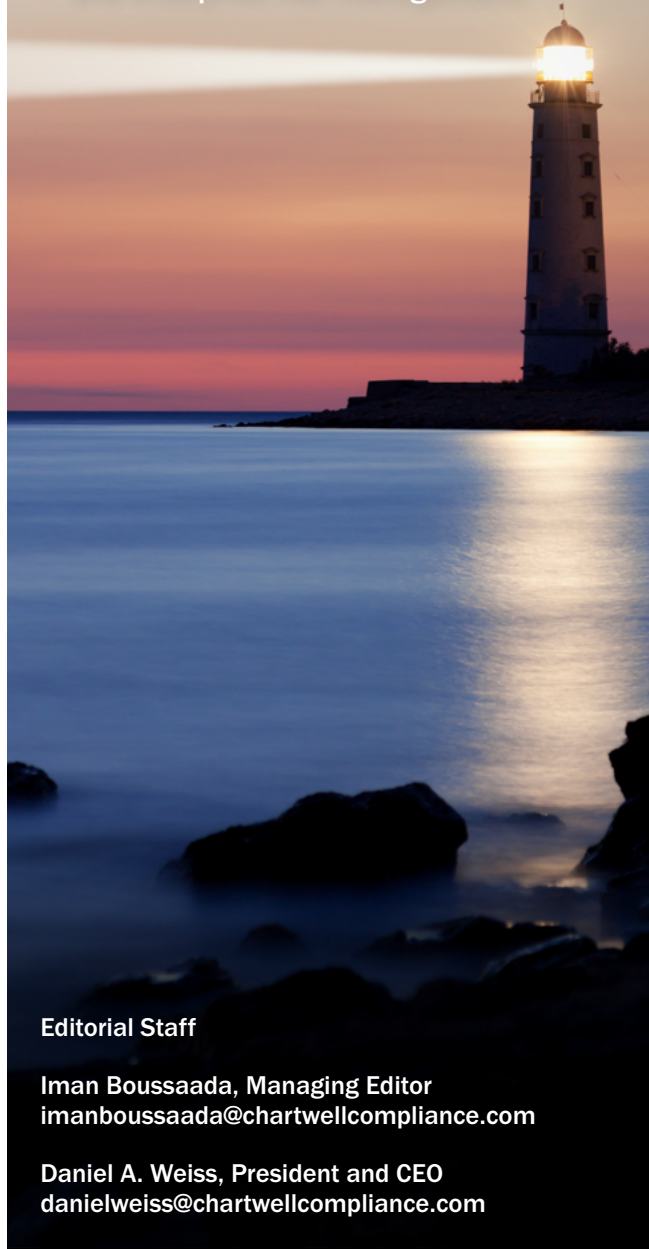


CHARTWELL COMPASS

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Chartwell Compliance provides a one-stop shop of consulting, testing and outsourcing services in the areas of regulatory compliance, state MSB licensing, financial crimes prevention and enterprise risk management.



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Preparing for your First Examination

By Bob Mengani

As Paul Revere gazed out his window seeing the signal lantern in the tower of the North Church, he cried out... “The Examiners Are Coming!!!” ... “The Examiners Are Coming!!!”... Paul’s wife, startled, leapt to her feet and excitedly remarked...“ Now what do we do?”

First of all, do not panic. Most likely you have been operating for approximately twelve to eighteen months as a de novo licensee and hopefully, your operations have not only been successful, but also profitable. Some regulators prefer to contact a licensee by phone, with the news that the examiners will be arriving shortly to conduct your first examination. During this initial call, they will provide you with a list of required documentation to be prepared in anticipation of the examiners’ on-site arrival. Other regulatory agencies choose to send out what the examiners’ refer to as a First Day Letter Request (“FDL”). The FDL details the required documentation to be readied for the examination, and, in some instances, identifies and provides contact information for the Examiner-in-Charge (“EIC”) of the examination.

In today’s environment, the majority of the agencies prefer to receive the FDL responses in electronic form. Additionally, you may be required to transmit to the EIC some of the documentation prior to the examiners’ on-site arrival. This is done to reduce the amount of time the examiners spend on-site conducting the examination, which not only reduces the cost of the examination, but also eliminates some of the business disruption created by the examiners’ on-site presence. Most examinations will take approximately one week; however, if you are larger entity, you can expect examiners to spend up to ten days on-site.

Ask examiners
to make all
requests for
information in
writing.

There are other points and tips for you to keep in mind as you plan for your first or next examination. On the first day of the examiners’ arrival, provide them with a tour of your facility and introduce them to the key staff that they will be interacting with during the examination. Situate the examiners in a comfortable area or conference room with access to a phone, copy machine, and internet access and rest room facilities. Provide them with the company telephone directory and some basics supplies; i.e., pen, pencils, highlighters, stapler, stapler remover, paperclips, note pads, and tape.

Another important point to remember is to select one individual as the “single-point-of-contact” with whom examiners will direct all questions and requests for information to, before, during, and after the examination. Ask examiners to make all requests for information, in writing, which will ensure that all requests are responded to accurately and timely, and that there is no confusion or misinterpretation of what has been requested. Keep a written log of the individual requests, the date of said request, the name of the





examiner making the request, the officer or employee assigned to reply, and the date you responded to the request, and remember to make a copy of the response.

Schedule a fixed time when you will have a “daily” or “weekly” meeting with the examiners to review the progress of the examination. Are the examiners encountering any issues of concerns? Are there any problems that need to be addressed? Are the examiners getting what they need?

Make certain that if the examiners have identified any problems, issues, or suspected violations of laws or regulations that they are elevated to the appropriate senior manager. Document, in writing each concern. All issues should be discussed with the examiners during the examination. There should be no

If examiners identify an issue or suspected violation, do not hide it [...] The goal is to get it right!

surprise findings presented after examiners have concluded the on-site examination.

If examiners identify an issue or suspected violation, **do not hide it**; acknowledge the problem and make a start to fix it. The goal is to get it right! Importantly, be sure to immediately make senior management aware of the issue(s).

Make certain that before examiners leave, that an exit meeting is scheduled with senior management to review all of the examiners’ findings. Again, there should be no surprise findings presented in the written report of examination that were not presented and discussed during the examination and at the exit meeting.

Finally, remember to keep notes and make a record of all meetings. Include the name of the examiner(s), the date and time of the meeting, who was at the meeting, and the issues discussed. Any follow-up actions should be noted, including who is assigned to the follow-up and a deadline for responses. Document and retain a copy of all responses, which will protect you and the examiners from any misunderstands which may arise after examiners depart your office.

The examination should not be a confrontational event as the licensee’s and the regulator’s mission should be aligned. Specifically, business activities are being conducted honestly, fairly, equitably, and efficiently. You are operating in a safe and sound manner, consistent with the laws and regulations, and hopefully in a profitable manner, which will result in a sound financial condition.



Bob Mengani is Managing Compliance Director at Chartwell Compliance. Bob retired on April 29, 2015, after 36 + years of service with the New York State Department of Finance (“Department”). His experience is broad and diversified having served, in all of the Department’s significant Operating Divisions. Most recently he completed eight years of service in the Licensed Financial Services Division; this Division is responsible for the over-sight of six non-bank industries licensed and supervised by the Department. The industries include licensed casher of checks, transmitters of money, sales and premium finance companies and budget planners. Bob was also a valued member of the Department’s Virtual Currency Working Group responsible for the Department’s recently published Virtual Currency Regulations. For more information please visit www.chartwellcompliance.com.

MSB & Fintech Regulatory Highlights

Georgia Proposes Regulation of Virtual Currency

Georgia recently amended its Banking and Finance code to allow the state's Department of Banking and Finance to regulate money transmission and the sale of payment instruments including virtual currencies. In short, the State defines Virtual Currency as "a digital representation of monetary value that does not have legal tender status as recognized by the United States."

> *Chartwell works with several Virtual Currency companies to help navigate the regulatory landscape and acquire licensing throughout North America.*

Delaware Financial Institution Code Amended

Delaware recently amended its Financial Institutions code to allow for examination of service providers for financial institutions within the state. Specifically, the amendment states, "The Commissioner or the Commissioner's lawful designee may examine, to the same extent as if the services or activities were performed by a financial institution on its own premises, the performance of data processing, electronic funds transfers, or other financial institution services on behalf of a financial institution by any other person."

> *Chartwell can assist with mock exams and/or reviews for Delaware state bank service providers.*

Illinois to Amend "Controlling Person" Definition

The Illinois Department of Financial and Professional Regulation is proposing to amend its definition of "Controlling Person." A "Controlling Person" would mean an officer, director, or person owning or holding power to vote 10% or more of the outstanding voting securities of a licensee or the power to vote the securities of another controlling person of a licensee. The Department would determine the percentage of a licensee controlled by a controlling person, and the person's interest would be combined with the interest of any other person controlled, directly or indirectly, by that person or by a spouse, parent, or child of that person.

Massachusetts Introduces New Bill on Regulation

Massachusetts has introduced a bill that would expand the state's regulation of money transmission to any business engaged in the business of money transmission. Currently, only foreign, as opposed to domestic, money transmission is regulated by the State. The bill has not gained too much traction since being introduced in mid-April, but the impact could be sweeping if passed.

New Mexico Passes Uniform Money Transmitters Act

New Mexico has passed its long-awaited Uniform Money Transmitters Act. The Act will allow the state to regulate money transmitters and check cashers within the State. The Act becomes effective on January 1, 2017.

> *Let Chartwell's team of licensing experts guide you to operating in New Mexico.*

Oklahoma Amends its Banking Act

Oklahoma has amended its Banking Act in regards to money transmitters in several ways. The minimum money transmitter license bond has been increased to \$200,000; money transmitter agents or authorized delegates shall now prominently display a copy of the principal's license certificate at each place of business of the agent or authorized delegate where money transmitter services are offered; and money transmitter license renewals must now be accompanied by a fee prescribed by the Commissioner and are due no later than December 31st of each year.

This sheet is for informational purposes only. The information contained herein should not be construed as legal advice. Please consult your attorney to determine how this information could affect you. Chartwell does not guarantee that all information contained herein encompasses all legislative/regulatory activity that applies to your company.



Elder Financial Abuse: Have You Established Standards?

By Jill Emerson

Now is a great time to assess your financial institution's internal controls when it comes to elder financial abuse: time for plan, do, check, act! But, you may be asking, is elder financial abuse really a big deal? It is. In fact, in March the Consumer Financial Bureau (CFPB) published guidance and a report that detail recommended steps financial institutions should take. Identifying, establishing, and implementing standards for addressing elder financial abuse is needed to allow your financial institution to help protect its older customers. To help implement standards or improve the ones you already have in place, the following steps will guide your focus, increase critical thinking, and direct your actions in better protecting your older customers.

