



## Network Policies and Procedures

Approved: April 8, 2009  
Effective Date: July 1, 2009



# ***CO-OP SHARED BRANCHING POLICIES AND PROCEDURES***

## **CONFIDENTIALITY**

**This document contains proprietary and confidential information which may not be disclosed to any party not participating in the Shared Service Center Network for any purpose without written permission from CO-OP Shared Branching Network Headquarters, 1845 Satellite Blvd., Suite 300, Duluth, Georgia 30097. Requests should be sent to the attention of the CO-OP Shared Branching President/COO.**

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## *Purpose*

The purpose of these policies and procedures is to bring together in orderly fashion information from various contracts and other documents to assist operations personnel in performing their duties in a consistent manner and according to CO-OP Shared Branching Network standards.

The policies and procedures are designed to ensure that the network and all network participants provide consistent services to members of participating credit unions in an environment that is neutral and non-threatening to the integrity and well being of the member's principal credit union.

### **ESTABLISHMENT**

These policies are established by the management of CO-OP Shared Branching in cooperation with members of the Management Task Force and approved by the Board of Directors in the best interest of all participating entities in the CO-OP Shared Branching Network.

**All participants, including CO-OP Shared Branching Shareholders, CUSOs, local networks and participating credit unions that are a part of the CO-OP Shared Branching Network must abide by these rules. A copy of these policies and procedures must be provided to all participating financial institutions and contracted participants. Each individual local network establishing their own rules may do so as long as it does not supersede these policies and procedures when applicable. Any CO-OP Shared Branching Network or local network rule that is at variance with any state, federal or local law, regulation or ordinance may not supersede said law, regulation or ordinance.**

### **AMENDMENTS, CHANGES AND DELETIONS**

These rules may be amended, changed and/or deleted by action of the Credit Union Service Corporation Board of Directors. Future changes in policies and procedures will not be effective on less than sixty (60) days' notice, except for emergency rules which relate to time sensitive issues.



## *Emergency Rules*

Emergency rules will take effect as directed by CO-OP Shared Branching management and the Board of Directors. Emergency rules may apply to all, some or specific participant(s) as the nature of the circumstances require. Emergency rules may implement or change any provision that is deemed to be practical, reasonable and necessary within the circumstances creating the emergency. The Board of Directors may authorize the President or a designee to temporarily amend, create or enforce any or all emergency rules. Such action(s) is to be reported to the Executive Committee within forty-eight (48) hours whenever implementation of an emergency rule affects more than 10% of participating credit unions using the CO-OP Shared Branching Network.

## *Neutrality*

The CO-OP Shared Branching Network is designed to function with complete neutrality. The network is providing alternate locations and extended hours of service to credit union members who belong to various participating credit unions. It is the intent that these services be provided to a member as if the member was transacting business in the lobby of their credit union. The network is designed to provide service center representative(s) with adequate information, such as account names and balances, so as to provide services to members in a manner that will not confuse them, but will be as comfortable to members as direct service from the members' credit unions.

A participating credit union expects that its members will be served in a courteous and helpful manner. Therefore, the Acquirer's representatives will not discuss or in any way reveal information about other credit unions to a member, except for information related to the credit union to which the member is entitled to have access.

Any direct or intentional attempt by acquirers to solicit members of another participating financial institution is prohibited and considered a violation of the neutrality principles established by CO-OP Shared Branching. Solicitation by any means of the following are considered a violation of said principles:

- a. Membership
- b. Savings Accounts
- c. Checking Accounts
- d. Loans
- e. Other services not listed above

This solicitation restriction also applies to any vendor permitted to utilize any premise(s) under the control of any acquirer. All participating CO-OP Shared Branching shareholders and local networks will take appropriate steps to see that all acquirers participating through their sponsorship will abide by these principles in serving the credit union members that utilize their facilities.



