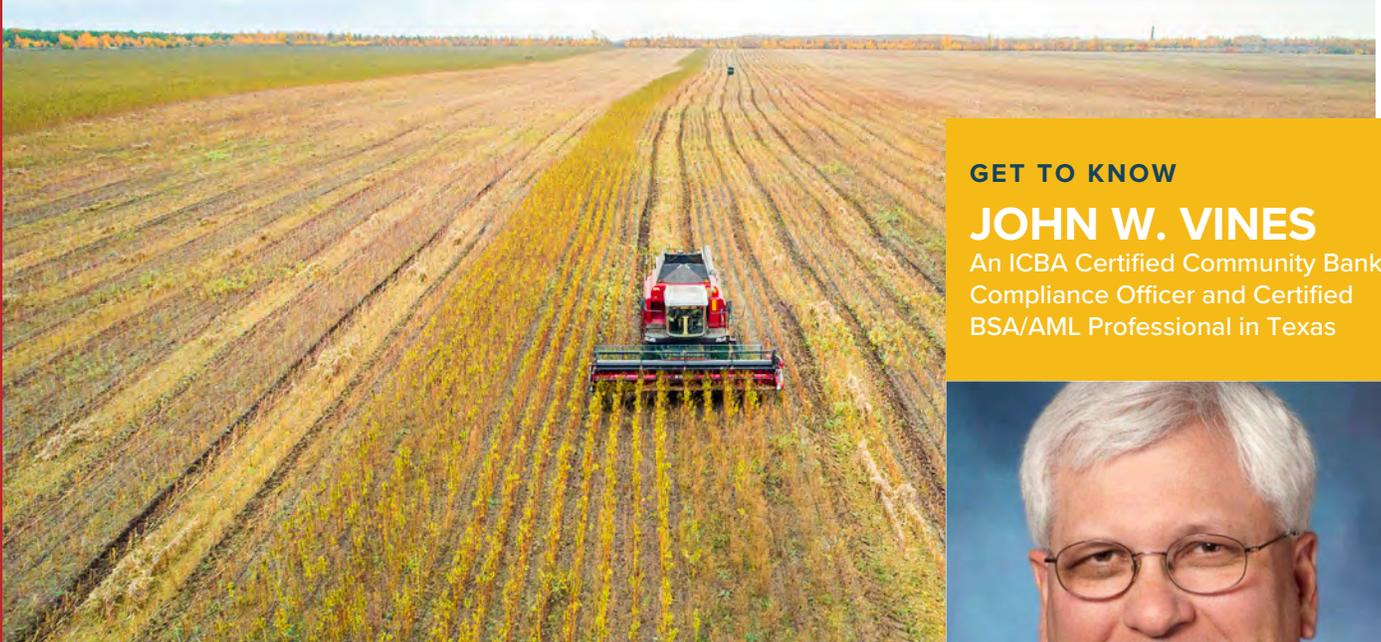




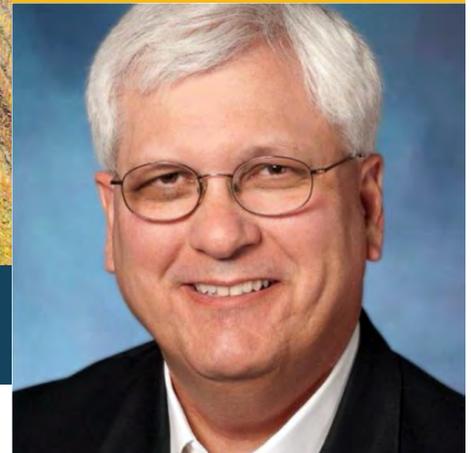
QUARTERLY NEWSLETTER FOR ICBA CERTIFIED COMMUNITY BANKERS



GET TO KNOW

JOHN W. VINES

An ICBA Certified Community Bank Compliance Officer and Certified BSA/AML Professional in Texas



HEMP HEYDAYS

While many of us continue to work remotely, the BSA obligations to meet reporting, recording, and monitoring of suspicious activity persists. Below we are going to cover two hot topics of 2020. The first is hemp, and the recent surge of hemp farmers seeking out banking services in America's Heartland. Then, how can we say, "hot topic" and "2020" and not address COVID-19 and the many affects the pandemic has had on community banks and individual bank staff members, both personally and professionally?

