program has been updated to include a focus on cybersecurity and the role of fintech partnerships.

One of the highlights of the program is the one-on-one mentorship, one of the few opportunities in the country for this type of program. Students are paired with executives from their organization, meeting regularly to deepen the understanding of topics discussed during class.

With over 400 graduates of the program since 2010, graduates have gone on to fill executive roles, including CEO.

Classes begin January 26, 2022, and will run through November. The 2022 EDP will be held largely in-person, with classes at the Washington Athletic Club in downtown Seattle, with some sessions held virtually.

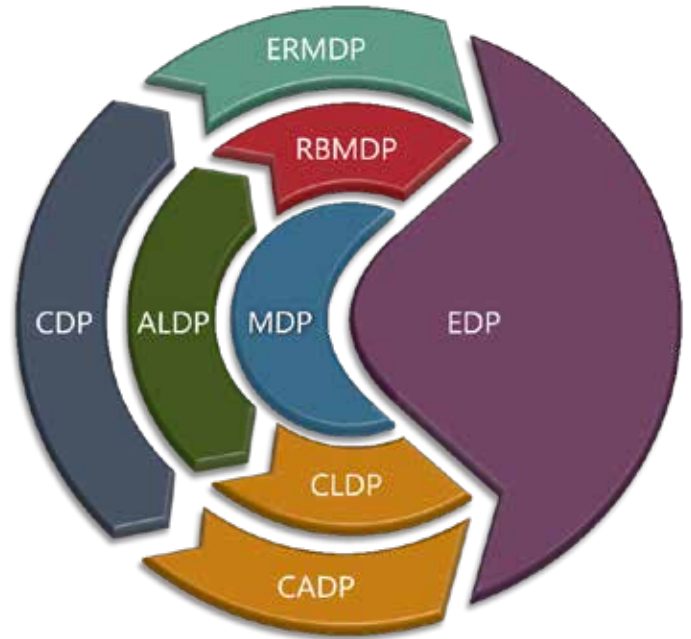
This popular program regularly sells out, so interested students are recommended to register early.

At the beginning of October, the hybrid Retail Branch Manager Development Program will kickoff. This program was redesigned in 2019 to fit the current retail banking environment. Sessions run through March and will be held virtually, except for the final class, which will be held at the WBA office in Seattle.

Students will gain a broader understanding of the retail branch market, build interpersonal communication skills, and how to strengthen client relationships.

The 2021 Virtual Women in Banking Conference will be held on November 4-5. The conference runs from 8:30 a.m. to noon each day and will feature a session with Elizabeth McCormick, a decorated U.S. Army Black Hawk helicopter pilot who will share leadership lessons she learned not only as a member of the armed forces but in business as a contract negotiator and commodity manager.

On December 2-3, WBA will host the 2021 Virtual Bank Executive Conference. The conference will run from 8:30 a.m. to 4 p.m. on December 2, followed by a half-day from 8:30 a.m. to noon on December 3. The agenda will feature sessions on the economic outlook, regulatory and legislative trends to watch, and more. This year, banks can send an unlimited number of attendees because registration was included in WBA



Development Programs

A Training Solution to the Talent Gap

membership dues.

The 2022 Northwest Compliance Conference will be held February 10-11 at the DoubleTree Suites by Hilton, Seattle Airport Southcenter. The conference features returning speaker Leah Hamilton, vice president, and senior consultant at ProBank Austin. Attendees can choose between attending two days or one.

The Retail Sales and Leadership Conference, to be held on March 29. This conference will be hybrid, with in-person attendees congregating at the Washington Athletic Club and banks can choose a virtual option to best fit their needs based on the number of attendees.

The 2022 Marketing Conference returns in person next year and will be held on March 31 at the DoubleTree Seattle Airport. Amber Farley, executive vice president of brand development at Financial Marketing Solutions, will headline the event with a session on the current media landscape and what areas banks should be focused on.

Please visit the WBA website at www.wabankers.com for more information about registration for any of our upcoming programs.

2021 VIRTUAL BANK EXECUTIVE CONFERENCE

DECEMBER 2-3, 2021

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Bankers Meet with Washington Policymakers During Virtual Legislative Roundtables

Throughout September, bankers from across the state met with local lawmakers as part of the annual Legislative Roundtables. Held virtually again in 2021, the events featured a robust discussion with policymakers on a variety of issues.