STEP 1 Plan - Define The Problem

The financial exploitation of our nation's older citizens has been termed as the crime of the 21st century.¹ Here are some statistics to draw your attention:

- ▶ The population age 65 and over is expected to reach nearly 75 million, or one fifth of the total population, by 2030, according to CFPB analysis of Census Bureau, National Population Projections, Table 3.
- ▶ The most common form of elder financial abuse is elder financial

exploitation, which is the illegal or improper use of an older person's funds, property, or assets. While it's considered the most common form, actual incidences are rarely reported.²

▶ It is estimated that annual losses range from \$2.9 billion to \$36.48 billion.³

▶ In 2011, the net worth of households headed by a consumer age 65 and older was approximately \$17.2 trillion, and the median net worth was \$170,500.⁴

▶ A key factor in why older adults are targeted and why perpetrators succeed in victimizing them is cognitive impairment. Some studies indicate that 22 percent of Americans over age 70 have mild cognitive impairment and about one third of Americans age 85 and over have Alzheimer's disease.⁵

▶ The societal costs are significant because victims are more likely to turn to government programs for health and long-term care services.⁶

2 Ron Acierno, et al., Prevalence and Correlates of Emotional, Physical, Sexual and Financial Abuse and Potential Neglect in the United States: The National Elder Mistreatment Study, 100 Am. J. Pub. Health 292-97 (Feb. 2010), available at <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2804623/>; Lifespan of Greater Rochester, Inc., et al., Under the Radar: New York State Elder Abuse Prevention Study (May 2011), available at <http://ocfs.ny.gov/main/reports/Under%20the%20Radar%2005%2012%2011%20final%20report.pdf>.

3 MetLife Mature Market Institute, The MetLife Study of Elder Financial Abuse: Crimes of Occasion, Desperation, and Predation Against America's Elders (June 2011); True Link Financial, The True Link Report on Elder Financial Abuse 2015 (Jan. 2015)

4 U.S. Census Bureau, Table 5, Mean Value of Assets for Households by Type of Asset Owned and Selected Characteristics: 2011

5 Brenda L. Plassman, et al., Prevalence of Cognitive Impairment without Dementia in the United States, 148 Annals Intern. Med. 427-34 (Mar. 2008)

6 Janey C. Peterson, et al., Financial Exploitation of Older Adults: A Population-Based Prevalence Study, 29 J. Gen. Intern. Med. 1615, 1620-21 (2014)

1 MetLife Mature Markets Institute, The MetLife Study of Elder Financial Abuse Crimes of Occasion, Desperation, and Predation Against America's Elders (June 2011)

As you can see, the financial exploitation of older individuals isn't going away; in fact, it will probably only continue to increase. As a financial institution interfacing with your customers, it's essential to recognize the amazing opportunity you have in responding to elder financial abuse.

STEP 2 Plan – Establish A Team

As you begin to think about who within your financial institution should be aware of and trained on elder financial abuse, consider the different ways you interface with your clients. For example, front-line staff play a vital role: they know their clients and they, more than others, have the opportunity for face-to-face interactions with older customers. According to the 2013 FDIC National Survey of Unbanked and Underbanked Households, older consumers (especially those individuals over age 70) are much more likely than other age groups to rely on tellers as their primary form of banking.

Also, take into account operations and compliance staff members: they have the ability to view transactions from a different perspective as well as monitoring activity for unusual or suspicious patterns. And don't forget about customer service representatives who may be able to identify red flags with customers over the phone. It's well worth the time to make a list of key employees/departments to include in raising awareness and setting standards to respond to elder financial abuse.

STEP 3 Plan – Understand Your Current Situation

Before you can make any adjustments to your internal controls, take time to analyze and understand your current situation:

- ▶ Is your financial institution's approach comprehensive or skeletal at best?
- ▶ Do you have a standard (i.e. policies,

procedures, and processes) in place for identifying, monitoring, preventing, and reporting elder financial abuse?

- ▶ Are appropriate employees trained in this area?
- ▶ Are you aware that your financial institution may be a mandated reporter of suspected elder financial exploitation under your state law?
- ▶ Are you aware that certain states require mandated training on elder financial abuse?
- ▶ Are you working within consumer

“older consumers [...] are much more likely than other age groups to rely on tellers as their primary form of banking.”

2013 FDIC National Survey of Unbanked and Underbanked Households

protection laws to help assist your financial institution to identify and report (i.e. FIN-2011-A003 and Interagency Guidance on Privacy Laws Reporting Financial Abuse of Older Adults)?

- ▶ Are you familiar with the CFPB's recent recommendations for best practices?

STEP 4 Plan – Set A Target

Once you've taken the time to understand your current situation, now set a target to either standardize your approach or improve your approach to how your financial institution will address elder financial abuse and protecting your older customers. Make sure that your new target is strategic

and/or measurable. Strategic in the sense that you would implement a new policy and understand its impact on procedures, forms, and reporting. An example of a measurable target would be to determine the number of employees trained or the number of policies and procedures implemented or revised, customer profile changes, process changes for reporting, or the availability of appropriate forms for employees. These measurable items would demonstrate the impact of a new or updated policy.

STEP 5 Plan – Consider Improvements

Regardless if you are standardizing or improving, it's vital to seriously consider the recent recommendations made by the CFPB:

- ▶ Develop, implement, and maintain internal protocols and procedures for protecting account holders from elder financial exploitation. Key policies and procedures should include the following areas:
 - › Training requirements and resources;
 - › Reporting to appropriate federal, state, and local entities;
 - › Regulation E compliance;
 - › Procedures for sharing account information with third parties; and
 - › Ongoing collaboration with external stakeholders;
- ▶ Train employees – the CFPB recommends the following practices for your training program:
 - › Elder financial exploitation training curriculum components:

Definition of elder financial exploitation;

Indicators of potential elder financial exploitation;

Action steps for preventing elder financial exploitation; and

Action steps for responding to suspected elder financial exploitation;

Actively protecting your older customers is at best an enormous opportunity to serve them.

- › Tailor trainings for different staff roles; and
- › Repeat training periodically;
- ▶ Detect elder financial exploitation by harnessing technology;
- ▶ Report suspicious activity:
 - › Report all cases of suspected elder financial exploitation;
 - › Understand reporting requirements;
 - › File Suspicious Activity Reports (SARs) when the financial institution suspects abuse;
 - › Understand that the Gramm-Leach-Bliley Act is not a barrier to reporting suspected elder financial exploitation;
 - › Understand the roles of first responders and what cases/actions they will and will not take;
 - › Expedite responses when state Adult Protective Services, law enforcement, and other government entities investigate reports of financial exploitation and request documentation, in accordance with relevant laws; and
 - › Understand constraints of first responders;
- ▶ Protect older account holders from financial exploitation:
 - › Comply with the Electronic Fund Transfer Act (EFTA) and Regulation E;
- › Offer account holders the opportunity to consent to disclosure of account information to trusted third parties when the financial institution suspects financial exploitation;
- › Consider sharing information with persons acting in a fiduciary or representative capacity when the financial institution suspects financial abuse, regardless of whether the consumer has consented to share information with that person; and
- › Offer age-friendly services to older consumers that can enhance protections against financial exploitation;
- ▶ Collaborate with other stakeholders:
 - › Work with law enforcement and your state Adult Protective Services;
 - › Participate in and support coordinated efforts to educate older account holders, caregivers, and the general public about elder financial exploitation; and
 - › Participate in and support local or regional multidisciplinary network initiatives.



Jill Emerson has worked in AML Compliance in the financial services industry for over 20 years and was previously a Consumer Affairs examiner for the Federal Reserve Bank of Kansas City. She directed the compliance and BSA functions of several community banks – conducting independent reviews, identifying weaknesses and high-risk areas for compliance violations and utilizing automated BSA software to detect and monitor for suspicious activity as well as meeting regulatory reporting requirements.

STEP 6 Do

Now that you've defined your target and considered the improvements, it's time to implement your plan of action. Take into account your exam cycle with your federal regulator, previously identified cases of financial exploitation, and needed technological improvements.

STEP 7 Check

While this step may seem obvious, it can easily be overlooked. Make sure to study the actual results and compare them against the target you defined. Are there any deviations in implementation? Did your team execute the plan to either standardize or improve how your financial institution addresses elder financial exploitation?

STEP 8 Act

If step 7 demonstrates that your plan was implemented, then it becomes the new standard for how your financial institution should act going forward.

In Summary

The steps outlined in this article is one possible model [Plan, Do, Check, Act (PDCA)] to utilize in improving any process or internal control within your financial institution. It allows for critical thinking and increased quality in serving your customers. Actively protecting your older customers is at best an enormous opportunity to serve them. While your financial institution may have already implemented most of the CFPB recommendations, it's always a best practice to continuously consider better ways to serve your older account holders on a regular basis.

Chartwell Personnel **Announcements**



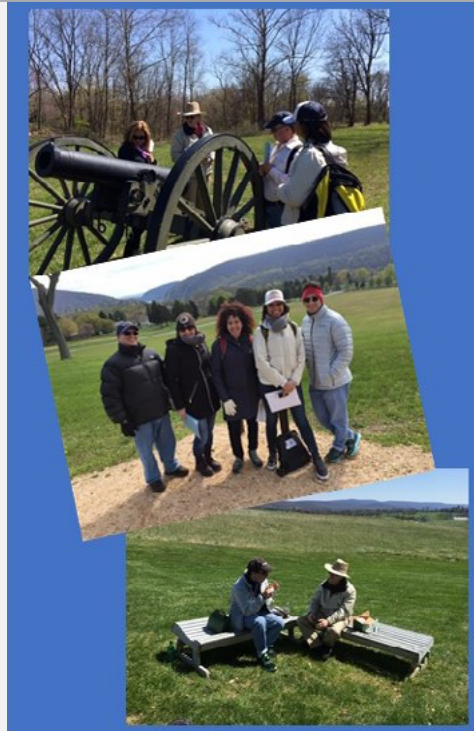
Chartwell Travels To West Virginia For Kaizen Continuous Improvement Strategic Planning

The Kaizen Team recently met up in Shepherdstown, West Virginia to conduct some strategic planning across various departments within Chartwell. Utilizing common sense and process orientated thinking, Kaizen empowers employees to identify problems within the company and introduce effective resolutions. The company wide initiative involves every employee and encourages at minimum, that once per month employees identify an area for improvement as well as suggested solutions. Kaizen encourages leadership and invites employees to identify problems and also to enhance efficiency, teamwork and productivity for the company as a whole.

Chartwell Conducts Leadership Training On the Antietam Battlefield

Five team members from Chartwell took to the field by foot for the company's annual leadership development training at the Antietam battlefield. The two-day program was led by Dr. Christian Keller of the US Army War College and instructor at the Civil War Institute.

The training followed a U.S. Army "staff ride" format of experiential learning, which draws on all participants to critically analyze situations and decisions on the battlefield. The group translated what it learned into how we can become better leaders for our business and our customers. We explored issues such as decision making under duress or fogs of war; taking self-initiative and risks; communicating vision and intentions; coordinating efforts; managing supply chains; showing good character; and other themes.



Chartwell Personnel Announcements



Chartwell Is Named As Finalist For Three Categories In **The 2016 Helios Apollo HR Awards**

Chartwell Compliance has been named a finalist of the 10th Annual Helios Apollo Awards. Chartwell is one of 33 finalists and was selected in the Career Development, Community Outreach and Culture categories. The Apollo Awards, presented by the Helios HR, honors human capital excellence in talent development.

Out of the 250 nominations received, the honorees were selected by a panel of judges independent of Helios HR, comprised of industry experts, Chief Human Resource Officers and former Apollo Award Winners.