DUE DILIGENCE CONSIDERATIONS

As we are all aware, the 2018 Farm Bill legalized the regulated production of hemp. The bill:

- » Defined "hemp" and removed it from the Controlled Substances Act
- » Established regulatory and licensing requirements for hemp
- » Allowed inclusion in various USDA research and pilot programs

BSA Due Diligence Requirements for Hemp-Related Business Customers

On June 29, 2020, FinCEN issued guidance relating to questions it had received in reference to hemp-related business customers, subsequent to the passage of the 2018 Farm Bill which removed hemp (with THC levels less than 0.3%) from the definition of marijuana. ([FIN-2020-G001](#))

- » The guidance did not update any requirements regarding marijuana-related businesses.

What makes you most proud of your bank? My bank is in a rural area of South Texas and has been owned by the same family for many years. We serve all our customers without concern of their economic status. Like most community banks, we have the means to develop a plan that will help people when times are tough.

How did you find your way into banking? My father worked for a small community bank for 30 years and for 20 years he served as president. He was very active in the banking industry serving on local and state banking association committees and

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» For customers who are hemp growers, financial institutions may confirm the hemp grower’s compliance with state, tribal government, or the USDA licensing requirements, as applicable, by either obtaining (1) a written attestation by the hemp grower that they are validly licensed, or (2) a copy of such license.

» Financial institutions are not required to file a Suspicious Activity Report (SAR) on customers solely because they are engaged in the growth or cultivation of hemp in accordance with applicable laws and regulations.

» For hemp-related business customers, financial institutions are expected to follow standard SAR procedures and file a SAR if the financial institution becomes aware, in the normal course of business, of suspicious activity. Such suspicious activity could include, among other things, the following:

- A customer appears to be engaged in hemp production in a state or jurisdiction in which hemp production remains illegal.
- A customer appears to be using a state-licensed hemp business as a front or pretext to launder money derived from other criminal activity or derived from marijuana-related activity that may not be permitted under applicable law.
- A customer engaged in hemp production seeks to conceal or disguise involvement in marijuana-related business activity.
- The customer is unable or unwilling to certify or provide sufficient information to demonstrate that it is duly licensed and operating consistent with

applicable law, or the financial institution becomes aware that the customer continues to operate (i) after a license revocation, or (ii) inconsistently with applicable law.

» Financial institutions must report currency transactions in connection with hemp-related businesses in the same manner they would for any other customers.

How Do Community Bankers Understand Their Risk?

What due diligence questions should you ask your potential customer?

- » What part or component of the hemp plant is being farmed? (CBD oil, fiber, seed, etc.)
- » What is the intended end-use and by whom? In other words, who is the bank customer’s customer, or who are they selling too?
- » What are the key farming metrics, such as input costs per acre, expected yield, is crop hedged?
- » What role does your specific state and local law enforcement play in the enforcement of legal hemp production?
- » How will the bank know if the farmer has a “hot crop” (a crop with THC levels of 0.3% or greater)?
- » What exactly is the bank going to require the farmer to share with them to show the legal status of the hemp production?

The bottom line is that the demand to provide banking services for hemp farmers is growing and will continue to do so. As community bankers we need to be prepared and have policies, processes, and procedures in place.

boards. I tell people that I have been in banking since the sixth grade. I spent two years in public education, and then had the opportunity to join my first bank 39 years ago.

I now know the feeling that my dad felt to serve your customers and the community. Helping people when things are tough and seeing the results of that effort was rewarding to him. I have worked in nearly every area of a bank from operations, human resources, lending, trust, and compliance. I have been blessed to work for banks across Texas of varying asset size and that experience has allowed me to better serve my customers and Karnes County National Bank.

Tell us your biggest and best accomplishment.

In every career you experience many successes, so I can’t really point to a single one. Over the years, I have worked with teams of people and together our efforts have solved various issues and created successful outcomes.

What do you like best about the work you do?

As a compliance officer your day is never the same. I have tried to find some type of routine but so far that is one part of my job that I am still working on. I have been a one-person Compliance Department in most of the banks that I have been employed, so I do have to be very flexible. I can be summoned by a phone call, email, or people coming into my office. The never knowing what will happen next is what I would say is the best part of my job. I also like the feeling that I have helped contribute to a successful resolution to an issue and feel proud when the issue is solved.



COVID-19 AND ITS EFFECT ON COMMUNITY BANKS

Unfortunately, the ongoing pandemic situation has brought out more bad actors who are targeting your most vulnerable consumers. FinCEN released the following advisories that described how various scams are played out and contains the following red flag indicators to aid financial institutions in identifying this type of activity.