## CO-OP Shared Branching - Network Policies and Procedures

Failure to follow these policies and procedures may result in fines as outlined below, which may include expulsion from the Network.

1st Occurrence .....	Written warning
2nd Occurrence .....	\$2,500 fine
3rd Occurrence.....	\$5,000 fine (min) & possible expulsion

If a credit union member inquires about membership or initiates discussion related to joining the specific credit union outlet they are visiting, it is permissible for that credit union's staff to respond to the member's inquiry and establish membership. The credit union staff may not initiate the discussion however.

Refer to Section 8 for detailed procedures.



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## ***SECTION 1.0***

### ***Definitions***

**Account** means an account maintained by a member with a participating credit union and includes regular shares, savings, share draft, or other consumer asset accounts, or a credit card account, line of credit or other liability accounts.

**Acquirer** is a credit union or shared branching network that provides shared branching services at a network certified terminal owned and operated by credit unions or a CUSO of credit unions for members of CUSCNI participating financial institutions.

**Adjustment** is a credit or debit entry initiated by an acquirer to correct a transaction processed incorrectly or to process a returned item back to a host financial institution.

**Arbitration** is the process by which the parties to a dispute submit their differences to a judgment of an impartial person or group appointed by mutual consent or statutory provision.

**Authorization** is the online, verbal or written approval from the issuer financial institution to process a transaction. Authorization may also occur based on Balance File Authorization instructions provided by the issuer credit union.

**Balance File Authorization (V•Point BFA)** is the approval or denial of transactions using the most recent balance and other account information provided by the issuer credit union to the network. This capability allows small credit unions the ability to offer shared branching to their members even though the credit union is not on-line with the shared branching switch. This is done through NGN and requires the credit union to regularly provide an updated positive balance file to the network switch. This file provides the acquiring locations the ability to see member information similar to that available to on-line, real-time shared branching participants.

**BIN File** (aka ISO file) is a file containing the unique BIN (refer to BIN definition), routing and transit number, name, address, phone numbers and other pertinent information of all participating financial institutions in the shared branch network. The routing and transit numbers in this file are also used for endorsement information on the back of checks deposited by members.

**BIN** is a six-digit financial institution identifier. Generally, the first six digits of a card, (ATM, Debit, Credit Card) number.

**Business Day** is a day in which the Federal Reserve Bank is open for business.

**Card** means an access device issued by or on behalf of a participating credit union for use in effecting transactions at a remote terminal or self-service solution.

**Carded Transaction** is a transaction performed at a terminal or self-service solution using a magnetic or other electronic card to initiate the transaction.



**Cardholder** is a member holding an access card issued by an issuer financial institution.

**Card-less Transaction** is when a member transaction is performed at a CU Service Center, Shared Branch or Outlet location without a financial institution issued access card (ATM, Debit, Visa, etc.).

**Cashless Location** is a Shared Branch location that does not provide cash to members.

**CO-OP Shared Branching** operates (among other business functions) a shared branching network (the “Next Generation Network” or “NGN”), a cooperative shared branching network of facilities (“CU Service Centers Network” or “Network”) and provides services to other participants in connection with the utilization of the Network at designated locations . CO-OP Shared Branching provides transaction services to member or client financial institutions, directly or indirectly through CUSOs, State Credit Union Leagues and consortiums of credit unions. A member of Credit Union Service Centers Network, Inc. (CUSCNI) providing national, international and inter-network shared branching transactions.

**Confidential Information** means (i) all CO-OP Shared Branching proprietary or confidential information disclosed by CO-OP Shared Branching to its vendors and their participants, participating credit unions, and processors which relate to the provision of the services, and all CO-OP Shared Branching or its vendors’ products; and (ii) all proprietary or confidential information of CO-OP Shared Branching, participants, or participating credit unions, processors and members disclosed to CO-OP Shared Branching and which relate to provision of the services, and all CO-OP Shared Branching files. Confidentiality also pertains to all of the above information shared among or between any or all parties to the CO-OP Shared Branching Network.