"Chartwell has set the standard in building a culture of intention by focusing on the growth and development of their people," said Kathy Albarado, CEO of Helios HR and Founder of The Apollo Awards. "This award recognizes to the progression, creativity, and vision of our finalists in addressing the talent challenges employers face today."

The Chartwell culture is built on the foundation of providing as much training and guidance as required to prepare great leaders.

Throughout the year, the company invests in leadership training for all Chartwell employees. There are battlefield leadership trainings held in Normandy, Gettysburg and Antietam which draws on all participants to critically analyze situations and decisions on the battlefield. Team members undergo various leadership exercises, receive external mentorship and take part in meetings and workshops developed solely to improve their managerial skills and provide the right tools to better lead their individual teams.

Another opportunity to cultivate and prepare leaders can be seen in the Kaizen Continuous Improvement Program, which includes an annual leadership retreat in Japan and various smaller retreats and trainings throughout the U.S. Kaizen is based on the Japanese philosophy of continuous small changes throughout all areas of the company.

In addition, Chartwell annually provides an all-expenses paid four-day trip to a scenic location for team building, leadership and employee recognition for its entire team. The retreats have been held in Gettysburg, PA, Granby, CO, and Irvington VA. Employees have access to world class speakers and a variety of adventurous activities. Outside of the activities, employees engage in a series of corporate meetings where each team presents an update, discusses goals and strategic initiatives and areas to improve upon for the whole team to brainstorm.

If you thrive in a fast-paced, entrepreneurial environment with upward mobility, please view job openings on our careers page at [our careers page](#), and send your cover letter and resume to: careers@chartwellcompliance.com.

"Chartwell has set the standard in building a culture of intention by focusing on the growth and development of their people."

Kathy Albarado
CEO, Helios HR
Founder, The Apollo Awards



Speaking & Sponsoring Engagements

Chartwell Compliance to Sponsor and Speak at PayExpo 2016

JUNE 7-9, 2016, LONDON, ENGLAND

Chartwell Compliance's Daniel Weiss, Rob Ayers, Elaine Burks and Iman Boussaada will be attending PayExpo along with approximately 2,000 anticipated attendees and 60 exhibitors.

Mr. Weiss will be hosting a session titled, "Ready to Conquer America? What Every Business Should Know About Money Transmission Licensing."

A special edition of the widely read publication, *Compass*, will also be distributed to attendees.

PayExpo is the largest gathering of forward thinking financial institutions, mobile operators, retailers, transport operators, gaming operators and service providers in the UK and one of the largest anywhere in Europe.

> FOR MORE INFORMATION ON PAYEXPO, PLEASE VISIT WWW.PAYEXPO.COM.

Chartwell Compliance to Sponsor Money20/20

OCTOBER 23-26, 2016, LAS VEGAS

Chartwell Compliance's Daniel Weiss, Rob Ayers, Elaine Burks and Iman Boussaada will be attending the fourth annual Money20/20 conference in Las Vegas.

Chartwell will be sponsoring the event for the third year in a row and distributing a special edition of the company's widely read publication *Compass*; Chartwell will be joining 10,000 anticipated attendees from 3,000 companies and 75 countries.

Money20/20 brings together the worldwide community of innovators who are disrupting the way in which consumers and businesses manage, spend and borrow money, and explores the macro trends that form the underlying common thread of innovation, such as the mobile Internet, platform connectivity and interoperability, and consumer empowerment.

> FOR MORE INFORMATION ON MONEY20/20, PLEASE VISIT WWW.MONEY2020.COM.



Interview with Ross Agre, Chief Legal and Risk Officer at AvidXchange, Inc.

By Iman Boussaada

Please tell us a little bit about AvidXchange and your services.

RA: AvidXchange is a best-in-class business-to-business software company that automates invoicing and payments processes. We provide AP automation with integrations to over 120 accounting systems. While consumers have embraced the switch to electronic banking, most companies continue to pay their bills by check. We help companies reduce their cost and promote efficiencies by automating their payment processes and by providing electronic payment options. AvidXchange is based in Charlotte, NC, and we also have offices in NJ, Salt Lake City and Houston. We just crossed the 600 employee mark and are continuing to rapidly expand.

How do you see the company changing in the next two years, and how do you see yourself being a part of that change?

RA: Given that AvidXchange is in hyper growth mode, 2 years is like an eternity. Our goal is to double our revenue in 2016 and 2017. That means continued explosive growth in our workforce, enhancement of our existing products and the deployment of new products and services. I would expect that we will also continue to be active from an M&A and strategic partnership perspective. My team and I will be directly involved in structuring and negotiating all corporate transactions and strategic relationships, supporting our sales efforts and developing and deploying the systems, policies and controls to help the company responsibly scale.

What are your three biggest accomplishments?

RA:

1) I am proud to have two happy, healthy and adventurous daughters (8 and 10) and an amazing wife who have been flexible and supportive in allowing our family to continue our journey across the country to follow my career.

2) I take great pride in the success that I have been able to contribute at AvidXchange during my first year, where we completed the largest private capital raise in the state of NC at \$225 million, closed and integrated an acquisition and entered into a variety of amazing strategic partnerships

3) While I would have liked to see Mercury Payment Systems, the Durango Co based Silver Lake Portfolio Company in the credit card processing space, go public, the success of that company and the sale to Vantiv for nearly \$2 billion were a great outcome for the founders, Silver Lake and everyone else involved.

What is the biggest challenge you are facing right now?

RA: Scaling the controls, systems and processes for AvidXchange to keep pace with our explosive growth. The aim is to balance, but not slow down that growth, while assuring that we have the right focus on enterprise risk, information security and compliance and the necessary resources to allow us to sustain our growth and success well into the future. Our MTL licensing process is an example of a significant investment in our future to both assure that we remain compliant with all current and future laws and regulations, while also creating optionality for our business as we consider new opportunities.

Explain the rationale behind each of your career moves.

RA: I have always sought to find opportunities of maximum challenge, creating maximum opportunity, which I was passionate about.

I went to Milbank, Tweed, Hadley & McCloy after graduating law school to be able to develop my skills at a top tier firm and work on novel transactions. I lived in Washington, DC, London and New York, did satellite financings, synthetic leases for project finance deals and other interesting transactions.

I then transitioned to in-house legal roles to broaden the scope of my practice and to have more opportunity to contribute at a business level.

Since then, I have moved after preparing companies for successful exits, recognizing that my strength is helping companies grow through inflection points and prepare themselves for liquidity events and future success. I thrive in highly dynamic and fast paced environments.

“They would say that I loved my family. They would say that I tried to use the great educational opportunities that my parents sacrificed to provide to me to contribute to my community and those I interacted with throughout my life in positive ways.”

Tell us what you like most about your current position.

RA: AvidXchange brings an incredibly distinguished board, coupled with a talented executive team, that serve as the foundation for a company poised for continued hyper growth notwithstanding its current scale. My role extends far beyond simply acting as a lawyer, and I get to lead operational and risk oriented functions as well as acting as a business leader. Avid's culture focuses on our customers and our people, and embraces the unique opportunity we have to change how companies pay their bills.

What are the top three initiatives you and your team are currently engaged in achieving?

RA: One of them is definitely getting our Money Transmitter Licensing. This is a key element that is taking a lot of our focus and energy right now that we feel is worthwhile.

Enterprise Risk is something we are also focused on. We are working to formalize our risk framework and buildout of policies and controls. We are hitting that natural maturation process of a company where we now need to provide additional structure, policies and process to the various areas of our business. We also need to drive a process of cultural adaptation to get everyone on the same page.

The legal, risk and compliance group are partners to the business and I love thinking of ourselves as extensions of key functional areas, such as the Sales Team. This year is really about driving sales and process efficiencies, as well as building and formalizing new strategic partnerships.

Can you name a person who has had a tremendous impact on you as a leader?

I had the fortune of overlapping at Milbank with Elliott Richardson. He shared some advice that at the time I was not able to fully appreciate, but the value of which I have seen throughout my career. That advice was that as a transaction lawyer, to be a leader, you need to think of yourself as the attorney for the deal – at times transcending your client's unique interests to embrace the overall benefits to the parties of reaching a resolution and closing the deal. That advice has served me well in each of my roles. The things that I admired the most about Elliott was that he brought intellectual curiosity, uncompromising integrity and whimsy to his role – all traits I have tried to emulate. He was one of those guys who could be brilliant and funny at the same time.

One of our core values at AvidXchange is to have a blast and I try to make one of my colleagues laugh at least once a day. I have always wanted to work in a company like this, where we can hopefully have some fun along the way.

How would someone write about your life for a magazine or newspaper?

Are they writing an obituary? [Laughs]

They would say that I loved my family. They would say that I tried to use the great educational opportunities that my parents sacrificed to provide to me to contribute to my community and those I interacted with throughout my life in positive ways. They would also say that I strove for excellence and success, but was not afraid to fail for the right reasons. In addition, I would hope that they would recognize that I had a love of the outdoors and always tried to pursue opportunities that aligned with my strengths and passions.

I have always desired to explore new places and things and have had a lifelong passion for learning and sharing my experiences with others. I look back and the truth is, I embrace change and challenge and I don't want to live an unexplored life.

This interview has been edited and condensed.

Ross Agre joined AvidXchange in 2015 as the Chief Legal and Risk Officer. Prior to joining AvidXchange, Ross was the Chief Legal Officer of Mercury Payment Systems, a fast-growing US payments provider with gross revenues exceeding \$1.2 Billion owned by Silver Lake Partners, where he also served as their acting General Counsel following Mercury's acquisition by Vantiv. Ross received his law degree from Columbia University and his undergraduate degree from Dartmouth College.

You Have Your Licenses, Now What?

By Jennifer Naudin, J.D.

You have just completed the license approvals, and now your company is an official licensed entity in the U.S. You have now entered the world of license maintenance and regulatory compliance, and regulatory reporting has just begun. **Managing licenses** is no small task and involves regular reporting to state agencies.



The Nationwide Multistate Licensing System & Registry (“NMLS”) plays a very important role for states that have transitioned to the system, by streamlining the application process as well as annual renewals and authorized agent/delegate reporting. NMLS’ functionality allows licensees to make a single upload during the renewal process that will be available to all the states that have transitioned to NMLS; although, states still have their own checklists and many will require additional documents that will have to be mailed. For the states that allow licensees to report the agent/delegate locations through NMLS, the number of reports has been reduced. For states that have not transitioned to NMLS, filings will be handled directly with the state agency and forms will be provided by the states to the licensees.

Certain systems need to be in place that will allow you to keep current with changing regulations in your particular industry. Once you have been approved and have your license, you must be aware of all the reporting requirements and the reporting schedules for each state so that you can ensure timely filings and avoid penalties. There are many moving parts that are involved in managing your licenses: calendaring and tracking all filing deadlines, ensuring that proper surety bonds are in place, and reporting transactional data and material, as needed. The following is a list of, some not all, critical pieces and guidelines that make up the portions of license maintenance required for reporting to each state. It is important to note that each state will have specific reporting requirements.

SYSTEMS: Internal systems should be set up as you are working through pre-filing meetings and license approvals. Work with each state regulator while in the process of applying for licenses to determine how your entity will report transactional activity on a per state basis, including sales per state, reporting on agent locations, and how your entity gathers this data.