FIN-2020-A002

This advisory was the first of a series to keep financial institutions updated on identified medical scams related to COVID-19. The advisory includes descriptions of the scams, red flags, and SAR reporting information. Interesting case studies are also presented in this advisory.

- » **Medical-Related Frauds, Including Fraudulent Cures, Tests, Vaccines, and Services.** Various federal agencies have identified fraudulent products touting a test, cure, or vaccine.
- » **Non-Delivery Fraud of Medical-Related Goods Scams.** Customers pay for merchandise which is never delivered. In some cases, the

fraudster never intended to deliver a product and may not have even had any product in the first place.

- » **Price Gouging and Hoarding of Medical-Related Items.** Individuals have been accumulating vast inventories of necessary items, such as masks, disinfectants, toilet paper, etc., and selling it at enormously inflated prices.
- » **SAR Filing Information**
 - FinCEN requests that financial institutions reference this advisory by including the key term “COVID19 FIN-2020-A002” in SAR field 2 (Filing Institution Note to FinCEN) and in the narrative to indicate a connection between the suspicious activity being reported and the activities highlighted in this advisory.
 - Financial institutions should also select SAR field 34(z) (Fraud - other) as the associated suspicious activity type to indicate a connection between the suspicious activity being reported and COVID-19. Financial institutions should include the type of fraud and/or name of the scam or product (e.g., Product Fraud—non delivery scam) in SAR field 34(z).

COVID-19 continued on page 4 »



What is your best advice to a new bank employee? Working for a bank will challenge you in many ways. There are customers who are upset about something, all the rules and procedures you need to know, waking up at night worrying about a loan customer, or something you forgot to do that will show up in the rejects in the morning. If you work hard and try to learn everything you can about each area of the bank, you will have a future with many avenues for success.

Why did I choose to become certified? I wanted to know that I, along with other professionals in their fields, take my job and the responsibilities that I had been appointed to perform very seriously. By completing the certification requirements, I want to show my peers and the people that I work with, that I spent the extra time and effort to be better qualified for my job.

What motivated you to obtain and maintain the designations that you currently hold? Going through the certification process through ICBA is not an easy task. It is important to me personally to maintain my certifications because of the hard work that is required to obtain each designation. I always try to attend the different schools each year to remain up to date with any changes in the regulations and also have the chance to visit with old friends and meet other compliance staff from banks from all over the nation.

How has earning your certification helped your career as a banker? When a bank is looking for a new member for its Compliance Department, they want the most knowledgeable candidate they can find. With the

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FIN-2020-A003

This advisory was the second in the series to update financial institutions on emerging imposter and money mule schemes.

- » **Imposter Scams.** Fraudsters may pose as representatives for the IRS, CDC, World Health Organization or other non-governmental or charitable organizations that are regularly seen in the news as the COVID-19 pandemic continues. Victims are contacted by various means to provide personal information and funds.
- » **Money Mule Schemes.** Specific to COVID-19, it has been identified that money mules are being used to exploit unemployment insurance programs.
- » **SAR Filing Information**
 - FinCEN requests that financial institutions reference this advisory by including the key term “COVID19 MM FIN-2020-A003” in SAR field 2 (Filing Institution Note to FinCEN) and in the narrative to indicate a connection between the suspicious activity being reported and the activities highlighted in this advisory.

- Financial institutions should also select SAR field 34(z) (Fraud—other) as the associated suspicious activity type to indicate a connection between the suspicious activity being reported and COVID-19. Financial institutions should include the type of fraud and/or name of the scam or product (e.g., imposter scam or money mule scheme) in SAR field 34(z). In addition, FinCEN encourages financial institutions to report certain types of imposter scams and money mule schemes using fields such as SAR field 34(l) (Fraud—Mass-marketing), or SAR field 38(d) (Other Suspicious Activities—Elder Financial Exploitation), as appropriate with the circumstances of the suspected activity.

One of the many hats that community bankers wear is to protect our customers and that means being aware and educated on the most up to date trends, whether positive or negative. We as community bankers have historically done a phenomenal job taking care of our customers, let’s keep it up!

By Kristen Ritter, FVP | BBS—Compliance Engagement Leader, TIB.
Kristen can be reached at KRitter@tib.bank or 303-807-9575.

certifications that I have achieved, this has allowed me to work for banks who were looking for top candidates to enhance their compliance area.