Lawmakers had many questions, including asking for updates on PPP and the general economy, given the resurgence of COVID this fall. According to Small Business Administration data, as of June, Washington's banks had approved 91,000 PPP loans worth \$5.88 billion in just 2021. Nationally, 95 percent of all PPP loans were approved by banks and almost half of all loans in the program had applied for forgiveness.

Bankers also shared with lawmakers how credit unions continued expansion into business lending and other areas is making it difficult for bankers to compete. WBA also discussed how a new proposal that would give credit unions the ability to make massive equity investments is a bad public policy.

Other issues discussed included the proposal around a public finance cooperative (previously known as a state bank), consumer data privacy, first mortgage interest deduction, and more.

Thank you to all of the bankers who participated in this year's Roundtables!



Industry News

New Hires

Gerald Matasy
Regional Credit Analyst Manager at First Interstate Bank

Emily Wahl
Loan Coordinator at Liberty Bank

Kirstin Tyner
Branch Manager at Coastal Community Bank

Jack Sullivan
Vice President, Branch Manager at Coastal Community Bank

Brett Cane
Vice President and Private Banking Relationship Manager at Washington Trust Bank

Jose Gonzalez
Small Business Banker at Washington Trust Bank

Tracey Lockwood
Commercial Lending Production and Servicing Manager at SaviBank

Krista Jones
Vice President and Mortgage Loan Center Manager at Peoples Bank

Ali Alsoo
Senior Vice President and Senior Operations Manager at SaviBank

Promotions

Tracy Nguyen
Vice President and Marketing and Business Development Manager at Mountain Pacific Bank

Karlee Munger
Senior Vice President and Retail Banking Manager at Mountain Pacific Bank

Marcus Duffy
Senior Vice President and Commercial Lender at Mountain Pacific Bank

Have Industry News to share with WBA? Email megan@wabankers.com or call (206) 344-3472.

WBA Member News



First Federal Donates to Other Bank During Grand Opening Event

As part of the celebration of First Federal's new Ferndale branch, the bank donated to the Other Bank.

The branch also collected several donations of hygiene items to be donated to families in need.

"We're so happy to be part of the Ferndale spirit," said the bank on social media.



1st Security Donates to Local Students During Stuff the Bus Campaign

Just before the beginning of the school year, 1st Security Bank of Washington announced it had donated over \$41,000 in school supplies and cash as part of the bank's Stuff the Bus campaign.

The bank donated supplies as well as matching funds to local schools to help students in need as they headed back to the classroom for the first time in over a year.

"We appreciate your participation in our 2021 Stuff the Bus drive and for helping students get back to school ready to learn!" said the bank on social media.

Olympia Federal Recognized Nationally for Community Service

This summer the Independent Community Bankers of America (ICBA) announced that Olympia Federal Savings received an honorable mention in their 2021 National Community Bank Service Awards. The awards celebrate the outstanding and creative volunteer efforts by community banks across the country.

Olympia Federal was one of seven banks to receive the recognition, which was awarded for its Better Fedder program, supporting affordable housing and local nonprofits.

"Our Better Fedder program is a multi-dimensional community outreach initiative designed to improve the quality of life for people who call the South Sound home," said Ryan Betz, vice president of marketing and public relations at OlyFed.

"We are appreciative of this recognition, which aligns with our mission of putting people above the bottom line to improve the overall economic health and social well-being of the community."

In 2020, the bank donated more than \$465,000 in grants and sponsorships to 110 local nonprofits and has provided more than \$14 million in affordable housing loans.

First Interstate Hosts Annual Volunteer Day in September



In early September, First Interstate Bank hosted its annual Volunteer Day, where branches throughout the bank close for an afternoon so employees can volunteer.

In Spokane, members of the team volunteered at Second Harvest where they packed 6,000 bite-2-go kits for those in need.

Seattle Bank Donates to Refugee Women's Alliance

Earlier this fall, Seattle Bank announced it would be making a \$10,000 donation to the Refugee Women's Alliance (ReWA) to help Afghan refugees.