REPUTATION AND RELATIONSHIPS: Creating a good relationship with your regulator goes a long way. It is important to establish a good image and be reliable.

FILING SCHEDULE: Setting up a filing schedule that will include monthly, quarterly, annually, and semi-annual filings will ensure that filings will be submitted by the deadlines. Many states will update their licensees on a regular basis; however, it is always prudent to be proactive in checking each state’s website for any regulatory alerts or bulletins that are posted during the year. Additionally, it is important to reach out to each state to determine the proper forms for surety bonds and quarterly and annual renewals that need to be filed to ensure that you are recording the data and submitting a complete filing. Most states will send emails with the updated quarterly reports to be completed and many states have the forms available on their websites.

STATE EXAMINATIONS: This is part of the general license maintenance. By statute, the states have the authority to exam the licensed entity. The state will provide notification in advance when an examination will be conducted. Proper recordkeeping of all your filings will ensure that you are ready for any state examination that is coming your way. For further information on State Examinations, please see the article in the November 2015 Compass publication.

With proper tools in place and information, you can ensure that completed reports are submitted and your company can avoid fines.



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TRACKING LEGISLATION: Staying current with pending and passed legislation is critical. Having a good system in place that will assist you in tracking legislation that has recently passed will ensure that you are aware and complying with states' requirements. Passed legislation can be anything from how to report your company's outstanding liability to calculating the surety bond. Of course, tracking pending legislation is important because it opens the door to what states are working on and helps the company prepare for changes in the future.

MATERIAL CHANGES: This is an important piece to annual renewals and the general management of your license. Changes occur throughout the year in any organization. Many of the states have specific timing notifications as to when material changes must be reported and what constitutes a material change. Check your state statute and administrative code to better understand what changes are required to be reported in each state you are licensed, what are the deadlines, and how you

need to report it. In addition, be aware of any **Advanced Change Notice** requirements which can be found on NMLS.

SURETY BONDS: Do you have the proper surety bond amount in place? Depending on the state, the surety bond can be based on the volume of business you report for that state or the number of agent locations you may have. This is when properly reporting your transactional activity and your agents to the state is critical. It all ties together, and you want to make sure that you have the proper amounts in place and increase the surety amount as needed.

FINANCIALS: This is always part of the management of your licenses whether

you are filing a monthly, quarterly, annual, or semi-annual reports to the state. The states will want to see audited and unaudited statements as well as a company's permissible investments and possibly the average daily transmission liability (ADTL). Again, understand carefully the statutes for each state where you hold a license so that you ensure proper information is being reported.

DELEGATE/AGENT REPORTING:

If your company has authorized delegates, also known as authorized agents, you must, if the state requires, file a uniform report of your authorized agents/delegates locations. The NMLS Uniform Authorized Agent/Delegate Reporting ("UAAR") process allows licensees to file a single, uniform report of their authorized agents/delegates locations by uploading the information directly to the system. The UAAR is being used by selected states and is only for money transmitters and money services businesses that are directed by their regulator to use this report. For states that have not transitioned to NMLS, check the requirements for reporting this information outside of NMLS. Most of the agent reports are due 30-45 days after the calendar quarter end; however, there are states with more stringent requirements. If you need more information on what states require the reporting and how to report this information, visit the **UAAR page** on NMLS.

As you can see, there is a lot that goes into managing your licenses in the U.S. With proper tools in place and information, you can ensure that completed reports are submitted and your company can avoid fines. For more information, you can contact **Chartwell** to discuss license maintenance for your company.



Jennifer Naudin, J.D. is a Senior Compliance Analyst with Chartwell Compliance, where she focuses on state money transmitter licensing. She is a former Compliance Analyst for ADP, Inc., and has 9 years of experience in compliance, lending and money transmission licensing. For more information please contact Jennifer at jennifernaudin@chartwellcompliance.com.

Compliance: Time To Get It Right

By Richard B. Kelsky

When FinCEN issued a \$1 Million personal assessment against a wire transmitter's former Chief Compliance Officer in 2014, the compliance community immediately jumped to attention. It has taken a while longer to filter down to financial service center operators. **Now that it has, it is time to get it right.**

If you are not familiar with the pending case of *United States Department of the Treasury v. Thomas E. Haider*, you need to be. In that case, the plaintiff is seeking to enforce a \$1 Million FinCEN assessment against Mr. Haider, who was the Chief Compliance Officer for a major international money transmitter.

Most MSBs' immediate reactions are either to the assessment itself – \$1 Million against an individual¹ – or concerns about being able to hire a qualified compliance officer. Those responses are really secondary. More important is the wake-up call and behavioral guidance to be gleaned from the complaint. Even though the ultimate outcome of the case is not yet known – you and your compliance officer, with the help of outside professionals, can use this guidance to proactively address, design, and implement of your AML program now, so you can make good AML choices going forward.

In its complaint to enforce the assessment,² Treasury makes two principal allegations: **The Defendant, as Chief Compliance Officer, failed to ensure that his employer (1)**

implemented and maintained an effective AML program and (2) fulfilled its obligation to file timely SARs. The listed failures include:

► **Failure to Implement a Discipline Policy.** (Not disciplining agents that had known or suspected involvement in fraud and/or money laundering.)

► **Failure to Terminate Known High-Risk Agents/Outlets.** (Not terminating agents with risk of involvement in fraud and/or money laundering based upon known reputation with law enforcement, internal fraud detection, and reports from customers.)

► **Failure to File Timely SARs.** (Not providing those employees responsible for filings with information and direction regarding filing of SARs.)

► **Failure to Conduct Effective Audits of Agents/Outlets.** (Not conducting effective audits of agents.)

► **Failure to Conduct Adequate Due Diligence on Agents/Outlets.** (Not conducting due diligence on prospective or existing agents.)

While the specifics of each allegation may not fit precisely into your business or its relationships (they have agents who have customers and you have employees and customers), the broader aspects of each allegation can be applied to financial service centers – and must not be ignored. Below, I have presented a series of questions which, to me,



closely parallel the allegations in *Treasury v. Haider* – but are translated into applicability to financial service centers. Your compliance officer, legal, and other professionals will no doubt pose different or additional questions.

► Does your AML program address relationships with customers known or suspected of involvement in fraud or money laundering?

► Does it address employees' AML responsibilities involving such customers?

► Do you regularly evaluate your employees' AML job performance?

► Do you constantly review your customers' transaction activity?


► Do you have a comprehensive risk analysis?

► Do you perform sufficient diligence on new and existing customers?

► Do you regularly evaluate your customers for "high-risk" activity?

1 The New York State Department of Financial Services has published proposed rules to address deficiencies in transaction monitoring and lack of robust governance, oversight and accountability at senior levels – including requiring an annual certification by the compliance officer. <http://www.dfs.ny.gov/legal/regulations/proposed/rp504t.pdf>

2 <http://www.justice.gov/sites/default/files/usao-sdny/legacy/2015/03/25/Haider,%20Thomas%20Complaint.pdf>



... now is time
to get it right
when it comes to
compliance. The
results of doing it
wrong are becoming
patently obvious.

- ▶ Do you perform “enhanced due diligence” in “high-risk” situations?
- ▶ Do you file SARs on discovery of suspicious activity?
- ▶ Do subpoenas or inquiries by law enforcement trigger AML activities (e.g. enhanced due diligence, filing of SARs, and termination of relationships)?
- ▶ Do you decline or stop doing business with “high-risk” customers?

Of course, developing a comprehensive AML program and related policies – and effectively implementing them – is a much broader task. But the Haider case can help in dealing with certain aspects of suspicious activity detection and reporting, internal reporting and access to information, and actions to be taken in response to obtaining knowledge or suspicion of fraudulent and/or

money laundering activity. It can also help in terms of taking compliance seriously, and the spirit and intent of the requirement to adopt – and effectively implement – an AML program.

The FinCEN assessment against Haider was issued back in December 2014 (after his employer had already settled the claims against the company). FinCEN is not alone. Since 2013, the SEC and FINRA have, in addition to fining their respective companies, fined and sought suspension of several chief compliance officers. So if you have been waiting on the sidelines, or doing half the job, now is time to get it right when it comes to compliance. The results of doing it wrong are becoming patently obvious.

This is the first in a series of “get it right - keep it right” compliance-related articles by Richard Kelsky. Watch for the next installment, which will focus on Commercial Check Cashing.



Richard Kelsky is President of TellerMetrix, Inc. a provider of POS transaction, compliance, interface, electronic deposit, and marketing software to check cashers, payday lenders, retail banks, and credit unions.

He is also a NY and CT Bar member, a Polytechnic Institute of NYU and NY Law School grad, a Certified Anti-Money Laundering Specialist and a frequent lecturer on business, legal, compliance, and technology issues. He can be reached at: rkelsky@tellermetrix.com.

This article does not constitute legal, regulatory, compliance, financial, or other professional advice and is a general expression of opinion by the author and not of any entity or organization. Consult your attorneys, accountants, compliance, and other professionals.

If you have owned a classic car, you know that it is much easier to start and maintain it regularly than to neglect it for extended periods - and then try to get it back on the road. The same is true for your AML program.

Retain a truly qualified compliance consultant to update your AML program and policies, get a quality independent review, and regularly do training, program maintenance and testing. That all may have a cost, but it is worth every dollar.

If you try to do it by finding the least expensive services and doing only what you view as the minimum to get by - or ignore signs of fraud and money laundering - you will at best expend a tremendous amount of energy (and incur a lot of anxiety) trying to get your AML program “back on the road” for your next examination ... at worst, you could find yourself in a regulator’s sights.

Like that classic car, once you get your AML program right, staying in compliance becomes easy.

Watch for the next “get it right – keep it right” compliance-related article by Richard Kelsky in upcoming issues.

NMLS: Upcoming Enhancements

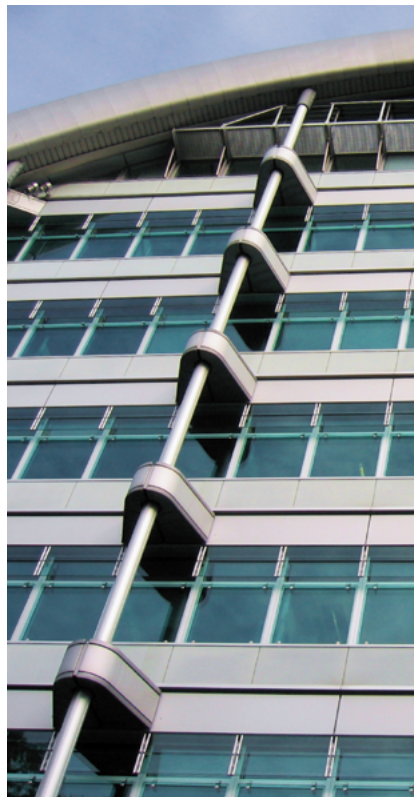
By Trish Lagodzinski, Jennifer Naudin, J.D., Cristiane Fernandes

After attending the 2016 Nationwide Multistate Licensing System & Registry (NMLS) Conference (the “Conference”) and Training in Phoenix, Arizona, Chartwell Compliance Consultants, Cris Fernandes and Jen Naudin, were happy to see more representatives from the Money Services Business Industry (MSB) at the Conference. The Mortgage Industry is still by far the largest group to appear at the Conference; however, as other money services industries attend, we will start getting MSB voices heard and some valuable changes coming to the MSB Industry.

