

PREPAID NAVIGATOR



CFPB ISSUES FINAL RULES FOR PREPAID ACCOUNTS

On October 5, 2016, the Consumer Financial Protection Bureau (“CFPB”) released the “Final Rule” for regulating prepaid accounts under Regulation E and Regulation Z. The Rule will be effective October 1, 2017, with a requirement for issuers to submit all current prepaid cardholder agreements to the CFPB by October 1, 2018.

For our Payments partners this means you will be receiving ongoing information directly related to your program(s) with Sunrise Banks. Expect these communications to reflect changes to: policies, procedures, disclosures (two sets of disclosures will be required), error resolution and liability requirements, as well as periodic statement options.

Please contact your Client Relations Manager for any questions you have at this time. The Compliance staff at Sunrise will be working diligently to develop and distribute

new program requirements in a timely and clear manner to ensure compliance with the Final Rule by the October 1, 2017 effective date.

You may also find the complete writing of the Final Rule at this link: http://files.consumerfinance.gov/f/documents/20161005_cfpb_Final_Rule_Prepaid_Accounts.pdf. The document is 1689 pages and will be sure to keep your compliance staff and ours hard at work for the next twelve months.

IS MORE BETTER FOR YOUR CUSTOMERS?

Johnny walked into the local sporting goods store to purchase a new fishing pole for his vacation. Sallee, the sales clerk, was very eager to help Johnny with his shopping excursion to find the perfect fishing equipment. As a result of her eagerness to take care of her customer, Johnny left the store an hour later with a new pole, a tackle box, fishing boots, hooks, line and sinkers! When he got home with his new pole and other provisions, he was at a loss as to why he also agreed to all these new items. He looked around his garage where he had ample fishing gear on hand. However, Sallee was able to convince him that more would make for a greater fishing experience.

You may be asking yourself “how do fishing and my prepaid card program go together”? Recent enforcement

actions as a result of conduct in the financial institution industry has led to tens of thousands of consumers with an abundance of financial tools (accounts) which they had neither need or intent to acquire. Their trusted financial institution and its representatives had overloaded them with accounts and cards – unwittingly and without clear authorization. A result of a sales force trained and encouraged to create excessive portfolios for many customers.

Sunrise Banks has created guidelines for our Payments Partners to support strong, ethical marketing practices to prevent similar actions in your current prepaid card program environment. You should be assessing your marketing practices throughout the life-cycle of the card.

First and foremost, each applicable card program should require complete customer identification processes (CIP) – collection and verification for each relationship. Once the consumer relationship is established, your organization’s oversight can occur through systemic controls and regular, periodic reporting. Things to consider while ensuring your customers’ card account relationships are meeting their needs:

- If your program permits card activation with minimal or no initial deposit, is that product being marketed in an aggressive manner to increase card sales?
- Monitor activity levels -if the accounts are not being used for a designated period of time, consider closing them, with notification
- Implement monitoring to verify cards are not automatically moved into another product type, or that a service is added, after activation, without cardholder consent
- While Sunrise Banks’ Prepaid Collateral Review Guide discourages the use of marketing a card product as “free” or a similar claim, have you performed due diligence to ensure your resellers or co-branders are not presenting the product in that manner to support incentive programs to their employees or subsidiaries
- Monitoring the number of prepaid cards activated by the same individual name, physical or mailing address, individual ID, or even IP address

You may have already implemented some or all of the oversight suggestions noted above within your BSA/AML program and/or ID Theft program. If not, we recommend

you work with your in-house Compliance Officer to implement or enhance these controls, as applicable for your current card program(s). Sunrise Banks will periodically test your customer relationship activities during BSA/AML or other compliance reviews.

We encourage you to work with your Client Relations Manager (CRM) to assist in establishing and/or a review of how your prepaid products are introduced, sold and activated in your market space: online, retail stores, convenience stores, employers, etc. Sunrise has developed guidance for these areas, and your CRM can put you on the right path to a successful card program.

2016 ANNUAL NOTIFICATION REQUIREMENT REMINDER

Annual Error Resolution and Privacy Notices, to the extent applicable for each respective Program Manager, need to be sent annually to all active card accounts. Sunrise Banks defines an active account as any account that has had customer initiated transaction activity within the last 12 calendar months. You should already be in receipt of the 2016 Sunrise Banks Prepaid Card Privacy Notice Safe Harbor Format Template and the 2016 Sunrise Banks Prepaid Card Annual Error Resolution Notice Template. The notices must be delivered to cardholders by December 15th, 2016. You are responsible for providing documentation to Sunrise demonstrating:

- All active accounts have received the Notifications (e.g. receipt of mailing);
- The method of delivery (e.g. US Postal Mail) – this typically is done by working with your processor;
- The Date of delivery; and
- A copy of the Notice that was provided.