How will my bank plan for my successor? I will want to be involved in the process of picking my replacement. If my CEO wants to look inside the bank for an individual, I will do my best to train and encourage them to become a better Compliance Officer than me. If they look outside the bank, I want to make sure that the candidate will be well qualified and can adapt to our bank’s business environment.

What is your bank’s customer service philosophy? My bank is a true community bank with a deep philosophy of serving our community and the people who live and work here now and in the future. Our bank strongly believes that we provide a higher degree of personal service to each of our present and future customers.

John W. Vines holds the following ICBA certifications:

Certified Community Bank Compliance Officer (CCBCO) since Oct. 2013

Certified BSA/AML Professional (CBAP) since Nov. 2013

FAST FACTS

- Karnes County National Bank**
- Headquarters:**
Karnes City, Texas
- Retail Offices:** 2
- Bank Asset Size:** \$394,000,000
- Website:** www.kcnb.com

ICBA[®] connect[™]
MARCH 9–10, 2021
 A two day virtual event custom built to energize your team.
LEARN MORE AND REGISTER AT ICBA.ORG/CONNECT

2021 CERTIFICATION CALENDAR

Due to pandemic-related travel and hotel occupancy restrictions we are planning to host most of our institutes, seminars, and workshops via livestream. Should current restrictions ease in the future, we may switch the delivery method of some events to an in-person setting. In instances where an event occurs over a two-week period, participants must attend all dates to satisfy the institute's requirements.

AUDIT INSTITUTE™

- » Apr. 19–22 (Week 1) and April 26–28 (Week 2)
- » Sept. 14–17 (Week 1) and Sept. 21–23 (Week 2)

ANNUAL CURRENT ISSUES CERTIFICATION CONFERENCE

- » Sept. 27–30
- » Oct. 25–28

BANK SECURITY INSTITUTE™

- » Aug. 30–Sept. 2

BSA/AML INSTITUTE™

- » May 3–5
- » Aug. 9–11
- » Nov. 1–3

CREDIT ANALYST INSTITUTE™

- » Jan. 26–29
- » Mar. 29–Apr. 1
- » Oct. 4–7

COMMERCIAL LENDING INSTITUTE™

- » Aug. 22–27—
Tentative live dates
- » Alternate livestreamed dates if not held live, Oct. 18–20 (Week 1) and Oct. 25–27 (Week 2)

COMPLIANCE INSTITUTE™

- » Feb. 23–26 (Week 1) and March 2–4 (Week 2)
- » June 7–10 (Week 1) and June 14–16 (Week 2)
- » Oct. 12–15 (Week 1) and Oct. 19–21 (Week 2)

CONSUMER LENDING INSTITUTE™

- » Sept. 13–16

IT INSTITUTE™

- » Oct. 5–7 (Week 1) and Oct. 12–14 (Week 2)

RISK MANAGEMENT INSTITUTE™

- » June 22–24

2021 SEMINARS

NEW! TROUBLED LOANS & CREDIT MANAGEMENT SEMINAR

- » Feb. 22
- » Aug. 18

NEW! AGRICULTURAL CREDIT ANALYSIS SEMINAR

- » April 12
- » Aug. 19

FINANCIAL STATEMENT ANALYSIS SEMINAR

- » April 13

CASH FLOW ANALYSIS SEMINAR

- » April 14

FRAUD SEMINAR

- » April 15-16

LOAN REVIEW SEMINAR

- » April 26-27

ADVANCED LOAN REVIEW SEMINAR

- » April 28-29

CALL REPORT SEMINAR

- » May 11-12

ADVANCED CALL REPORT SEMINAR

- » May 13-14

NEW! FDICIA SEMINAR

- » May 18-19
- » Nov. 4-5

VENDOR MANAGEMENT SEMINAR

- » Aug. 12-13

COMMUNITY BANK HUMAN RESOURCES SEMINAR

- » Aug. 18-19

ADVANCED IT SEMINAR

- » Aug. 30-Sept. 1

COMMUNITY BANK MARKETING SEMINAR

- » Sept. 8-10

IT GENERAL CONTROLS FOR INTERNAL AUDITORS SEMINAR

- » Oct. 21-22

TRUST SEMINAR

- » Nov. 8-9

INFORMATION SYSTEMS AUDITING SEMINAR

- » Nov. 15

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