When major changes are proposed, NMLS has various working groups, from industry and regulators, discussing what and how to best implement these changes. The NMLS Policy Committee (NMLSPC) regularly invites public comments on significant changes to the System. Industry trade groups, state licensed financial services companies, consulting firms, and law firms are all welcome to provide comments.

As discussed at the Conference, the current NMLS system is not as flexible or as intuitive as it could be, and does not meet all current business needs. To resolve this issue, NMLS 2.0 is in the planning stage with no estimated date for completion. As stated at the NMLS conference, this is an “opportunity not to just improve the system, but to *re-think* the system.” The good news is that regulators and the industry will be able to provide input into NMLS 2.0. Suggestions for enhancements are welcome and NMLS will be posting updates to the NMLS Resource Center on details of engagement. A suggestion that Chartwell recently provided to NMLS 2.0 is to have a list of all changes made within a certain filing listed under the attestation page, so the employee attesting to the filing can confirm all changes prior to attesting and correct any changes made by mistake.

While we wait for NMLS 2.0, some enhancements have been made to the Document Uploads with the inclusion of credit report explanations, memorandum of tax certification, verification of experience, personal financial statement (which can only be viewed by the state requesting it), and state



background check authorization forms. NMLS is also evaluating the need to add additional document categories.

In discussing the Document Uploads at the Conference, a major request from regulators was for users not to upload any items that have not been requested by a state and not use the *Document Samples* category as catch-all category. If users strictly follow the upload guide and use the NMLS suggested naming convention, it will help regulators find documents they are looking for easily.

Additionally, below are some of the new enhancements targeted for September 2016:

1. Advance change notice (ACN) functionality will be available for removal of Direct Owners and Executive Officers, Indirect Owners, Qualifying Individuals, and Affiliates/Subsidiaries.
2. Added to the ACN effective date (date the filing got submitted) will be a field for past effective date for certain events that could not have been reported at the time it occurred, such as an address change due to a hurricane.
3. Individual document upload will also be part of the September release. This functionality will permit individuals with MU2s and MU4s to submit documents as part of their filings.
4. Ability to process Criminal Background Check (CBC) for individuals other than mortgage loan originators as required by state regulators.

New functionality would permit MU2 individuals, whose companies are licensed in states that opt to utilize the new functionality, to process a CBC directly through NMLS. Similarly to Mortgage Loan Officers (MLOs), to ease the submission of background checks, fingerprints would remain on file in NMLS for three years. Currently, MLOs request a background check directly in NMLS and then submit fingerprints (if prints are not already on file) through a Live Scan location provided by the NMLS fingerprinting vendor. The prints are then sent directly to NMLS and to the FBI. Once the CBC result is received in NMLS, the

regulator is notified and is permitted to view it directly in NMLS. Only states that the individual holds a license in are permitted to view the CBC result. The new functionality will work similar, but with modifications to the state authorization process to view CBC results.

April 28, 2016 is the deadline to submit comments for another piece of the attestation language included in proposed changes to the Company and Branch Filing Attestations. You can submit comments at the [NMLS Resource Center](#). Current attestation language says “(1) That the information and statements contained herein, including exhibits attached hereto, and other information filed herewith, all of which are made a part of this application, are current, true and complete and are made under the penalty of perjury, or un-sworn falsification to authorities, or similar provisions as provided by law” which industry hopes to replace with “...to the best of my knowledge, information, and belief...” which better represents the facts.

Under the same Proposal for Comment ([Proposal 2016-1](#)) there is a possible change in language that would require an employee of the company, who is authorized to attest on behalf of the company, to submit and attest to filings. This change may not be in the best interest of certain licensees that use the help of their compliance firms or

Other NMLS enhancements targeted for first half of 2017 include the implementation of an MSB Call Report.

their law firms with reporting. The idea is that, in the future, third party users will be assigned a different user role, as Organizational Users, which will allow them to assist with completing company filings without the ability to attest and submit a filing. The proposed attestation language is as follows:

“I, <<NAME>>, <<TITLE/POSITION>>, am employed by or am an officer or a control person of <<COMPANY>> (Applicant). I am authorized to verify the foregoing responses, attest to, execute and submit this filing on Applicant’s behalf.”

In the future, NMLS anticipates implementing the Examination Management Tool Suite (EMTS), which will include “a full-service examination management suite of tools for state agency use for single, multistate, and state/federal non-depository

examinations.” The goal is to create uniformity, modernization, and effectiveness, while allowing for record retention, file transmission, scheduling, and exam communication (regulators assigned, request list, invoicing, etc.). Requirements of the system have been identified and, currently, under the Request for Proposal (RFP) process for vendor selection.

With Phase 1 completed, Phase 2 is expected to be completed by Q3 2016, and Phase 3 and the final phase expected for 2017. Current implementation includes the issuance of electronic surety bonds, which will foster real-time communication among licensees, bond producers, regulators, and sureties. This communication will be through the system (amount, states where bond is needed, issuance, cancellation, rider and reinstatement etc.). All surety bond carriers are now able to apply to provide bonds via NMLS.

Other NMLS enhancements targeted for first half of 2017 include the implementation of an MSB Call Report, a quarterly report that would include transaction volumes and financial information submitted directly in NMLS.

For more information we invite you to visit the [NMLS Proposal for Comment page](#) and the [Release Notes and Public Roadmap](#).



Trish Lagodzinski has more than 19 years of experience in government contracting, project management and support. At Chartwell Compliance and, previously, Ascella Compliance, she has assisted with regulatory compliance matters dealing with state money services business licenses and related state and federal compliance regulations for a wide range of non-bank financial services companies. Her work has included leading a 50-state license application project in six months for a publicly traded customer. She also serves as an outsourced state license administrator for customers. For more information please contact Trish Lagodzinski at trishlagodzinski@chartwellcompliance.com.



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Cristiane Fernandes has over 5 years of experience working in the payments industry and previously worked in Blackhawk Network's Legal Department where she was involved in obtaining Blackhawk's 46-states, plus the District of Columbia and Puerto Rico money transmitter licenses. For more information please contact Cristiane at cristianefernandes@chartwellcompliance.com.

**Arkansas** Arkansas Securities Department**Money Transmitter License**
Start Date: 10.01.2015**California** California Department of Business Oversight**Money Transmitter License**
Start Date: 1.15.2016**Connecticut** Department of Banking**Check Cashing Branch License - General Facility, Check Cashing Branch License - Limited Facility, Check Cashing License, Consumer Collection Agency Branch License, Consumer Collection Agency License, Debt Adjuster For-Profit Branch License, Debt Adjuster For-Profit License, Debt Adjuster Non-Profit Branch License, Debt Adjuster Non-Profit License, Debt Negotiation Branch License, Debt Negotiation License, Money Transmission License, Sales Finance Company Branch License, Sales Finance Company License, Small Loan Company Branch License, Small Loan Company License**Start Date: 7.1.2015
Transition Due: 9.30.2015**Georgia** Department of Banking and Finance**Check Casher License**
Start Date: 9.2.2014
Transition Due: 12.1.2014
Check Casher Branch Location
Start Date: 9.2.2014
Transition Due: 12.1.2014
Money Transmitter
Start Date: 9.2.2014
Transition Due: 12.1.2014
Seller of Payment Instruments License
Start Date: 9.2.2014
Transition Due: 12.1.2014**Hawaii** Department of Financial Institutions**Money Transmitter**
Start Date: 7.1.2014
Transition Due: 8.31.2014
Money Transmitter Branch Registration
Start Date: 7.1.2014
Transition Due: 8.31.2014**Idaho** Department of Finance**Money Transmitter**
Start Date: 9.1.2012
Transition Due: 10.1.2012
Collection Agency License
Start Date: 9.3.2013
Payday Lender License
Start Date: 9.3.2013
Regulated Lender License
Start Date: 9.3.2013**Illinois** Illinois Department of Financial and Professional Regulation**Money Transmitter License**
Start Date: 11.1.2015**Indiana** Department of Financial Institutions**Money Transmitter License**
Start Date: 11.1.2013
Transition Due: 4.24.2014
Debt Management License
Start Date: 7.1.2014
Transition Due: 10.31.2014**Indiana** Secretary of State**Collection Agency**
Start Date: 11.1.2012
Transition Due: 12.31.2012**Iowa** Division of Banking**Debt Management License**
Start Date: 7.1.2013
Delayed Deposit Services Business Branch License
Start Date: 7.1.2013
Transition Due: 10.1.2013
Delayed Deposit Services Business Registration
Start Date: 7.1.2013
Money Services License
Start Date: 7.1.2013**Kansas** Office of the State Commissioner**Money Transmitter License**
Start Date: 11.1.2013
Transition Due: 8.15.2015**Kentucky** Department of Financial Institutions**Money Transmitter**
Start Date: 8.1.2012**Louisiana** Office of Financial Institutions**Insurance Premium Finance**
Start Date: 7.1.2012
Transition Due: 10.1.2012
Licensed Lender
Start Date: 7.1.2012
Transition Due: 10.1.2012
Pawnbroker
Start Date: 7.1.2012
Transition Due: 10.1.2012
Sale of Checks and Money Transmitter
Start Date: 7.1.2012
Transition Due: 10.1.2012**Maine** Department of Professional and Financial Regulation**Money Transmitter**
Start Date: 11.1.2014**Maryland** Commissioner of Financial Regulation**Money Transmitter**
Start Date: 1.2.2013
Transition Due: 3.4.2013**Massachusetts** Division of Banks**Check Casher**
Start Date: 4.16.2012
Transition Due: 6.1.2012
Check Seller
Start Date: 4.16.2012
Transition Due: 8.31.2012
Debt Collector
Start Date: 4.16.2012
Transition Due: 7.31.2012
Foreign Transmittal Agency
Start Date: 4.16.2012
Transition Due: 6.30.2012
Insurance Premium Finance
Start Date: 4.16.2012
Transition Due: 6.30.2012
Motor Vehicle Sales Finance
Start Date: 4.16.2012
Transition Due: 9.30.2012
Retail Installment Sales Finance
Start Date: 4.16.2012
Transition Due: 9.30.2012
Small Loan
Start Date: 4.16.2012
Transition Due: 8.31.2012