The ReWA provides refugees with long-term assistance in housing and employment.

"Just like so many past generations of immigrants and refugees, this wave of refugees bring their talents, passions, and goals. Helping others find refuge and thrive again only makes our community that much stronger," said the bank.

HomeStreet Bank Donates to Edmonds College

This fall, HomeStreet Bank announced a \$5,000 donation to

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Edmonds College.

The funding is for the school's Project Home Association, which the bank has supported for more than 10 years. It helps students find and stay in housing, allowing them to continue



their education.

1st Security Bank Donates to Port Angeles Community Players

1st Security Bank of Washington donated to the Port Angeles Community Players for \$2,500.

The donation will allow the group to upgrade their air system, making it safer for those who attend performances in the future.

Peoples Bank Donates to Hand in Hand Immigration Services

Peoples Bank announced in mid-September it was making a \$5,000 donation to Hand in Hand Immigration Services, a Wenatchee-based organization with the mission to assist, motivate and empower immigrants and their families to obtain U.S. citizenship.

The bank donated in honor of Gerda Balint, a mortgage loan officer assistant in the bank's Wenatchee Financial Center, who became a U.S. citizen on Citizenship Day on September 17.

When she was 11, Balint moved to the U.S. from Sweden, not knowing any English. Her family moved from Florida to Lynnwood, Wash., and eventually, Wenatchee, where she went on to high school and eventually attended Central Washington University. Balint graduated from CWU in 2018 and started working as a teller at Peoples Bank after obtaining her Green Card.

"It means a lot to me to be able to tell my story," she said. "The test was probably one of the easiest parts. I say this because it's taken so long to get my citizenship. Be patient, keep persevering, and don't give up because you can do it. Be proud of your-



self and who you are; keep pushing for your goals and dreams." First Financial Northwest Bank Auction Team Volunteers at Junior Achievement Event

Members of the First Financial Northwest Bank Auction Team volunteered at the Junior Achievement of Washington Dare to Dream event in mid-September at T-Mobile Park.

The annual event features a dinner and auction to help support Junior Achievement programs throughout the state and to honor student's success.

Olympia Federal Announces Employee of the Quarter

Olympia Federal announced earlier this fall that Laura Ingersoll, a training coordinator in the Human Resources Department, was the employee of the quarter.

She was nominated for being a steady presence of support and assistant to a variety of departments. She assisted the Loan Team with system maintenance, worked with the Digital Team on the launch of the bank's new online banking system, and has worked tirelessly to convert training to a virtual format.

She also helped with the implementation of a new consumer loan system and was a backup trainer for customer service representative training.

"Lauren is extraordinarily hard-working and upbeat, and is someone you will find always encouraging others and volunteering to help a coworker or project team that needs extra support," Lori Drummond, President & CEO said. "Lauren is a fantastic example of our values in action, always thinking about others and willing to help anyone in the Association who needs it. OlyFed is so lucky to have Lauren as a part of our team!"

Yakima Federal CEO Named Chamber CEO of the Year

In early September, the Greater Yakima Chamber of Commerce announced that Leanne Antonio, president & CEO of Yakima Federal Savings & Loan was the CEO of the Year.

Chelsea Snodgrass, CEO of the Central Washington Homebuilders Association, also earned the honor after the votes were tallied in a tie.

As a member of the Chamber for over 100 years, Yakima Federal also earned the award for Member of the Year during the Chamber's annual award ceremony.

Antonio started her career at the bank in 1981 as a teller, ultimately being promoted to President & CEO in 2016.

She also serves on the board of the Yakima Rotary Trust, Memorial Foundation, and is on the board of the Community Bankers of Washington and Impact Capital, a Washington-based CDFI.

If you have WBA member news to share, please email Megan Managan at megan@wabankers.com. Submissions are run on a space available basis.

Q&A with a Merger and Acquisition Expert



By Andy Saner, SVP, Product Engineering, Vericast

How has digital transformation impacted M&A activity in the financial sector?