**Conformance Audit** - a review and evaluation, by an independent third party, of the functions and performance of a participating shared branching network or financial institution to determine that all actions and behavior are consistent and in conformity with the customs, rules, procedures, policies and principles established for the CO-OP Shared Branching Network.

**Credit Union** means a credit union chartered under the laws of the United States, any state or territory thereof, or a financial institution chartered under the laws of its country.

**Credit Union Business Day** means that part of any day on which a participating credit union is open to its members for carrying on substantially all of its business functions.

**Credit Union Service Corporation (CUSC)** is a Georgia Corporation, also referred to as CO-OP Shared Branching. Also refer to CO-OP Shared Branching definition. CO-OP Shared Branching is the shared branching organization formed by the business combination of CUSC and SCC. CO-OP Financial Services is 100% owner of SCC based in Southfield, Michigan, and 51% owner of CUSC based in Duluth, Georgia.



**Credit Union Service Organization (CUSO)** see definition of CUSO.

**CU Service Center Location** refers to a location where members may conduct transactions to their own individual financial institution accounts at teller windows in a branch or self-service solutions; also known as Shared Service Centers, Shared Branches, Standalones or Outlets.

**CU Service Centers<sup>®</sup> Network, Inc. (CUSCNI)** is a Georgia corporation owned by Credit Union Service Corporation (CUSC), Financial Service Centers Cooperative, Inc. (FSCC), CO-OP Financial Services and Service Centers Corporation (SCC) for the purpose of developing a Shared Service Center Network with compatible operating standards. These networks have reciprocal agreements with each other, meaning that credit union members from one network can utilize the facilities of the other network and vice versa.

**Currency Transaction Report (CTR)** is a document required by the Bank Secrecy Act (BSA) to report cash transactions exceeding \$10,000.00.

**CUSC Network** is the shared service center network established by CUSC and CO-OP Shared Branching in which Shareholder participants or credit unions participate in accordance with the terms and conditions of a participation agreement between the CO-OP Shared Branching (or CUSC) shareholder or financial institution and CO-OP Shared Branching (CUSC).

**CUSC Products** are the computer software programs, documentation, and CUSC supported files and data bases utilized by CUSC, CO-OP Shared Branching or its designated subcontractor to perform switch or other support services.

**CUSC Teller Application** is a teller application that is CUSC-owned and managed for use by shared branching acquirers when deemed necessary under terms of a Software License Agreement.

**CUSCNI Switch Processor** is the data switch utilized by CUSCNI by which the Shared Branching Networks connect to each other in the ISO 8583 Shared Branching Specifications.

**CUSO (Credit Union Service Organization)** is a credit union service organization formed or sponsored by a CO-OP Shared Branching shareholder for the purpose of creating a CUSO Network to participate in the CO-OP Shared Branching Network.

**EFD (formerly eFunds)** is an approved data switch provider for the CO-OP Shared Branching Network.

**Enhancement** means (a) a modification or supplement to the software of the Switch that will provide additional function(s) to the services being provided on the date of the agreement, and shall include, but not be limited to, new transaction type(s), new terminal type(s), new processor interface format(s), new link(s), and new reports or modifications of existing reports, and (b) modification or supplement to other services, or an entirely new service.



**Financial Service Centers Cooperative, Inc. (FSCC)** is a shared branching network that provides shared branching services to member or client financial institutions, directly or indirectly through CUSOs, State Credit Union Leagues and consortiums of credit unions. A member of Credit Union Service Centers Network, Inc. (CUSCNI), providing national and inter-network shared branching transactions.

**Fiserv EFT** is an approved third-party processor for the CO-OP Shared Branching Network.

**Flag** is a message or restriction on an account placed by the member's financial institution.

**Gateway** means an access link which facilitates data flow between two otherwise independent data networks which allows participants in each network to have ready access to services and connectivity to end points in the other network.