You are required to provide Sunrise with reports/evidence of delivery by December 31, 2016 via email. Please use secure email if the documentation being submitted contains any NPI (Non-Public Personal Information).

Direct this information to: prepaidcompliancegroup@sunrisebanks.com and “cc” the Client Relations Manager servicing your account.



Sunrise Banks offers expanded surcharge-free ATM availability for Program Managers considering a membership with the Allpoint Network. With Allpoint Network surcharge-free ATMs, programs can meet our cardholder cash access needs in a way that works best for them — in the conveniently located stores that are already part of their lives. Allpoint provides the program manager access to free marketing tools to promote cardholder enrollment as well as ATM support for operations and billing. Contact your relationship manager to enroll your program.

About Allpoint

Allpoint Network is the largest surcharge-free ATM network with more than 55,000 ATMs in leading national and regional merchant locations across the United States, Canada, Mexico, United Kingdom and Australia. Allpoint provides greater access, convenience and savings to customers of financial institutions while providing institutions the tools to compete more effectively for customers. For more information or to find the nearest Allpoint surcharge-free ATM, please visit www.AllpointNetwork.com, like us on Facebook and follow @Allpoint on Twitter. Allpoint Network is a wholly-owned subsidiary of Cardtronics plc (Nasdaq: CATM).

UPCOMING FREEZE SCHEDULES

FIS: November 21st, 2016 through January 6th, 2016

- Impacts the application system.

i2c: December 1st, 2016 through February 15th, 2017

- There will be no major releases however minor changes are expected to be released with no changes in authorization engine.

MasterCard: April 15th, 2017 through April 26th, 2017 and October 7th, 2017 through October 18th, 2017

- Dual Message System (Clearing) Implementation. No customer-requested parameter changes can become effective on these business processing dates.

Visa: November 7th, 2016 through January 4th, 2016

- During these control periods, clients and processors should adjust their processing parameters and operational procedures accordingly. Clients are also encouraged to refrain from implementing or converting card programs during these periods, as Visa will have limited ability to provide emergency system updates.

NYCE: Database Hard Freeze is in effect from November 23rd through November 27th, 2016 and December 16th through January 3rd, 2017.

RECAP

As you know Sunrise is working on streamlining how updates regarding processes and industry requirement are communicated and rolled out to Program Managers (PMs) in an effort to ensure that everyone has the most recent versions of documents and processes required to effectively manage their payments programs.

To that end, we have implemented a quarterly release schedule to make it easier to communicate these updates to everyone. The schedule runs as follows:

- January–April–July–October

It is conceivable that updates and /or changes due to regulatory or association requirements may fall outside of the above stated schedule.

We have created a Program Manager Guide that is structured to represent information by each department within Sunrise Banks that services the different areas of a payments program. Each department and chapter section work as a guide to

assist you in framing your own policies and processes. We hope this will be a valuable resource for you regarding each product line and aid in answering questions.

Not all the information in the Program Manager Guide may pertain to your current program, however it may be used for other product lines you are considering expansion into.

Outlined below is a recap of topics covered in 2016. If you are in need of a refresher of any topic please contact your CRM for more information.

Quarter One Roll Out Items April 2016

- UDAAP Policy
 - Program Managers are required to develop a standalone UDAAP policy
- Updated Dispute Tracker/Policy
 - Please begin using this log in place of the old version for dispute submissions no later than 5/1/16.
- Updated Prohibited Countries List
 - **Note that NO action is required if you are on FIS S**
- Money Transmission License Requirements Guidance Document

Quarter Two Roll Out items July 2016

- Program Manager Report checklist
 - List of reports PM to send Sunrise and frequency
- FS ISAC
 - Informational on Data Security threats
- Vendor Improvement Plan
 - Third Party oversight
- AML Requirements and notice of training
 - Training dates and PowerPoint

Quarter Three Roll Out items October 2016

- High dollar Memo
 - Procedure for enhanced DD
- Questionnaire for services
 - Informational sheet to determine any additional documentation gathering. The CRM will work with the PM as the driver of this document
 - Updated Applications for Cobranders/Resellers and Program Managers

Quarter Four Roll Out items January 2017

- TBD

Cyber Security

Cyber Security is a growing concern in the financial services industry, and that's why we share information with other financial institutions on current cyber security events that are happening in the wild. We compile this data into a report (Financial Services – Information Sharing and Analysis Center Weekly Report), and send it to our vendors on a weekly basis. The information contained in the report can be used by IT security professionals to look for phishing campaigns against their network, and to check firewall logs to look for malicious IP addresses and domains that are scanning for vulnerabilities and/or attempting to attack networks. If you have any additional questions surrounding receipt, use of, or general inquiries surrounding this Report please contact your Relationship Manager.