Digital transformation is a major driver of merger and acquisition activity. Since the pandemic, digitalization has gone from a nice-to-have option to a need-to-have imperative,

enabling financial institutions to reach beyond their zip code and acquire customers without the need for an extensive branch network. Digitalization has broadened the scope of competition for financial institutions and created a ripe environment for larger institutions to absorb the smaller and mid-sized regional banks that are unable to continuously grow organically.

Since the downfall in 2008 regulatory changes have been putting pressure on the industry causing consolidation and making it harder for financial institutions to keep up with all the expenses. The pandemic slowed some M&A activity as financial institutions readjusted, but experts believe pent-up M&A demand will make 2021 a record year for U.S. banks and credit unions. Bank Director's 2021 Bank M&A Survey found that 68 percent of banks with assets of more than \$10 billion plan to be active acquirers over the next five years.

What can stand in the way of maximizing the full potential of the acquired customer base?

It's often the tactical mechanics. Individual business units — operating in silos — must ensure the job is getting done: Making sure the debit cards are reissued correctly, making sure the online banking systems get switched, that accounts get mapped from one product to the other, and branches are staffed. What is missing is a holistic view of the customer experience — a road map of the customer journey, from the day the M&A is announced, until the weekend of the conversion and the weeks beyond — that guides the customer through that entire transition from start to finish.

If the bank doesn't have a customer experience officer, it should at least have one during this interim time frame to ensure the communications and timing make sense from the customer's point of view. Can they easily access us across all channels? Internally, are we able to deliver a fully connected experience in the branch, online and in our contact center?

Customer loss after an M&A is common. That's not surprising — moments of large-scale change inevitably test the customer experience. For institutions to minimize attrition and realize the full potential of their investment, the transition must be managed well.

How does a merger and acquisition impact the customer experience?

There is much disruption to the acquired customer base, causing real anxiety for them. They might be getting a new account number, a new debit card, new checks, even a new online banking system or mobile app. In some cases, their branch may be closing, or the hours of the branch may be changing.

Beyond how they access their funds are other questions. How do I make my loan payment? What is the interest being paid on my deposit accounts? M&As naturally stress customer relationships, test brand loyalty, and disrupt established expectations and habits. In fact, 45% of acquired bank customers said they likely would not remain a customer after an M&A. Often overlooked, however, is the disruption experienced by existing customers. The increased contact center volume from acquired customers can make it more difficult for existing customers to get through.

Another piece is the employee experience. Branch employees of the acquired institution are learning new systems and are unable to process things as quickly. In addition, they might be feeling the stress of learning new policies and new systems. Their customers may not be able to get the same level of support from the people they have come to know and trust, because those employees are going through a transition themselves.

During an M&A, there are a multitude of complex decisions to be made and questions to be asked, but none may be more critical than considering the effect on employees and customers alike.

What are the keys to an effective M&A communications strategy?

Priority number one is mapping out the holistic journey from the customer's perspective to determine how, where and when you need to communicate across that spectrum. Second, considering the volume of information customers will receive, messaging must be strongly branded across all channels to ensure the customer

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recognizes the communication as being from their bank. Third, be clear and concise. Communicate on the customer's terms and remove all banking jargon, so they understand the timeline of what is happening and what they need to do.

And remember, you cannot over-communicate. One communication is not enough, but it doesn't mean you inundate customers with letter after letter.

Consider how you reiterate the important messages across all channels. Have information packets available in the branches, even though they've been mailed to customers, and have your branch teams actively talking about the changes coming.

Finally, tie it all together with your internal staff, so your contact centers and branches know exactly what is going on and have the same information customers are seeing. Prepare talking points for back-office employees so they are prepared to answer questions from family and friends in the local community. Consistent, coordinated, multichannel communication is key.

What is a common customer service blind spot during mergers and acquisitions?

Time and time again, we've seen increased call volume in contact centers — both outbound and inbound. Even if you have the best digital channels, there will be customers who just want to talk to a human. The contact center becomes a critical touch point during times of transition, especially with the pandemic and social distancing, when customers are less likely to go to the branch.

Underpreparing for a spike in call volume is a blind spot, and proactive work needs to be done to plan your service-level agreements and ready your contact center to support the increased needs of both acquired and

current customers. This may be the first interaction customers have with the acquiring financial institution and can set the tone for the entire relationship. While under-preparing for the spike in call volume is a blind spot, there are blind spots technologically, too. Do you have the technology infrastructure to support what is coming? It's about minimizing disruption and being able to respond quickly to customer needs.

