

PREPAID NAVIGATOR

Welcome to 2014!

Seems like 2013 went so fast and as we enter into 2014 exciting things continue to happen within our industry!

We continue to keep our eye on the regulatory environment and of course, due to recent events which we are all aware of, data security has become an extremely hot button in our industry as well.

Many of you may also be aware of the DOJ probe into third party payment processors dubbed "Operation Choke Hold" which has led to much more regulatory scrutiny on banks and their third party payment processors. While this operation dealt mainly with payday lending, there are good lessons to be learned for all of us. Look for more information on this topic in an article later in this publication.

In March our prepaid division will begin our annual regulatory review by the OCC. During this review we may be asking you for specific information requested by the OCC during their audit process and we ask for your attention and urgency when responding to these requests.

We look forward to seeing many of you at the upcoming industry events or during our annual client visits.

As always, please feel free to contact me directly at any time.

Regards,

Joan M. Herman
Senior Vice President
 Sunrise Banks Prepaid Division

Calendar of Events

March 3 – 5

2014 All Payments Expo

Attending: Brian Tordsen, Joan Herman, Keri Landry and Jody Heberlee

Please let your Relationship Manager know if you will be attending this event.

March 24 – 26

Visa Payments Forum 2014

Attending: Heather Schumacher, Lacey Pressler and Sherri Baseley

Please let your Relationship Manager know if you will be attending this event.

Department of Justice "Operation Choke Hold"

As I mentioned in my opening article, the Department of Justice recently completed an investigation into third party payment processors and potential consumer fraud. This investigation centered on ACH processing and payday lenders, and specifically on knowing all the parties involved in the transaction process.

The lesson learned from this investigation and civil action against Four Oaks Bank (<https://www.documentcloud.org/documents/1009460-justice-dept-lawsuit-against-four-oaks-bank.html>) is that regulators will hold banks fully responsible for all actions against consumers from any party down the

prepaid transaction line. Therefore, it is imperative that Sunrise Banks knows any party touching any part of the prepaid cardholder or transaction.

As we go through our due diligence processes, audits and annual reviews, you may be asked for more and deeper information on vendors and partners you do business with as part of your prepaid product offering.

If you have any questions on why information is being requested, please feel free to voice your concerns to Joan Herman, Senior Vice President.



Deposit Fraud Monitoring

With the start of the new tax season, we strongly suggest you enhance the monitoring of your accounts if you accept direct deposits. Listed below are some enhanced monitoring suggestions:

- Be on the lookout for addresses in the Baltimore, MD area. It was reported that the Master Death Records for 1986 were compromised and may be used for tax filings.
- Pay close attention to your dormant accounts for any new deposit activity.
- Don't just look for cards sent to the same address, but also look for accounts on the same street.
- Review all tax refund deposits to any account with an addresses in FL.
- Perform enhanced CIP on new accounts in your high risk zip codes, or if an account is opened online (if you track for this type of information).
- Look for multiple cash withdrawals immediately following a deposit.
- Look for even dollar amounts with merchants such as Walmart, Target, Walgreens, or CVS. The even dollar amount may indicate the purchase of gift cards.
- Look for multiple "cash back" transactions.
- Look for multiple accounts opened using the same IP address.
- Look for card usage outside of the cardholder's address (i.e. address in NY, but all spending takes place in FL). People do travel this time of the year, so use caution in your reviews.

These are just a few steps you can take to monitor for tax refund fraud. If you have any other type of monitoring that you have found to be successful with this type of fraud, please let us know by sending an e-mail to; bsaprepaidteam@sunrisebanks.com

If a taxpayer calls and states their refund was compromised they can contact their local IRS office or Taxpayer Advocate located in all 50 states, the District of Columbia, and Puerto Rico with questions. IRS contact information is available on the IRS website (www.irs.gov).

A general telephone number for inquiries is 1-800-829-1040.

By **Gene Farley** - Prepaid BSA/AML Coordinator



Annual BSA/Compliance Reviews and On-going Due Diligence Review Requests

Many of you have recently been through the Sunrise Banks annual BSA/Compliance reviews and/or annual due diligence reviews. We thank you for your prompt responses to our initial requests as well as addressing any items that were found during these reviews.

The next round of reviews will begin soon for 2014. The review process, while sometimes time-consuming, is an integral part of our ability to monitor what is happening with all the programs the bank sponsors as well as prove to our regulators we are maintaining control and oversight of all Program Managers and programs.

