

Compliance Topics for the COVID-19 Era

September 8, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Create Opportunities



About CLA

Background and Knowledge

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Create Opportunities



Our purpose

CLA exists to create opportunities — for our clients, our people, and our communities.



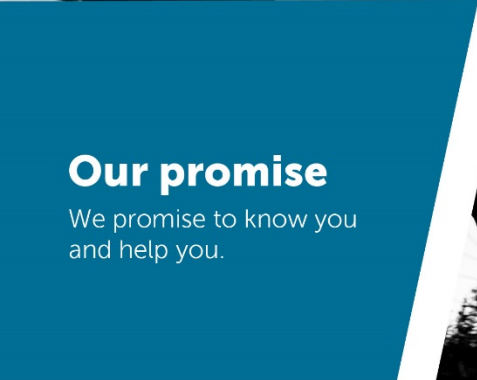
Strategic advantages

Deep industry specialization

Seamless, integrated capabilities

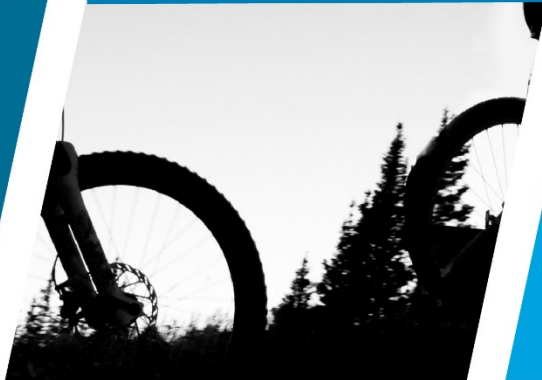
Premier resource for private businesses and owners

Inspired careers



Our promise

We promise to know you and help you.



CLA family culture

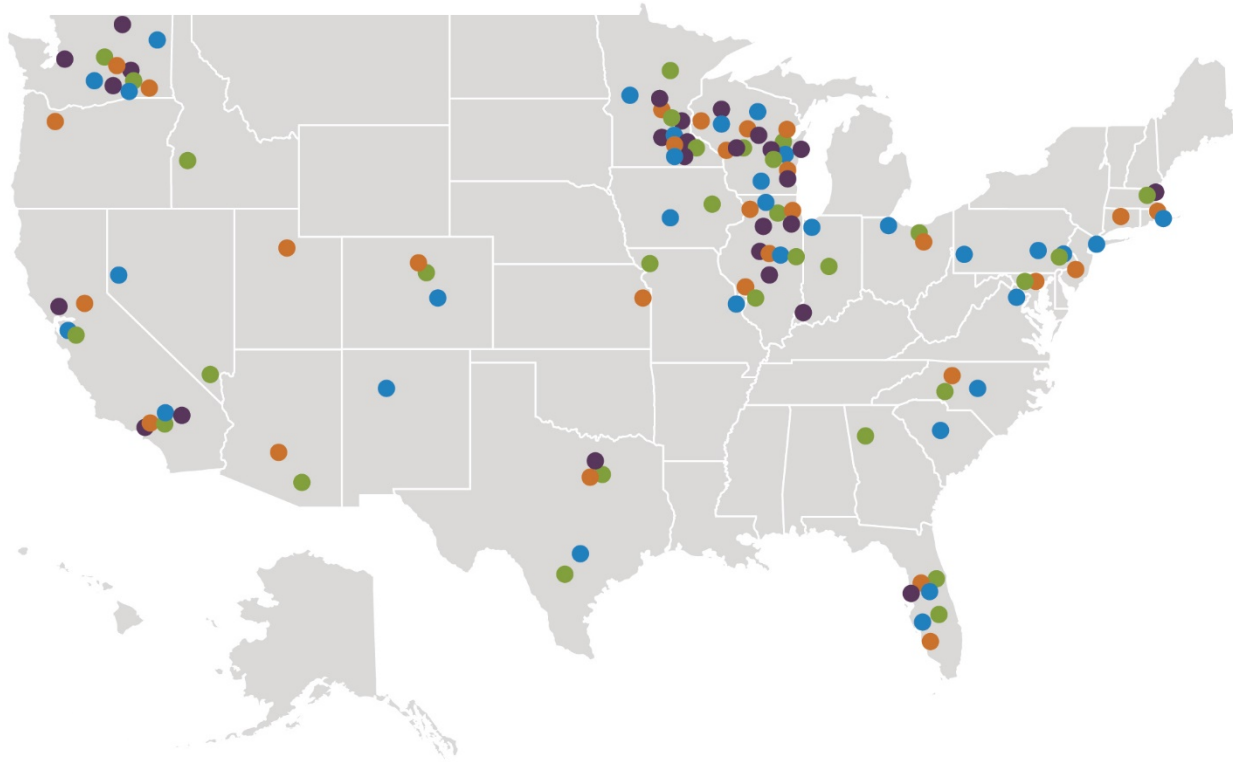
One family working together to create opportunities.