How can banks deliver a white glove transition experience to business-critical customers?

The disruption and digital transformation associated with a merger and acquisition are especially risky for business-critical customers whose day-to-day operations rely on your financial institution.

Vericast strongly advocates providing a white-glove transition experience, so these clients understand what's coming and are prepared ahead of the curve. We support hundreds of M&A transitions and digital conversions every year on behalf of our financial institution clients, and we see a significant increase in satisfaction and retention when these top echelon customers have a dedicated resource for proactive outreach and specialized training. Let them know you value their relationship. Get it right and you'll build loyalty ... and gain business referrals.

Andy Saner is senior vice president of product engineering and data services at Vericast, a leading provider of customer engagement solutions for financial services organizations. Customer engagement is particularly important during mergers and acquisitions when customers, both existing and acquired, need to know they are valued and how they will benefit from the change. Andy's insight is backed by more than 20 years of experience leading mergers and acquisitions.



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The Reform and Modernization of BSA/AML

By: *Julia A. Gutierrez, Director of Education, Compliance Alliance*

With technology changing and growing at what seems like the speed of light, banking laws and regulations can struggle to keep up. All too often we skim across various regulations that revolve around paper transactions or technology that barely exists. One area of banking that can be especially impacted by an inability to keep up with the ever-changing world of technology or modernization is the Bank Secrecy Act. The Bank Secrecy Act has been around since 1970 when it was passed by Congress as the first set of laws to combat money laundering in the United States. Except for the amendment to incorporate the provisions of the USA PATRIOT Act, there haven't been many significant changes to the Act until recent years. To fulfill its purpose of fighting money laundering and financial crimes as effectively today as it did 50 years ago, the Act must be revised and revamped to meet the challenges and technological advances of the time.

Background

Over the past several years, the Financial Crimes Enforcement Network (FinCEN) has placed a great deal of focus on reforming and modernizing the BSA. The objective began years earlier when the Bank Secrecy Act Information Technology (IT) Modernization Program was developed in 2010 to provide a modernized IT foundation to collect, store, safeguard, analyze, and share data collected under the expectation of the BSA. Modernization remains a critical component of government efforts to ensure transparency among U.S. financial systems to detect and deter crime, strengthen national security, and achieve economic stability and growth. More recently, the call for modernization returns to the forefront as FinCEN sets out to "re-examine the BSA regulatory framework and the broader AML regime".

In 2019, the House Financial Services Committee issued proposed bills related to the Bank Secrecy Act and Anti-Money Laundering and Combating the Financing of Terrorism (CFT) laws. One of the proposed bills set to reform the BSA/AML to strengthen and modernize the program by focusing on information sharing, resource sharing, and technological innovation. Congress has also considered various proposals which could restructure and modernize the BSA/AML. The U.S. Department of Treasury issued its 2020 National Strategy for Combating Terrorist and Other Illicit Financing which called for AML modernization by leveraging new technologies coupled with innovative compliance approaches.

Modernizing the BSA

Modernization seems to be the frequent theme when it comes to the Bank Secrecy Act. Much of this theme can be credited to the former director of FinCEN, Kenneth Blanco, and his focus on the reform and modernization of the BSA/AML. The reform and modernization of the Bank Secrecy Act revolves around a collection of Advanced Notice of Proposed Rulemaking (ANPR), Final Rules, and new or amended laws.

As part of the reform efforts, FinCEN issued a Final Rule on September 14, 2020, which extended BSA/AML requirements to financial institutions lacking a federal functional regulator. The Final Rule required these institutions to develop and implement an Anti-Money Laundering program, establish a written Customer Identification Program, and verify the identity of beneficial owners. The final rule closed a regulatory gap between financial institutions and brought about consistency in reporting requirements and decreased the vulnerability of exploitation.