**Michigan Office
of Financial and Insurance Services****Money Transmitter License**

Start Date: 9.3.2013

Transition Due: 11.1.2013

**Minnesota Department of
Commerce****Money Transmitter License**

Start Date: 10.1.2013

Transition Due: 12.1.2013

**Montana Division
of Banking & Financial Institutions****Consumer Loan License**

Start Date: 7.1.2014

Transition Due: 10.15.2014

Consumer Loan Branch License

Start Date: 7.1.14

Transition Due: 10.15.2014

Deferred Deposit Lender License

Start Date: 7.1.2014

Transition Due: 10.15.2014

**Deferred Deposit Lender Branch
License**

Start Date: 7.1.2014

Transition Due: 10.15.2014

Escrow Business License

Start Date: 7.1.2014

Transition Due: 10.15.2014

Sales Finance Company License

Start Date: 7.1.2014

Transition Due: 10.15.2014

Sales Finance Branch License

Start Date: 7.1.2014

Transition Due: 10.15.2014

**Nebraska Department
of Banking and Finance****Installment Loan**

Start Date: 4.15.2013

Transition Due: 10.1.2013

**Department of
Banking and Finance****Money Transmitter**

Start Date: 4.14.2014

Transition Due: 7.1.2014

**New Hampshire Banking
Department****Debt Adjuster**

Start Date: 7.9.2012

Money Transmitter

Start Date: 6.24.2013

Motor Vehicle Retail Seller

Start Date: 7.9.2012

Motor Vehicle Sales**Finance Company**

Start Date: 7.9.2012

Small Loan Lender

Start Date: 7.9.2012

**North Dakota Department of
Financial Institutions****Collection Agency****Branch Registration**

Start Date: 7.1.2013

Transition Due: 8.1.2014

Collection Agency License

Start Date: 7.1.2013

Transition Due: 8.1.2014

Debt Settlement Service Provider**Branch Registration**

Start Date: 7.1.2013

Transition Due: 8.1.2014

Debt Settlement Service Provider**License**

Start Date: 7.1.2013

Transition Due: 8.1.2014

Deferred Presentment Service**Provider Branch License**

Start Date: 10.25.2013

Transition Due: 8.1.2014

Deferred Presentment**Service Provider License**

Start Date: 7.1.2013

Transition Due: 8.1.2014

Money Transmitter License

Start Date: 7.1.2013

Transition Due: 8.1.2014

**Oklahoma Department
of Banking****Money Transmission License**

Start Date: 10.1.2012

Transition Due: 10.1.2013

**Oklahoma Department
of Consumer Credit****Deferred Deposit Lender**

Start Date: 4.16.2012

**Oregon Department
of Consumer and Business Services****Consumer Finance License**

Start Date: 1.2.2014

Transition Due: 10.1.2014

**Oregon Adds Payday/Title Loan
Licenses to NMLS Effective April 1**

Posted 3.25.2015

Payday/Title Loan License

Start Date: 4.1.2015

Transition Due: 10.1.2015

Payday/Title Loan Registration

Start Date: 4.1.2015

Transition Due: 10.1.2015

Payday/Title Loan Branch License

Start Date: 4.1.2015

Transition Due: 10.1.2015

Pennsylvania Department of Banking**Accelerated Mortgage Payment
Provider**

Start Date: 9.1.2012

Debt Management Services

Start Date: 9.1.2012

Money Transmission

Start Date: 9.1.2012

Check Casher

Start Date: 2.15.2013

Transition Due: 4.30.2013

Retail Grocery Store Check Casher

Start Date: 2.15.2013

Transition Due: 4.30.2013

Pawnbroker License

Start Date: 8.1.2013

Transition Due: 9.30.2013

Debt Settlement License

Start Date: 11.1.2014

Debt Settlement Branch License

Start Date: 11.1.2014

Debt Settlement (DN) License

Start Date: 11.1.2014

Debt Settlement (DN) Branch License

Start Date: 11.1.2014

**Puerto Rico Commissioner of
Financial Institutions****Money Transmitter**

Start Date: 7.1.2014

**Rhode Island Division of Banking****Check Casher**

Start Date: 4.16.2012

Transition Due: 6.30.2012

Debt Collector Registration

Start Date: 9.3.2013

Debt Management Services

Start Date: 4.16.2012

Transition Due: 6.30.2012

Electronic Money Transfers

Start Date: 4.16.2012

Transition Due: 6.30.2012

Sales of Checks

Start Date: 4.16.2012

Transition Due: 6.30.2012

Small Loan Lender

Start Date: 4.16.2012

Transition Due: 6.30.2012

Third Party Loan Servicer License

Start Date: 7.1.2015

South Dakota Division of Banking**Money Transmitter, Money Lender & Money Lender Branch**

Start Date: 7.1.2015

Transition Due: 9.1.2015

Tennessee Department of Financial Institutions**Deferred Presentment**

Start Date: 8.1.2012

Transition Due: 10.1.2012

Money Transmitter License

Start Date: 10.1.2013

Flexible Credit License

Start Date: 1.2.2015

Texas Department of Banking**Money Transmission**

Start Date: 9.2.2014

Property Tax Lender License

Start Date: 7.1.2014

Utah Department of Financial Institutions**Money Transmitter License**

Start Date: 9.1.2015

Transition Date: 12.31.2015

Deferred Deposit Lender Registration

Start Date: 11.1.2013

Transition Date: 12.31.2013

Vermont Division of Banking**Check Casher & Currency Exchange**

Start Date: 7.1.2012

Transition Due: 9.30.2012

Debt Adjuster

Start Date: 11.1.2012

Transition Due: 3.31.2013

Money Transmitter

Start Date: 7.1.2012

Transition Due: 9.30.2012

Sales Finance

Start Date: 4.16.2012

Transition Due: 6.30.2012

Washington Department of Financial Institutions**Check Casher**

Start Date: 7.30.2012

Check Casher with Small**Loan Endorsement**

Start Date: 7.30.2012

Currency Exchanger

Start Date: 4.16.2012

Transition Due: 6.30.2013

Money Transmitter

Start Date: 4.16.2012

Transition Due: 12.31.2013

Washington, D.C. District of Columbia Department of Insurance, Securities and Banking**Automated Teller Machine Operator License**

Start Date: 9.3.2014

Transition Due: 12.31.2014

Automated Teller Machine Operator Branch License

Start Date: 9.3.2014

Transition Due: 12.31.2014

Check Casher

Start Date: 9.3.2014

Transition Due: 12.31.2014

Check Casher Branch

Start Date: 9.3.2014

Transition Due: 12.31.2014

Money Lender

Start Date: 9.3.2014

Transition Due: 12.31.2014

Money Lender Branch

Start Date: 9.3.2014

Transition Due: 12.31.2014

Money Transmitter

Start Date: 9.3.2014

Transition Due: 12.31.2014

Retail Seller and Consumer Sales Finance

Start Date: 9.3.2014

Transition Due: 12.31.2014

Retail Seller and Consumer Sales Finance Branch

Start Date: 9.3.2014

Transition Due: 12.31.2014

West Virginia Division of Financial Institutions**Money Transmitter**

Start Date: 7.1.2014

Transition Due: 6.30.2015

Wisconsin Department of Financial Institutions**Seller of Checks**

Start Date: 7.1.2013

Wyoming Division of Banking**Money Transmitter License**

Start Date: 9.30.2013

*Please note that the selected updates pertain to Consumer Compliance or Bank Secrecy Act and are intended for information purposes only.



Points to Ponder & Heed

Regulations & Rules | Interpretations & Applications

→ **January CFPB Complaint Snapshot Released**

On March 1, 2016 the CFPB released its January consumer complaint snapshot, highlighting consumer complaints about prepaid products. The report shows that consumer complaints about prepaid products spiked in recent months as an increased number of customers complained of being frozen out of their accounts. This month's snapshot also highlights trends seen in complaints coming from Texas and the Houston metro area.

→ **Debt Collection, ID Theft, And Imposter Scams Top FTC Complaints**

The FTC announced on March 1, 2016 the release of the 2015 Consumer Sentinel Network Data Book, the annual summary of consumer complaints received by the FTC. Debt collection, identity theft, and imposter scams were the most common categories of consumer complaints.

→ **Regulators Clarify Expectations For Use Of Property Evaluations**

The Federal Reserve Board, FDIC and OCC issued guidance on March 4, 2016 to clarify their expectations for the use of property evaluations by banking institutions. It also addresses the use of alternative valuation approaches, methods, and other information that financial institutions may use to develop an evaluation in areas with few, if any, recent comparable property sales in reasonable proximity to the subject property.

→ **CFPB Accepting Complaints About Online Lenders**

On March 7, 2016 the CFPB announced it is accepting complaints from consumers encountering problems with loans from online marketplace lenders. The agency also release a consumer bulletin that provides an overview of online marketplace lending and outlines tips for consumers who are considering taking out loans from these types of lenders.

→ **FDIC Consumer News Special Cybersecurity Edition**

On March 8, 2016 the FDIC posted the winter 2016 edition of its quarterly *FDIC Consumer News*. The special edition, "A Bank Customer's Guide to Cybersecurity," features tips for preventing online fraud and theft.

→ **CFPB Publishes 10th Edition Of Supervisory Highlights**

The CFPB announced on March 9, 2016 its release of the 10th edition of *Supervisory Highlights*, which generally covers CFPB activities between September and December 2015, when the exams of banks and nonbanks resulted in remediation payments of \$14.3 million to approximately 228,000 consumers.

→ **FDIC Updates Flood Insurance Videos**

The FDIC announced on March 10, 2016 via FIL-18-2016 the update of the agency's technical assistance videos on flood insurance. The new videos provide financial institution management, compliance officers, and staff with resources for a better understanding of federal flood insurance laws, regulations, and compliance responsibilities.



Points to Ponder & Heed

Regulations & Rules | Interpretations & Applications

→ **FinCEN Updates Guidance For MSB Principals On Agent Monitoring**

On March 11, 2016 FinCEN issued updated guidance, FIN-2016-G001, on existing AML program rule compliance obligations for MSB principals with regard to agent monitoring. FinCEN is reiterating its guidance on this issue to complement recent guidance from states addressing MSB principal-agent relationships, and consistent with the purposes of the Money Remittances Improvement Act to encourage coordination between Federal and state regulators on such issues.

→ **FDIC Video On Tech Outsourcing**

The FDIC issued on March 14, 2016 FIL-19-2016 to announce the release of a new video on outsourcing technology services designed to assist community bank directors and senior management in developing a comprehensive risk-assessment program for vendor management.

→ **FinCEN Advisory Issued On Jurisdictions With AML/CFT Deficiencies**

FinCEN issued an advisory on March 21, 2016 to financial institutions regarding the FATF's updated list of jurisdictions with strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies. FinCEN's advisory (FIN-2016-A002) emphasizes that the updates may impact financial institutions' obligations and risk-based approaches regarding relevant jurisdictions.

→ **Agencies Issue Guidance On CIP For Prepaid Cards**

On March 21, 2016 the FDIC, FRB, FinCEN, NCUA, and OCC issued guidance clarifying the applicability of the Customer Identification Program (CIP) rule to prepaid cards issued by banks. The guidance applies to banks, savings associations, credit unions, and U.S. branches and agencies of foreign banks.

→ **CFPB Releases 2015 Servicemembers Report**

The CFPB announced on March 22, 2016 the release of the CFPB's fourth Annual Servicemembers Report, which analyzes over 19,000 complaints received in 2015 from servicemembers, veterans, and their families, and details related enforcement and outreach efforts. The number of complaints increased 13 percent over those in 2014. For the second year in a row, debt collection, mortgages, and credit reporting were the top three complaint categories for the military community. Debt collection was the top complaint category, comprising nearly half of the military complaints.

→ **CFPB Issues Advisory On Preventing Elder Abuse**

The CFPB issued on March 23, 2016 an advisory and a report with recommendations for banks and credit unions on how to prevent, recognize, report, and respond to financial exploitation of older Americans. Financial exploitation, the illegal or improper use of a person's funds, property or assets, is the most common form of elder abuse and costs seniors billions of dollars per year.