About CLA

CLA creates opportunities for businesses, individuals, and communities through our wealth advisory, outsourcing, audit, tax and consulting services. With more than 6,200 people, 120 U.S. locations and a global affiliation, we promise to know you and help you. *Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.*

National and International Reach



A member of
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Today's Session

“Challenging Times” and other phrases I never want to hear again: Changes and evaluating risk during the COVID Pandemic

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Your Presenter



Lyle Kolosik has over 20 years of experience working for financial institutions. He assists clients daily by conducting on-site compliance consulting for a number of financial institutions. Lyle helps financial institutions negotiate numerous daily regulatory issues as well as client-specific issues that arise as the result of regulatory exams. He assists financial institutions with compliance questions related to federal regulations both one-on-one with clients and as part of a nationwide compliance helpdesk. Outside of the normal regulatory compliance role, Lyle is also able to assist financial institutions with questions and consulting related to various other areas of financial institution operations.



Regulation D: “Mask Requirements Lifted for Savings Accounts”

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Summary of Changes to Regulation D

- Six-per-month limitation removed
- "Indefinite Interim" Final Rule Effective April 24, 2020
- What do these changes mean?
- How does this impact Regulation CC?
- Risks associated with the changes



What Do These Changes Mean?

- These changes are likely here for the long term and not likely to change in the current administration.
- The FOMC has stated “*The Board does not have plans to re-impose transfer limits but may make adjustments to the definition of savings accounts in response to comments received on the Board’s interim final rule and, in the future, if conditions warrant.*”

How Does This Impact Regulation CC?

- The amended definition of “transaction account” now includes accounts described in 12 CFR 204.2(d)(2) (savings deposits).
- Because Regulation CC continues to exclude accounts described in 12 CFR 204.2(d)(2) (savings deposits) from the Reg CC “account” definition, the recent amendments to Regulation D did not result in savings deposits or accounts described in 12 CFR 204.2(d)(2) now being covered Regulation CC.



<https://www.federalreserve.gov/supervisionreg/savings-deposits-frequently-asked-questions.htm>



Risks Associated with the Changes

- Largely Reputational
 - Changes not communicated properly - still sending letters
 - Fees for excessive transactions no longer needed
 - Products/Services - evaluating changes to what you have and what you want to offer





Regulation CC: “Social Distancing from Funds”

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Summary of Changes to Regulation CC

- Minimum amount of deposited funds increased to \$225 (from \$200)
- Large deposit and exception holds for next-day availability increased to \$5,525 (from \$5,000)
- Increased civil liability for any financial institution failing to comply with any requirement under subpart B, depending upon the severity of the infraction
- Changes effective July 1, 2020



Risks Associated with the Changes

- **Regulatory** –
 - Increased civil liability for compliance failure
- **Reputational**
 - Customer - Changes not communicated properly
 - Other Financial Institutions - Improper hold times & amounts
 - Contractors/Service Providers - Out of date forms/software not updated





Beneficial Ownership and PPP Loans: “Gathering Restrictions Defined”

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Summary of Changes to Beneficial Ownership and PPP

- **What is it?**
 - Collecting ownership and control information on “entity” accounts at opening of new accounts and at renewal.
- **What changed?**
 - Lenders do not need to re-verify beneficial ownership information for existing customers.
 - Lenders making PPP loans to new customers may satisfy beneficial ownership requirements by collecting the name, title, ownership percentage, taxpayer ID number, address and date of birth for natural persons owning at least 20% of a PPP applicant.
 - For legal entity owners of at least 20% of a PPP loan applicant, the lender should collect “appropriate beneficial ownership information for that entity.”



Risks Associated with the Changes

- Not in person - how are you ensuring compliance?
- Pending procedures - are you following up on missing information?
- New customer - are you properly applying CIP/ Identification procedures?
- E-Sign/Docusign - if used, are you fully e-sign compliant?





Other Challenges We Found: “We’re All In This Together”

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Check Holds and Reserves

- Check Holds (signed in person requirement)
 - Governed mostly by state law
 - May be required for customers to sign a check hold within a certain amount of time for it to be valid or remain permanent
- Capital Reserves and large transactions
 - Does the bank have enough currency in reserve for customers who want to withdraw excessive amounts of cash?



Working From Home

- Re-entry and ongoing work from home
- Reduced Office and Lobby Staff
- Increased IT security concerns
- Equipment concerns & costs
- Productivity for staff due to a change in environment as well as family concerns



Business Continuity

- Designation of back-up for key staff
- Additional cross-training
- Plan if significant portion of staff is sick
- Larger risk for smaller banks
- Customer access if lobby is closed and bank does not have a drive thru
- Serving customers who may not use online banking





How can we help?

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We promise to know you and help you

CLA exists to create opportunities for our clients, our people, and our communities.

If you are not a CLA client and would like to learn more about how we can help you, please [contact us](#).

If you are already a CLA client, please reach out to your CLA representative to learn more ways we can assist you.





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Thank You!

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