Just a couple of days later, on September 16, 2020, FinCEN issued an Advanced Notice of Proposed Rulemaking (ANPR). This was one of the first major efforts in broadening and modernizing the regulatory framework of the BSA and the broader national AML regime. The intent is

to provide greater flexibility in the allocation of resources and a greater alignment of priorities across the financial industry and government with a goal of an enhanced effectiveness and efficiency of anti-money launder (AML) programs. It would require financial institutions to have an AML compliance program, including a risk assessment as part of their program. In addition, the ANPR clearly outlines the expectation that financial institutions must meet when developing an "effective and reasonably designed" program. Such programs should: (1) assess and manage risk as informed by a financial institution's risk assessment process, including consideration of AML priorities to be issued by FinCEN consistent with the proposed amendments; (2) provide for compliance with BSA requirements, and (3) provide for the reporting of information with a high degree of usefulness to government authorities. The overall goal of the 2020 Final Rule is to enhance the effectiveness of anti-money laundering programs as it seeks to modernize the current BSA/AML. As most financial institutions already have risk assessments in place as part of their BSA/AML program, the ANPR may not necessarily add any new expectations, but rather make an industry best practice a regulatory requirement.

BSA/AML Reform continues January 1, 2021, when the Senate voted to override President Trump's veto of the National Defense Authorization Act (NDAA) which had been previously overridden by the House on December 28, 2020. The NDAA may provide the most significant and comprehensive set of reforms to the BSA/AML since the USA PATRIOT Act of 2001. Some of the most significant reforms include expanding the ability to share Suspicious Activity Report (SAR), streamlined SAR and Currency Transaction Report (CTR), and modifying the BSA/AML program. It also reincorporates an emphasis on risk-based approaches to AML program requirements.

The Anti-Money Laundering Act of 2020, part of the NDAA 2021, included the Corporate Transparency Act (CTA) and was effective as law with Congress' override of President Trump's veto of the NDAA on January 1, 2021. The CTA has been many years in the making and is intended to be fully implemented by 2023, including the creation of a database of beneficial ownership information with FinCEN. The CTA establishes a new framework for reporting and disclosing beneficial ownership information and shifts the collection of information from financial institutions to reporting companies, modernizing, and streamlining much of the BSA/AML expectations.

The focus on reform and modernization seems to be everywhere we turn as it becomes intertwined in new laws. The efforts and purpose of the Bank Secrecy Act and Anti-Money Laundering remain unchanged. What is changing in the world and technology around us demanding that modernization and reform become a priority. Financial institutions must remain knowledgeable of the regulatory and legal changes and embrace the modernization and reform which impacts their programs.

Julia A. Gutierrez currently serves as C/A's Director of Education; developing curriculum and presentations, as well as presenting at various schools and seminars; both live and in a live stream/hybrid format. Julia has over 17 years of financial industry experience with the Compliance Alliance team. She served as a risk management and BSA officer, assisted in the development of enterprise-wide risk management and compliance program for a de novo institution, assisted in the compliance remediation efforts for an institution that was referred to the DOJ, held positions in retail and branch management, and was a senior compliance advisor for a large regulatory compliance consulting firm.



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Bank On Washington Virtual Forum 2021 Registration Now Open

Bank On Washington and the Financial Empowerment Network invites you to participate in the fully virtual Bank On Washington forum on October 19-20 from 8:30 a.m. – 12:45 p.m.

The event will explore what fintech means for unbanked, low-income, and historically marginalized individuals and communities. What is the current fintech landscape? What does research tell us about inclusion and financial wellness? What are the challenges? And where are we headed from here?

The speakers will offer their experiences with finance and technology, share their thoughts about both inclusion in financial systems as well as equitable outcomes in financial wellness, challenge us to address the pitfalls and concerns around technology for the unbanked and low to moderate-income communities, and engage attendees in thinking about the promises and possibilities of FinTech now and in the future.

