

# PREPAID NAVIGATOR

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## **BENEFICIAL OWNERSHIP/CDD RULE REMINDER**

On May 5, 2016, the Financial Crimes Enforcement Network (FinCEN) issued its final rule on beneficial ownership with respect to customer due diligence requirements. The rule was effective as of July 11, 2016 and will require mandatory compliance by May 11, 2018. Compliance will require financial institutions to adopt due diligence procedures to identify and verify a legal entity's beneficial owner(s) when a new account is opened.

There are two prongs to the rule which include the ownership prong and the control prong. The ownership prong requires collection of identifying information for any individual who directly or indirectly owns 25 percent or more of the equity interests of the legal entity. 25 percent is the minimum requirement but the threshold may be changed based on risk assessment. For example, for higher risk businesses you may require collection of this data at 15 or 20 percent ownership. As an entity may have ownership divided amongst a large number of people, this prong may not always require the collection of data (as ownership could be less than 25 percent for each owner). The control prong requires the collection of identifying information on a single individual with significant responsibility to control, manage or direct the legal entity (i.e. CEO, Vice President or Treasurer). This prong will always be completed regardless of ownership percentage.

The final rule also creates a fifth pillar for Anti-Money Laundering (AML) programs required under FinCEN's rules for financial institutions. The fifth pillar requires financial institutions to establish risk-based procedures for conducting ongoing customer due diligence. With the addition of a fifth pillar and the new requirements on beneficial ownership, BSA policies and procedures will need to be updated upon compliance with the final rule. You may find more about the rule including an example of a form that can be filled out by new legal entity customers at the following link: <https://www.gpo.gov/fdsys/pkg/FR-2016-05-11/pdf/2016-10567.pdf>

## Suspicious Activity Monitoring

Each Program Manager is responsible for monitoring cards/accounts in their portfolio for suspicious activity. If suspicious activity is detected, a Suspicious Activity Referral form should be completed and sent to [BSAPrepaidTeam@sunrisebanks.com](mailto:BSAPrepaidTeam@sunrisebanks.com) within two business days of detection. The Sunrise BSA Team will review the referral but cannot share with the Program Manager whether or not the activity results in a Suspicious Activity Report (SAR). The BSA Team may also reach out to the Program Manager during an investigation with requests for further information or recommendations of account closure. This outreach could be related to a referral sent by the partner or may be a case identified by Sunrise. It is expected that the Program Manager cooperate and respond in a timely manner whenever possible in order for the Sunrise team to report potentially suspicious activity to law enforcement by designated due dates. If you have any questions related to suspicious activity monitoring, please reach out to [BSAPrepaidTeam@sunrisebanks.com](mailto:BSAPrepaidTeam@sunrisebanks.com).

## AMERICANS WITH DISABILITIES ACT UPDATE

The U.S. Department of Justice (DOJ) delayed the anticipated rulemaking for website accessibility under the Americans with Disabilities Act (ADA). The guidelines are now expected sometime in 2018. That does not mean that businesses transacting business through websites and mobile applications should ignore web-based accessibility entirely until 2018. Litigation related to allegedly inaccessible websites and mobile applications has already begun. Litigation may require bringing the website into compliance, payment of legal fees, and damages. Any website or mobile application where business is transacted with the public is vulnerable to such a challenge.

Many people with disabilities use assistive technology that enables them to use computers. Some websites can create unnecessary barriers for people with disabilities, just as poorly designed buildings prevent some people with disabilities from entering. Access problems often occur because website designers mistakenly assume that everyone sees and accesses a web page in the same way. This mistaken assumption can frustrate assistive technologies and their users. Even more importantly, businesses are potentially missing out on e-commerce with disabled customers who are unable to navigate their websites or mobile applications.

Accessible website design recognizes these differences and does not require people to see, hear, or use a standard mouse in order to access the information and services provided. Examples include:

- **Images Without Text Equivalents** - Provides text alternatives for any non-text content
- **Documents Are Not Posted In an Accessible Format**
- **Specifying Colors and Font Sizes**
  - **Minimize blinking, flashing, and other distracting features**
  - **Use titles and headings to help navigate complex pages**
  - Easy to see and hear – separating foreground from background
- **Videos and Other Multimedia Lack Accessible Features** - Include content that can be presented in different ways without losing information or structure

The Web Accessibility Initiative develops guidelines widely regarded as the international standard in web accessibility and may provide some additional insight. For additional details visit <https://www.w3.org/WAI/>. The site can provide your organization with the information you need to ensure your site is an ADA compliant website and conforms to WCAG 2.0 AA. By ensuring ADA Compliance, you increase customer satisfaction and limit business risk.

## 2017 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 2017 Sunrise Banks Prepaid Card Privacy Notice Safe Harbor Format Template and the 2017 Sunrise Banks Prepaid Card Annual Error Resolution Notice Template. Please contact your Client Relationship Manager if you need additional information.

The notices must be delivered to cardholders by December 15, 2017. You are responsible for providing documentation to Sunrise demonstrating:

- The Notifications were delivered to all active accounts (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, 2017 via email. Please use secure email if the documentation being submitted contains any NPI (Non-Public Personal Information).