THIRD PARTY RISK

Supporting documents that are always needed to conduct an Operational Review of a Vendor

Just a friendly reminder that anytime an Operational Review is required for a vendor, we will always need the following supporting documents. If we can get all the supporting documents needed up front, the Operational review process will be much more efficient.

- SSAE16
- Business Continuity Plan – Needs to be revised within the last 12 months, with the most recent test results.
- Vendor Management Program, including a list of all subcontractors – We need to see how our Vendors manage their vendors. If you have any additional questions surrounding supporting documents needed for Operational Review, please contact your Relationship Manager.

Employee Spotlights: Meet the Operations Team



Stephanie Pfeifle

I have been with the Sunrise Payments division since June 2011 and in the prepaid sector since 2008. In total, I have been in the banking industry for the last 24 years. My position as an Operations Specialist includes Reconcilements,

Billing, and Data Analytics which always keeps my busy and challenged. I very much enjoy what I do and the people I work closely with.

In my personal life, I have been married for 24 years and have 3 daughters. We live in the country and have several dogs, cats and horses. And no, I do not ride the horses, that is my youngest and my husband's thing. I enjoy boating in the summer and snowmobiling in the winter and reading year round.

Teresa Freeman

I have been with Sunrise Banks since July 2012. My title at Sunrise Bank is Prepaid Operations Specialist. I work on all the reconciling accounts for all the clients comparing money we receive with the activity on cards which adds up to 143 accounts right now on a daily basis. Prior to this I worked at Wells Fargo in the student loan area for 15 years reconciling their accounts.

I am married to a wonderful guy Harvey for 32 years and have 2 kids. Both kids are married now and have one awesome little granddaughter. Both kids live in Sioux Falls so I able to see them when ever. I keep busy helping my husband with gardening and taking care of his chickens and quail. While he hunts I help cut up the deer and antelope. When I have time for myself I like to quilt.



Allison Koenig

I have been with Sunrise Banks since May 2016. My title at Sunrise is Payment Operation Specialist with the prepaid department. I work directly with our program managers during the implementation phase including

processing network paperwork and process all monthly and quarterly billing. I have over five years in the banking industry and have enjoyed learning the world of prepaid.

I have an amazing four-year-old daughter named Lyric. She keeps me busy with all of her activities even at her young age. I enjoy spending time with family and friends cooking dinner, camping and going to as many concerts as I can.

TAX MONITORING

During recent assessment of our automated alert monitoring of third party tax returns, it was discovered that the most accurate alert source for this type of fraudulent activity is from the prepaid program managers. This assessment sourced from review of the alert sources (our program managers) and our system's capabilities.

Prepaid program managers whose programs allow tax loads should review tax refund loads of over \$5,000.00 to a single prepaid card. Ensure verification that there are no name mismatch or address discrepancies relating to the cardholder receiving the tax refund load. If an address discrepancy or name mismatch is present, the program manager should request documentary evidence verifying the identity of the cardholder before releasing the funds.

If the cardholder does not provide documentary identification the program manager should send a SAR referral through secure mail to bsaprepaidteam@sunrisebanks.com. Sunrise Banks FIU staff will investigate these cases further to determine whether a SAR filing is required or not.

AMERICANS WITH DISABILITIES ACT – SOMETHING TO CONSIDER

Americans with Disabilities Act (ADA) prohibits discrimination on the basis of disability in places of public accommodation – meaning places of public accommodation must be accessible to the disabled. The Department of Justice (DOJ), which enforces the ADA, has made it clear that it interprets the ADA as applicable to websites and issued an Advanced Notice of Proposed Rulemaking in 2010 to that affect – final rule not expected until sometime in 2018. Despite the absence of clear standards and guidance the DOJ has emphasized that businesses should make websites accessible to the disabled.

Pursuant to the foregoing, varying plaintiff attorneys and their respective firms are sending out letters to differing entities alleging ADA violations with regards to websites that appear to not meet the standards as espoused in the World Wide Web Consortiums Web Content Accessibility Guidelines (by way of background this “Guideline” was endorsed by the DOJ at one time) and these plaintiff letters invariably seek settlement negotiations, paid attorney fees and injunctive relief. Sunrise Banks encourages our Partners to keep apprised of these litigious actions by plaintiff attorneys and consider or otherwise put some thought around the cost/benefit proposition that the risk of a non-compliant ADA website would present to your organization.