→ **FinCEN Issues New Prepaid Access FAQs**

FinCEN posted on March 24, 2016 FIN-2016-G002, "Frequently Asked Questions regarding Prepaid Access," to supplement its November 2, 2011, FAQs on the subject.



Points to Ponder & Heed

Regulations & Rules | Interpretations & Applications

→ **CFPB Posts Archived TRID Construction Loans Webinar**

On March 24, 2016 the CFPB posted a recording of its recent webinar on TRID compliance for construction lending, and updated the Question Index covering the questions addressed during the ongoing series of webinars on TRID implementation.

→ **FinCEN Fined Kentucky For AML Failures**

FinCEN announced on March 24, 2016 that it assessed a \$10,000 civil money penalty against Kustandy Rayyan d/b/a Thriftway Food Mart, Lexington, Kentucky (Thriftway). A FinCEN investigation determined Thriftway was a money services business (MSB) performing check cashing services and selling money orders. During the relevant time, Thriftway would cash approximately \$1 million worth of checks monthly. From 2009 through the present, Thriftway willfully violated BSA reporting requirements and failed to implement an effective written AML program.

→ **CFPB Complaint Snapshot Focuses On Debt Collection**

The CFPB announced on March 29, 2016 the release of its March consumer complaint snapshot, which focuses on complaints related to debt collection. The report shows that the most common debt collection complaint involves attempts to collect on a debt the consumer reported was not owed. This month's snapshot also highlights trends seen in complaints from consumers in Florida. The CFPB's fifth annual Fair Debt Collection Practices Act (FDCPA) report was also posted.

→ **Mobile Banking Study Released By FRB**

On March 30, 2016 the Federal Reserve Board released a Board report, *Consumers and Mobile Financial Services 2016*, which documents consumers' use of mobile phones--Internet-enabled smartphones as well as more basic phones with limited features--as they bank and carry out financial activities. It is the Board's fifth annual look at how consumers use mobile phones to access banking services ("mobile banking"), make payments, transfer money, or pay for goods and services ("mobile payments"), and inform financial decisions, as well as their reasons for using these services.

→ **CFPB Updates Compliance Guides**

On March 31, 2016 the CFPB posted updates to three of its Small Entity Compliance Guides and three charts for implementation of Dodd-Frank Act Title XIV mortgage lending rules, to reflect the CFPB's recent amendments to expand eligibility for the special provisions allowing certain small creditors to issue balloon-payment qualified mortgages and balloon-payment high cost mortgages, and exempting them from the escrow requirement for higher-priced mortgage loans. The updates can be found on the CFPB's Title XIV Implementation Page of its website.

→ **CFPB Issues Guidance On Resuming Submission Of Credit Card Agreements**

In April 2015, the CFPB suspended for one year (see Regulation Z § 1026.58(g)) the § 1026.58(c) requirement for submissions of credit card agreements to the CFPB for posting on its website. The next submission is due by May 2, 2016. The CFPB issued guidance on March 31, 2016 for credit card issuers with simplified instructions for making the required submissions.

Is Your Business Prepared For Disaster?

By Daphne Hoover



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Not a week goes by that you don't hear of a natural or manmade disaster that affects hundreds if not thousands of people. Think of Hurricane Katrina of 2005 that affected the Southeastern United States or the Northeast Blackout in 2003 that affected a large part of the United States and Canada. Both instances were large scale catastrophic events that made it impossible for normal business to operate for a period of time. How many businesses were prepared to recover physically and financially from the event? How many businesses had a business recovery plan that didn't work like they thought it would or worst just didn't have a plan at all?

What is considered a good Business Continuity and Disaster Recovery Plan? How do you even begin putting something together to ensure your business can continue to function with little to no impact to your customer? Maybe you are part of a larger corporation that already has an overarching plan but you need to tailor plan fit your piece of the business.

Simply begin with first thing first – by thinking about the critical activities include your key services, current resources, staff and anything that could affect them (e.g. power failures, staff illnesses, natural disasters, etc.) After assessing activities, start identifying services which the team cannot do without and what incidents could impact these high risk areas. Ask team members these questions:

- ▶ When, where, why and how are risks likely if an incident happens?
- ▶ Are the risks internal or external?
- ▶ Are the risks something that can be controlled?
- ▶ Who or what might be affected if this incident were to occur?

Furthermore, asking “What if?” type questions can help build a solid and manageable contingency plan. This line of discussion forces teams to think outside of the “That would never happen here” mindset.

Examples of what if questions are: “What if...”

- ▶ Power was lost or intermittent?
- ▶ Internet access was unavailable?
- ▶ Documents were destroyed or unavailable for an extended period?
- ▶ A top performer or key member of the team becomes unavailable either permanently or temporarily?

- ▶ One or more team member becomes affected by a natural disaster simultaneously?

Discussing these possibilities with the team may help look at the situations from different angles resulting in diverse responses. Ask if any team members already have unwritten contingency plans in place such as “Joey knows to step in during client ABC calls if Sally doesn't join the call in a certain amount of time.” Think about events that have taken place in the past that may have affected the team. What actions were taken? If the result of those actions were desirable and repeatable in were any other risks identified that could be eliminated, minimalized or mitigated?

Create processes and procedures and be sure to document them thoroughly. Test the procedures by using someone who may not be as familiar with them as the team who wrote them. Someone unfamiliar with the current processes often ask questions giving insight to situations that seem apparent to those who “always” work in a situation.

When designing a business continuity or disaster recovery plan try to anticipate the “worst case scenario,” the small stuff seems to be manageable when a team steps back and looks at the big picture. Having a solid contingency plan in place ensures efficiency and security, both internally to a team as well as externally to a client. The ideal contingency plan would ensure the client's experience is seamless.



Daphne Hoover is an Information Security and Business Continuity Director at Chartwell. She is a 20-year Air Force veteran with a background in Information Security. During her time in the Air Force Daphne worked in several different areas of Security from training other members in Communication Security to inspecting Communication Security programs for National Security Compliance. For more information please visit www.chartwellcompliance.com.



Representative Engagements

Consumer Compliance

Chartwell has recently executed a number of bank consumer compliance program reviews, a very important area as federal regulators intensify their scrutiny of loan and deposit activities. Our bank compliance testings, led by consultants with over a quarter century of regulatory experience, have covered the following regulations:

- ▶ Regulation B: Equal Credit Opportunity Act
- ▶ Regulation C: Home Mortgage Disclosure Act
- ▶ Regulation D: Reserve Requirements for Financial Institutions
- ▶ Regulation E: Electronic Fund Transfers Act
- ▶ Regulation G: S.A.F.E. Mortgage Licensing Act
- ▶ Regulation H: Flood Insurance
- ▶ Regulation M: Consumer Leasing Act
- ▶ Regulation N: Mortgage Acts and Practices-Advertising
- ▶ Regulation O: Extensions of Credit to Insiders
- ▶ Regulation P: Privacy of Consumer Financial Information
- ▶ Regulation V: Fair Credit Reporting Act
- ▶ Regulation X: Real Estate Settlement Procedures Act
- ▶ Regulation Z: Truth in Lending Act
- ▶ Regulation AA: Unfair or Deceptive Acts or Practices Act
- ▶ Regulation BB: Community Reinvestment Act
- ▶ Regulation CC: Expedited Funds Availability Act
- ▶ Regulation DD: Truth in Savings Act
- ▶ Regulation GG: Prohibitions on Internet Gambling
- ▶ Fair and Accurate Credit Transactions Act (FACTA)
- ▶ Unfair, Deceptive or Abusive Acts or Practices Act (UDAAP)
- ▶ Fair Debt Collection Practices Act (FDCPA)
- ▶ Home Ownership Counseling
- ▶ Mortgage Disclosure Improvement Act (MDIA)
- ▶ Mortgage Loan Officer Compensation
- ▶ Right to Financial Privacy Act (RTFPA)
- ▶ Servicemembers Civil Relief Act (SCRA)
- ▶ FDIC Deposit Insurance Disclosures
- ▶ Advertising, Public Notices, and Signage

Chartwell took just seven weeks to complete money transmitter license applications covering 50 states and territories for a venture-backed online remittance business.

The first application was approved in just two days after submission by the state, testifying to the quality of the product done under rigorous time pressure.

Representative Engagements

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Chartwell was hired by a prominent venture capital firm and completed compliance due diligence of the prospective investee in less than two weeks from contract signing. The investee, an emerging payments business, responded favorably to our performance and consequently hired us directly to assist them with compliance matters.

Chartwell was hired on one day's advance notice by a publicly traded financial institution software business to provide a full-day crash-course on the regulatory compliance framework for money services businesses. The engagement helped the customer win a major AML software deal, and to subsequently hire Chartwell again.

BSA/AML

An international payments processor sought a consultant to assist with a broad range of BSA/AML compliance matters in conjunction with the launch of a new person-to-person money transfer product platform that will be sold to financial institutions. To start the project, Chartwell was assigned to design a BSA/AML compliance program with detailed policies and procedures, after gaining an understanding of the company's business model. Chartwell then provided written BSA/AML training course material. We assigned a consultant with nearly 30 years of experience in financial services compliance and exceptional background in payments and money services businesses.

State Money Transmitter License Applications

Chartwell completed applications for state money transmitter licenses in 47 states and three U.S. jurisdictions on behalf of a publicly traded customer. The project was successfully completed within a quick six-month period and almost exactly within the initially estimated budget. Part of the reason the organization chose us is due to our unique software and methodology capabilities to manage a project of complex initiatives. Our project leaders were also veterans of state licensing and money services businesses, having well developed relationships with personnel throughout the state regulatory agencies.

Interest Rate Risk

Chartwell assisted a strategic partner with conducting an assessment of interest rate risk ("IRR") metric selection and application for a large national bank, providing our written and verbal opinions on gaps relative to both better practices and regulatory requirements, as well as our insights on data, analytics and measures, governance processes, and reporting to refine the financial institution's overall IRR measurement capability. We assigned a former senior bank safety and soundness examiner with approximately a quarter century experience in multiple federal regulatory agencies.

Transfer of Control

Chartwell's Daniel Weiss assisted a financial services software business with identifying the regulatory requirements associated with acquiring control of a licensed money transmitter. The work included providing guidance on sequencing and structuring the deal in relation to the regulatory process; communicating and sounding off ideas with regulators; providing non-legal guidance during regulatory strategy sessions with company executives and counsel; identifying and assisting with applications for approval and better defining requirements in states which do not have specific rules; providing suggested talking points for use with regulators; providing suggestions on notifying the surety bond broker, Secretaries of State and banks concerning the material event.

International Correspondent Banking

Chartwell recently assigned five individuals to be separately interviewed by a client organization for their views on the regulatory compliance requirements affecting U.S.-Mexico correspondent banking relationships. Our interviewees include Dennis Lormel (former FBI Financial Crimes Section Chief); Allan Schott (former OCC Chief Counsel); Bob Pasley (former OCC Assistant Director of Enforcement and Compliance); James Wright (former OCC examiner); and Kris Welch (former bank compliance officer). Each of these individuals have extensive resumes of working with international organizations or overseas.