Direct this information to: [Compliance@sunrisebanks.com](mailto:Compliance@sunrisebanks.com) and “cc” the Client Relationship Manager servicing your account.

## MONTHLY COMPLIANCE REPORTING REMINDER

Customer Complaint and Transaction Dispute Logs and to the extent applicable Rewards Qualification Reports, need to be sent monthly for all Program Managers.

**Complaints** - Sunrise Banks requires that all complaints received in a calendar month be aggregated and analyzed to determine if there are any systematic trends, patterns or practices that may need correction to ensure a positive customer experience. To make the assessment more effective, similar complaint should be grouped together for ease of quantitative review and pattern recognition.

**Disputes** – Sunrise Banks requires all consumer disputes to be documented in the Dispute Log. The dispute investigation and resolution process should be completed within the required time frames and copies of dispute notifications and all response letters should be maintained by the Program Manager.

Please note: The Sunrise Banks Dispute Log was recently updated to include both Regulation E requirements as well as Network Zero Liability requirements and the time frames do differ. If you need additional information on these different dispute types please contact your CRM for the updated guidelines.

**Rewards** – Sunrise Banks requires all Program Managers providing a reward product to generate a monthly report documenting the total number of program participants as well as the number of participants to earn rewards for the bank.

Sunrise Banks requests that the logs be provided by the 15th of the subsequent month. All items can be now sent directly to the Compliance Team using the new compliance mailbox: [Compliance@sunrisebanks.com](mailto:Compliance@sunrisebanks.com).

## REGULATION E AND NETWORK ZERO LIABILITY

In July 2017, Sunrise Banks issued the **Transaction Dispute Guide Zero Liability and Regulation E and Transaction Dispute Guide Zero Liability** as a Partner resource. This guide offers an overview of what Regulation E and Zero Liability is and what it will mean for you going forward. Affected Partners will be expected to submit dispute logs, and will be audited. The guide(s) gives directions on:

- How to log and keep track of Regulation E and/or Zero Liability dispute notifications.
- Any new terms associated with Zero Liability.
- Regulation E and Zero Liability dispute time frames.
- Action steps for completing dispute resolutions.

If you need an additional copy of this guide, please reach out to your Relationship Manager and one will be provided.

VISA/Mastercard rules and Reg E are designed to protect the cardholder. This leads to an increase in customer goodwill and can translate to additional card usage and income for the institution. A proper understanding and application of Network Zero Liability and Regulation E is imperative when handling cardholder disputes. Federal law sets the minimum standards must be followed when processing disputed card transactions. In many circumstances VISA/Mastercard rules offer greater protections to the consumer and greater responsibilities to the bank. When these situations arise, the bank is contractually obligated to provide the more consumer friendly protections.

As a Partner you may be aware, or in receipt of, a Regulation E and/or Zero Liability Compliance Review Request Schedule (“Requests”). These Requests are sent out monthly in order to ensure proper oversight and performance of the dispute/provisional crediting process. This monthly review schedule is risk based and may be adjusted once a Partner has received “Satisfactory” reviews (i.e. no Reg. E or Zero Liability related issues as they pertain to the handling of an account with a transaction dispute), to a more appropriate review schedule commensurate with their performance, such as quarterly or semi-annually. Until such time that your review schedule has been adjusted your continued attention to the Requests is appreciated.

A few reminders for Partners:

- When filling out the Transaction Dispute Log, ensure that the dates listed on the log are accurate. There have been instances where the date the dispute was reported in writing was shown to be earlier than when the dispute was actually opened.
- Ensure the letter templates used for the cardholder notification contain the correct information regarding time periods for investigating disputes.
- If, through the investigation process it is determined no error occurred, the letter to the cardholder

must clearly outline their right to request the documents that the Partner relied on in making its determination that no error occurred on the account; upon receipt of such a request the Partner shall promptly provide copies of the documents to the cardholder.

- When debiting a provisional credit the Partner shall; (i) Notify the cardholder of the date and amount of the debiting; (ii) Notify the cardholder that you will honor checks, drafts, or similar instruments payable to third parties and preauthorized transfers from the cardholders account (without charge to the cardholder as result in an overdraft) for five business days after the notification. The Partner shall honor items as specified in the notice, but need honor only items that it would have paid if the provisionally credited funds had not been debited.

Please contact your Client Relations Manager if you have any questions.

## *Billing Notification*

Please note that we have recently changed the way monthly program fees and pass thru fees are being charged. From this point forward, you will notice charges throughout the month hitting your program fee/income account. Please keep in mind these are bank owned accounts and at the end of the month we will reconcile all fees/ income and pass them through on the monthly billing statements. The amount and/or type of fees have not changed, they are just billed and invoiced a different way now making it easier to keep them separated by program manager. The backup detail will be provided along with the monthly billing statements each month.



## Consumer Financial Protection Bureau

### PREPAID RULE IMPLEMENTATION CONTINUES...

Despite a delay of the Prepaid Accounts Final Rule (“Prepaid Rule”), Sunrise continues work on the required changes and updates with our Partners through periodic communications.