In 2014 we will implement the following required timeframes for responses to our BSA/Compliance reviews and on-going Due Diligence Review requests:

BSA/Compliance Reviews

1. Initial audit request is sent to Program Manager with a 30 day required response timeframe for all information requested within the request letter. Your CRM will arrange a call with you and Sunrise Banks internal auditor within 1 week of your receipt of the request letter to review the document and answer any questions you may have at that time.
2. All information requested in the initial request letter should be forwarded to your CRM who will in turn ensure it gets to the appropriate internal audit staff.
3. The Sunrise Banks internal audit staff will review the information supplied by the Program Manager and may ask for further information or clarification if necessary. The audit staff will complete their review and formulate a draft report of results of the BSA/Compliance review which will be shared with the Program Manager.
4. Once the draft report is published your CRM will set up a call to review the draft report with you and the auditor to address any questions or misunderstandings that require further discussion, information or clarification.
5. If the draft report requires changes, those changes will be made within 7 days of the discussion as noted in item 4 above. Otherwise, if no changes are necessary, the final report of findings will be published to the Program Manager for follow-up. You will have 30 days to respond with your Management Responses to this report. Your Management Responses should include specific, reasonable dates as to when corrective actions required will be completed.
6. When a PMs Management Responses are received they are reviewed with our audit team to ensure appropriateness of the responses and the committed due dates for completion of corrective action items.
7. Sunrise Banks Audit Department will begin tracking the corrective action items with your committed due dates and expect to receive proof of a completion on all items within the committed due dates that you have given the bank in your response.
8. No extensions will be allowed on corrective action item due dates without Senior Management approval from the Prepaid Division of Sunrise Banks. It is imperative that when you commit to a completion date that you make every effort to meet that date. Any approved extensions to due dates will be in writing only.

We believe this process sets out the proper expectations for all parties and we can all agree to meet the dates we commit to during these on-going reviews. If you have any questions on this new process please feel free to contact Gene Farley Prepaid BSA/AML Coordinator.

Regulatory Refresher

Regulation E (12 CFR 1005) establishes the basic rights, liabilities, and responsibilities of participants who use electronic fund transfer systems. The primary objective of the act and this guideline is to ensure the protection of individual consumers engaging in electronic fund transfers.

Department of the Treasury, Financial Management Service Interim Final Rule amending 31 CFR Part 210, 75 FR 80335 specifically permits Federal ACH payments to prepaid cards provided the prepaid card complies with all requirements, and provides the cardholder with all of the consumer protections, that apply to payroll card accounts under Regulation E ("Reg. E"). If a card product is capable of receiving direct deposit/ACH it has the ability to receive Federal Benefit Payments and as such it must be compliant with Reg. E. Partners should pay close attention to how Disputes/Notices of Errors are processed to ensure compliance with any communication requirements as well as timeframes for investigating and resolving errors (to include, when applicable, the provisional crediting of an account). The *Sunrise Banks Transaction Dispute Guide* is a great resource covering these topics. This document has been provided to all program managers; however, If you find yourself needing an additional copy of this resource, please reach out to your Relationship Manager and one will be provided.

ID Theft Reminder

Partners are required to have an ID Theft Program and a corresponding Policy that delineates how that program is administered; the policy should contain information about: a periodic risk assessment, administration of the ID Theft Program, Updates to the Program, and the reporting of any questionable activity (e.g. change of address followed by request to reissue card). Understanding that this is a very high-level cursory overview; a great resource to use when developing or enhancing an ID Theft Program is the *Sunrise Banks Identity Theft Program Requirements Guide* which every Partner should have. If you find yourself needing an additional copy please reach out to your Relationship Manager and one will be provided.

Social Media

On Wednesday, December 11, 2013, the Federal Financial Institutions Examination Council (FFIEC) released final guidance governing use of social media – Sunrise encourages its Partners to review the guidance and update your social media policies accordingly. Sunrise Banks will be reaching out and requesting from each Partner a Policy/Procedure that delineates controls put in place pertaining to social media; as well as a listing of any/all social media channels currently being used. For more information please visit: <http://www.ffiec.gov/press/pr121113.htm>

By **Tyler Seydel** – Compliance Manager - Prepaid

Prepaid Team Employee Spotlight



My name is **Tony Scholla**, and I have been with Sunrise Banks since July 2012. Previous to Sunrise Banks, I spent 6 years working in prepaid with The Bancorp Bank, mainly as a relationship manager. My current role with Sunrise Banks is an IS Vendor Management Specialist. Functions in this position include reviewing third parties from an information security perspective, including reviewing SSAE 16 documentation, PCI compliance, Information Security, Disaster Recovery, and any other aspects that fall into data security, and providing my feedback through formal documentation to executive committees. Also, I have the challenge of keeping up with the ever changing regulatory world as it relates to Third Party Management.

In my personal life, I am married with three children, a 10 year old boy, a 3 year old girl, and a 2 year old boy. This combined with my pursuance of a BA in Computer Science has put our household in chaos, but it is a blast! I wouldn't change a thing. If I manage to find a little time outside of work and home life, I enjoy golf. Previous to working in the financial industry, I was a member of the PGA of America, managing golf facilities and providing golf instruction. I do miss spending my days at the golf course, but I have found the financial industry to be a rewarding career also.



My name is **Heather Schumacher**, and I have been in the card industry since 2008, prior to that I worked for 8 years in the Student Loan banking industry. I am married and have one 15 year old son. We also have a very energetic Jack Russell Terrier. I enjoy spending time with family and friends and traveling. Two of my favorite things are country music concerts and football games...both NFL and College. I also love to read and learn new things.