Agenda

Day One – Tuesday, October 19, 2021

8:30 am Welcome

9:00 am Presentation One: Morgan Housel, author *The Psychology of Money*

10:15 am Presentation Two: John Maxfield, author *The Cambrian Explosion: Lessons for a New Era in Banking*

11:30 am Presentation Three: Dr. Cy Richardson, National Urban League

12:30 pm Day One Closing

Day Two – Wednesday, October 20, 2021

8:30 am Welcome

8:45 am Presentation Four: Andrea Alexander, T3 – Tribal Technology Training

10:00 am Presentation Five: Chris Moreno, Catalyst Miami

11:15 am Presentation Six: TBD

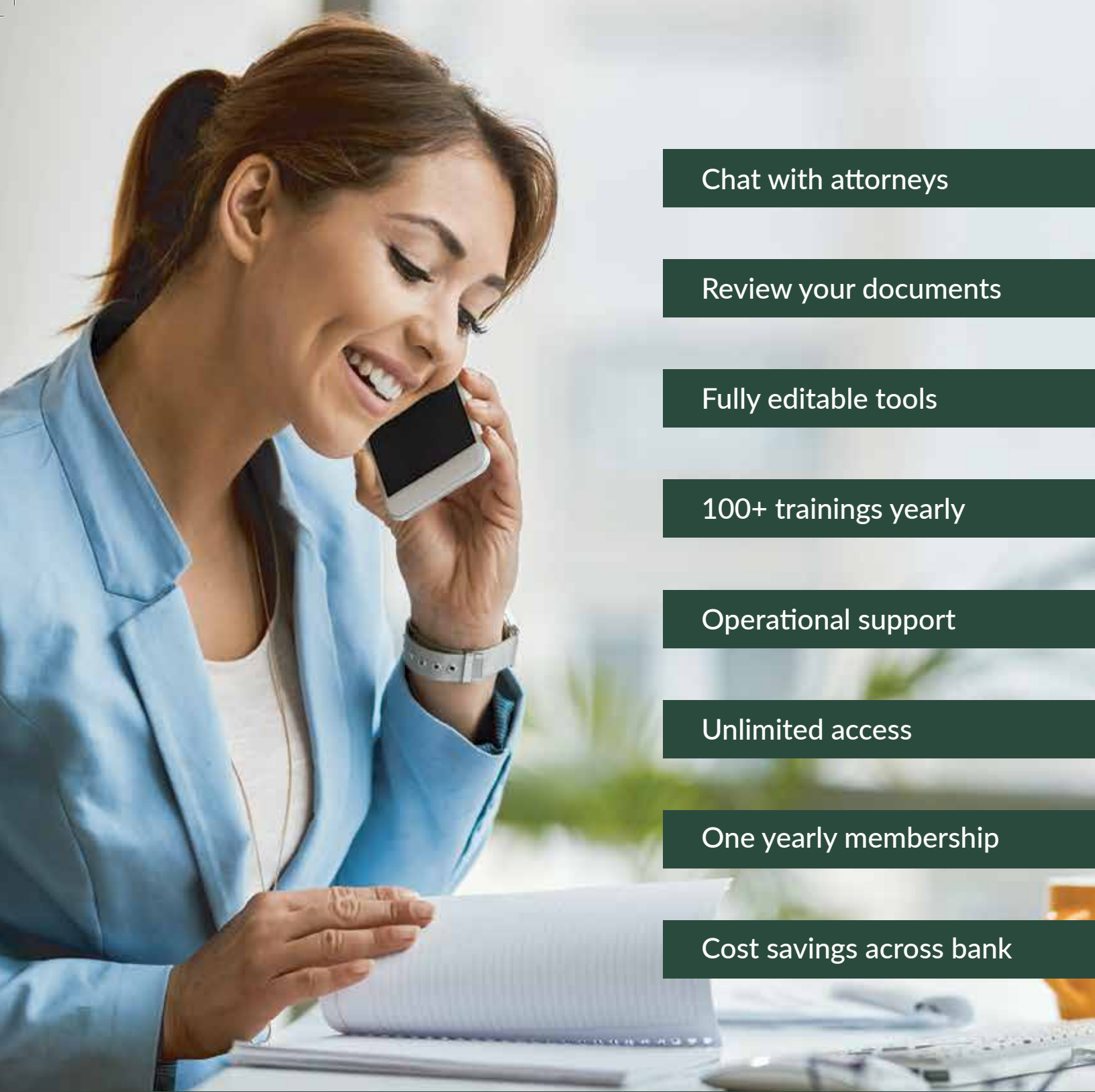
12:30 pm Day Two Closing

Register online at www.eventbrite.com/e/2021-bank-on-washington-forum-tickets-156999091509.

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