As you are aware, on April 20, 2017, the CFPB (the “Bureau”) released a notification of the general delay of the Prepaid Rule implementation from October 1, 2017 to April 1, 2018.

**Please note: the delay for implementing the Prepaid Rule will not delay the requirement to submit prepaid account agreements to the Bureau.** The submission process for those agreements is still expected to be required by October 1, 2018. Sunrise will coordinate that submission process on behalf of our Partners and communicate those requirements to you.

We are currently working on the development of the required Short Form and Long Form pre-acquisition disclosures with each Partner who sponsors prepaid products covered by the Prepaid Rule. It will be important for each of these Partners to complete the proper format of these disclosures in a timely manner, working with your Client Relationship Manager (“CRM”) and Sunrise’s Compliance team. For those of you who will be delivering these required disclosures via electronic means (mobile, web, etc.), your technical team will need to be engaged to ensure the electronic delivery method also meets the Prepaid Rule requirements. To assist Prepaid Program Managers creating the electronic disclosures, you can access native designed files for the print and source codes for model forms at the Bureau’s website – <https://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/prepaid-rule/>.

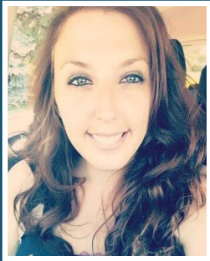
As a reminder, the Bureau has proposed additional amendments to the Prepaid Rule, which will affect error resolution requirements, pre-acquisition disclosures in retail

locations, unsolicited issuance and will provide further clarification on the Prepaid Rule’s exclusion of LAP card programs. The Bureau is accepting comments on these proposals until mid-August. Sunrise will update our Partners of the results of the proposals when they are available.

In the meantime, here are a few items your compliance team should be working on internally during the Prepaid Rule implementation process:

- Timely completion of Short Form and Long Form templates specific to each covered prepaid program. These must be submitted to and approved by Sunrise’s Compliance team prior to printing and building the electronic disclosures.
- Contact your program(s) third party processor to discuss their preparations for supporting the required transaction and statement requirements, including twelve (12) months of transaction history and summary total of fees for prior calendar month and calendar year-to-date fee totals
- If your covered prepaid card program fee schedule currently includes a fee for a paper statement request, this must be deactivated on or before April, 1, 2018. This will mean an update to your fee schedule.
- If your organization hosts a customized, intermediary, cardholder customer service site, between your core processor and the cardholder, ensure your technical/development staff is prepared to test integration of the systems. The cardholder must be able to access clear and accurate account information, in particular the transaction history and statement information mentioned above.

# Employee Spotlights: New Employees with Sunrise

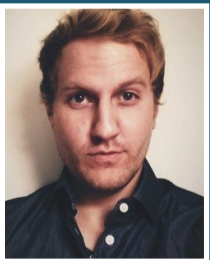


## Cassie Moeller

I have been with Sunrise Banks since June 2017. My title at Sunrise is Payment Operation Support Specialist with the TrueConnect department. I work on reconciling accounts and loan verification for

the TrueConnect program as well as continued customer service to our program holders and their employees. I have several years working with money and loan processing and enjoy being challenged learning the ins and outs of the TrueConnect department.

I have a crazy 3.5 year old son, an even crazier husband, and two Great Danes. I stay busy doing tons of volunteer work with a charity group my husband and I are involved with in Sioux Falls. I enjoy spending time with family kayaking, riding motorcycles, grilling, and laughing until my cheeks hurt.



## Adam Metz

I have been with Sunrise Banks since June 2017, and in the prepaid industry since 2013. At Sunrise, my position as a Client Relationship Manager in the prepaid department entails keeping in

frequent contact with our partners to help facilitate the implementation of new programs and ensuring adherence to industry and bank requirements. I'm really enjoying getting to know my colleagues, clients, and the culture at Sunrise.

Outside of work, I enjoy spending time with friends and family, and am fortunate to have most of my family based in the Sioux Falls area. My interests include music, movies/shows, books, sports, technology, and playing guitar. I also love trying new foods and traveling whenever possible.



## Stephanie Tanghe

I have been with Sunrise Banks since February 2017 as a Financial Intelligence Unit (FIU) Coordinator. My primary tasks include reviewing potential suspicious activity and CIP exceptions and performing

quality control reviews. I have been in the banking industry for 11 years, with the past seven years in Compliance and BSA/AML heavily focused in the prepaid sector.

I have been married to my husband Ryan for 17 years; we have two children Zachary (14) and McKenna (11). They will each be heading to new schools in the fall, Zachary to high school and McKenna to Middle School so we have big changes coming. My free time is usually spent attending the many sports and music activities my children are involved in. When I do have down time, I love to travel and spend time with friends and family relaxing and playing games.



## Brady Smidt

I have been with the Sunrise Sioux Falls team at the end of July as a Client Relationship Manager. I am originally from Menno, SD and attended college at South Dakota State University and later

graduated from Kansas City Kansas Community College. I have lived and worked in Sioux Falls for the last 13 years. My wife Jess and I have one daughter. In my free time, I enjoy playing the guitar, watching soccer, and cooking for my family and friends.