All-Purpose Compliance Assistance

Chartwell's **HelpDesk** product, launched in January 2013, provides all-purpose, customized compliance assistance on demand to subscribers for a fixed, reasonably priced annual fee, with a special discount for ICBA members. Please learn more about **HelpDesk** in this edition of *Compass* or on [our website](#).

Conducting a 130-Country AML Risk Assessment for a Federal government Agency

Chartwell recently conducted a 130-country Anti-Money Laundering risk assessment for a federal government agency preparing to launch an international financial product. The scope of the engagement included the creation of a comprehensive assessment matrix; provision of narrative explanations of rankings and full reproducible methodology; procedures for the client to perform future iterations as necessary for additional countries; and an executive summary for the client's internal stakeholders. Chartwell identified the relevant subject matter and utilized a small team of professionals with over 90 years' combined AML, money transmission, financial services and project management experience.

Serving as outsourced BSA and State MSB

Licensing Administrator An international money services business sought a consultant to assist with a broad range of BSA/AML compliance and state licensing matters in the U.S. that have included: serving as outsourced BSA/AML compliance administrator; applying for and serving a project manager role for state money transmitter license applications; providing compliance policies and procedures; conducting compliance training; providing nonlegal opinions on the applicability of state money transmitter licensure and money services businesses registration with FinCEN; and producing a handbook of state money transmitter requirements. These services have been needed in conjunction with the launch of the company's business in the U.S. As this client's needs have evolved, we have assigned a team of consultants with a combined 190 years of experience in financial services compliance and exceptional background in payments and money services businesses.

Compliance Beacon Q&A

Q: *What are the Utah money transmitter license application financial requirements changes applicable to a start-up company?*

A: Utah has amended its money transmission license application financial requirements to ease the application process for start-up companies. Previously, an audited financial statement for the prior year was required of all applicants. This left start-ups having to wait at least a year before applying. Now, start-ups can submit an initial statement of condition in lieu of the audited financial statement.

Q: *What is a BitLicense and who is required to obtain it?*

A: The BitLicense is the first comprehensive regulatory framework for firms dealing in virtual currency such as Bitcoin, including key consumer protection, anti-money laundering compliance, and cyber security guidelines. The BitLicense, finalized in June 2015, is required for virtual currency businesses operating in New York by New York Department of Financial Services. The first BitLicense was issued in September 2015.

Q: *Are money transmitter license applicants required to convert the applicant and parent financials to U.S. dollars according to GAAP (Generally Accepted Accounting Principles) standards?*

A: The Securities and Exchange Commission and all Federal and State regulatory agencies adopted and require U.S. companies to prepare their financials consistent with U.S. GAAP and The Financial Accounting Standards Board (FASB) pronouncements. There was a movement several years ago in the United States to move to International Financial Reporting Standards (IFRS); however, this movement has not gained traction.

Q: *Are there any regulatory expectations for how a money services business bank account should be set up and titled?*

A: The licensee has a fiduciary responsibility to the customer to protect the customer's funds. In general, the states require customer funds to be passed through the licensee's named account. Having 'FBO' (For the Benefit of) in the account name in order to clearly identify customer funds segregated from the licensee's operating funds is preferred.

Q: *What are the money services business requirements licensing requirements in Canada?*

A: Money services businesses offering money transfers, foreign exchange, cashing or selling money orders, traveller's cheques or anything similar are required to register with FINTRAC at the start of business. Only Quebec, one of the Canadian provinces, requires a Money-Services Business license.

Q: *What can we do in response to a leak of Panama Papers?*

A: While the list of all involved entities and individuals has not yet been compiled and the investigation is ongoing, the industry recommendation is to verify your customers against the Panama Paper list available on Wikipedia to identify any connections. If a connection is identified an additional due diligence should be completed to document whether any type of action, such as requesting additional information or suspicious activity report filing, is warranted.

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“Chartwell demonstrated sound knowledge in the Fintech space and an ability to understand unique quirks presented by compliance programs operating under innovative business models.”

*Matthew Van Buskirk, Director,
Compliance & Regulatory Affairs,
Circle Internet Financial, Inc.*

Chartwell Compliance offers all-in-one integrated regulatory compliance and risk management consulting, testing, audit and examinations, and outsourcing services. We serve bank and non-bank financial service providers that are striving to do business successfully in the midst of unprecedented regulatory upheaval.

Chartwell Compliance is attuned to emerging trends, new regulations and rules, and issues relating to the financial services industry. Our consultants believe every client is critically important; and, along with high service delivery standards, coupled with a smaller firm's pricing, allow Chartwell to deliver a value unmatched in the marketplace.

The people of Chartwell have a practical, real-world understanding of regulatory compliance, enterprise risk management, and financial crimes. Chartwell consultants have gained their real-world understanding through numerous years of work as regulators, law enforcement officials, and operators in the financial industry. This allows us to translate compliance in practical ways helping our clients maintain fee revenue; lower operating costs, and proactively anticipate the desires and requirements of a diverse range of agencies and regulators in charge of supervising financial institutions.

Chartwell Compliance, as an all-in-one consulting firm, allows our clients to avoid the burden of managing multiple vendor relationships, making it possible for our clients to realize economies of scale. In addition, our clients gain further value from having a partner with experience and expertise encompassing compliance, risk, and corporate planning. Our consultants are passionate about their areas of expertise and equally comfortable as testers, trainers, or mentors to our clients.

Value Propositions

- ▶ One of the best AML/CFT, financial crimes and state license consultancies in the world
- ▶ One of North America's best MSB and emerging payments compliance consulting firms
- ▶ Very well-rounded practitioners experience
- ▶ Nimble, specialized and affordable
- ▶ Significantly lower cost, more services, and more practitioners experience
- ▶ Entrepreneurial and highly responsive
- ▶ End-to-end services and outsourcing
- ▶ Free distribution of quarterly technical publication, *Chartwell Compass*
- ▶ Strong human and software project administration backbone to keep on time and on budget.

Chartwell Consultants

Our team is cross-certified in regulatory compliance, anti-money laundering, testing, information technology and security, and fraud. The diversified experience of our consultants provides our clients with access to experienced examiners, operators, and regulatory policy makers in both the banking and non-banking segments of the financial services market, including some of the most talented and seasoned professionals in emerging payments compliance. This vast, multi-disciplinary experience allows us to help our clients design and implement compliance and risk management programs and practices properly calibrated to address both the current and prospective regulatory environment in an effective manner. As a result, our clients' products and services can be launched more quickly and remain appropriately priced, usable, compliant, and of high value to end users.

The average experience of our consultants is twenty-five (25) years. Our group includes some of the industry's foremost authorities on regulatory compliance, information security, licensing, and fraud such as:

- ▶ Average of 20+ years of experience per professional
- ▶ Former executives and managers from MSBs such as Western Union, First Data/Integrated Payment Systems, MoneyGram, Coinstar, Travelex, ADP, Blackhawk Networks, JPay, Choice Money Transfer, Sigue, Groupex, Advance America & Microfinance International
- ▶ Former Assistant Deputy Superintendent of Licensed MSBs for one of the strictest and largest states and member of State Banking Supervisors' MSB Working Group
- ▶ Former senior compliance and risk managers from Wells Fargo, Citigroup & many community banks
- ▶ Former Federal Reserve System nationally commissioned compliance examiners
- ▶ Former Chief of the Federal Bureau of Investigation's Financial Crimes Section, Terrorist Financing Section
- ▶ Former Office of the Comptroller of the Currency (OCC) Assistant Director of Enforcement
- ▶ Certified AML (CAMS) and regulatory compliance manager certifications (CRCM; Top secret + security clearances
- ▶ Extensive experience working in or with start-ups
- ▶ Long-standing relationships between many team members



Services

REGULATORY COMPLIANCE Chartwell Compliance provides consulting across nearly the entire range of rules and regulations affecting bank and non-bank financial institutions. Our regulatory subject matter expertise includes but is not limited to: Enforcement action solutions; Bank Secrecy Act (“BSA”); Office of Foreign Assets Control (“OFAC”); Loan Compliance (commercial, consumer, real estate); Deposit Compliance, Home Mortgage Disclosure Act (“HMDA”); Secure and Fair Enforcement for Mortgage Licensing Act (“SAFE”); Unfair, Deceptive or Abusive Acts or Practices Act (“UDAAP”); social media; capital requirements; Community Reinvestment Act (“CRA”); state and federal regulations for money services businesses, stored value, and payment systems.

BSA/OFAC, AML, FRAUD & CORRUPTION Chartwell Compliance brings together some of the country’s most prominent authorities in Anti- Money Laundering and Combating the Financing of Terrorism (“AML/ CFT”) financial crimes and fraud prevention. Chartwell Compliance’s proficiencies include: Counter terrorism financing; anti-money laundering; asset forfeiture and recovery; fraud prevention (corporate and mortgage); Foreign Corrupt Practices Act and the UK Bribery Act; forensic accounting; foreign government advisory on AML/CFT regulatory regimes. Chartwell Compliance provides a wide variety of related services including: Training and seminars; enforcement action solutions; comprehensive look back reviews; policy and procedure development; independent reviews; risk assessments; investigations and due diligence, expert witness services; and non-legal opinions.

STATE MONEY SERVICES BUSINESS LICENSING Chartwell Compliance assists money services businesses such as prepaid access providers, currency exchangers, check-cashing companies, e-wallet service providers, and mobile technology companies in applying for and maintaining state licensure requirements. We offer first-hand experience, reasonable non-legal pricing and additional value in being able to assist clients with related areas such as AML compliance and corporate planning. Chartwell Compliance provides services tailored to fit the specific needs of each MSB including: preparation and submission of state license applications; FinCEN/FINTRAC registrations; administration of existing state license portfolios including renewals, periodic reporting, and other requirements; assistance with state regulatory exams and related remedial work; and non-legal regulatory opinion relative to licensing and regulatory requirements.

DUE DILIGENCE AND INVESTIGATIONS The team of former senior law enforcement and regulatory officials and private sector executives of Chartwell Compliance permits Chartwell to undertake due diligence and investigation activities in a range of areas in the U.S. and overseas. We also offer assistance to institutional investors and other companies conducting corporate due diligence on investment, merger, and acquisition targets.

OPERATIONS & GOVERNANCE Many Chartwell Compliance consultants have experience in corporate operations, planning and leadership. Chartwell Compliance provides consulting services in all of these areas, as well as, providing clients with services such as: Assessments and recommendations; enterprise wide risk assessments; key indicator dashboards; policies and procedures; employee training; board of directors training, and other services.

Strategic Alliances

Chartwell Compliance welcomes relationships that deepen the value provided to our mutual customers. In particular, Chartwell Compliance has a select number of strategic partnerships with leading service and software providers in the financial sector seeking a trusted source for referrals, thought leadership and feedback on new products from the perspective of regulators, law enforcement officials and former practitioners. Some of our alliances include:



Fiserv, Inc. (NASDAQ: FISV) is the leading global provider of information management and electronic commerce systems for the financial services industry.



BankersEdge is the online training partner of choice for hundreds of financial institutions nationwide, with a library of over 300 courses that span regulatory compliance, financial skills and professional development.



Bankers' Bank of the West provides high-quality products and services as well as deep industry expertise to more than 300 community bank clients in the western states and Great Plains region.



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