**Hold Indicators** are unique identifiers placed on negotiable item(s) by the acquirer indicating to the issuer financial institution's system the type of item(s) deposited, which allows the issuer/host system the opportunity to place holds based on their funds availability policies.

**Host** is a term used to reference the financial institution to which a member belongs; also known as Issuer.

**Host Computer Provider** - see definition of processor.

**Intercept Processor** means a processor which is connected to the switch and is authorized to have terminals connected to it rather than to the switch.

**ISO BIN File** refers to BIN File.

**Issuer** is a financial institution whose members are allowed to perform shared branch transactions at Shared Branch locations, which are referred to as Acquirers.

**League (State Credit Union League or Association)** is a trade association for credit unions.

**Licensed Outlet** (outlet) means a credit union's proprietary office that allows members of other participating credit unions to perform transactions through the CO-OP Shared Branching Network.

**Licensed Service Centers** (standalones) are proprietary offices that are owned by a group of credit unions and are authorized to function as standalone service centers. The licensee must agree to operate the standalone in accordance with the applicable rules of both the CO-OP Shared Branching Network and the applicable local network.

**Local Network** means a CUSO or State Network formed for the purpose of operating within the CO-OP Shared Branching network. The local network has the ability to set local fees and/or to create their own network rules within that local network.



**Management Task Force** is a group of five senior management-type individuals from representative Leagues and/or CUSOs around the country that are appointed by CO-OP Shared Branching to provide feedback and guidance on operational issues within the network.

**Member(s)** means the member(s) of participating credit unions.

**Member Verification** is the initial transaction performed by the acquirer to validate a member's account number and retrieval of account information.

**Network** is the credit unions, shared branches, outlets and shared branching networks that have a business relationship with CO-OP Shared Branching to provide shared branch transactions.

**Neutrality** means an operational environment, at any CO-OP Shared Branching facility, which ensures all participating credit unions that their transactions and services will be conducted in a manner that protects the integrity of the credit union's account relationship with its member.

**Next Generation Network (NGN)** is the premier credit union-owned switch developed and supported by CUSC which provides CO-OP Shared Branching with the technology and standards required for credit unions and shared branching through multiple delivery channels.

**Outlet** refers to a Licensed Outlet.

**Participant** means any entity which has contracted with CUSC, CO-OP Shared Branching, CUSC stockholders, SCC or other related networks for participation in the Network.

**Participating Credit Union** means a financial institution that has contracted with CUSC, CO-OP Shared Branching, a local state network or SCC for participation in the CO-OP Shared Branching network.

**Person** means an individual, partnership, joint venture, corporation, or other legal entity.

**Positive Balance File** - see definition of Balance File Authorization.

**Processor** means a participating credit union which does its own authorization data base or any organization which maintains a member data base for a participating credit union, and is designated by such participating credit union to authorize transactions for it, and to receive items for that participating credit union from, and transmit messages for, the participating credit union directly to the switch.

**Rules** are the Network Standards, Policies and Procedures, as may be amended from time to time, that are to be followed by participants in the CO-OP Shared Branching Network.


**Self-Service Technology Solution** means an alternative to seeing a branch teller. A device (refer to Terminal definition) that provides members with convenience, consistency and self-control of online transactions through automated solutions.



**Service Centers Corporation (SCC)**, a wholly owned subsidiary of CO-OP Financial Services, is a shared branching network that provides shared branching services to member or client financial institutions, directly or indirectly through CUSOs, State Credit Union Leagues and consortiums of credit unions. A member of Credit Union Service Centers Network, Inc. (CUSCNI), providing national, international and inter-network shared branching transactions. SCC is an affiliate of CO-OP Financial Services and part of CO-OP Shared Branching.

**Services** means CO-OP Shared Branching services provided by a switch provider, such services to include the performance of fund transfers by on-line computer processing systems, certain auxiliary services, and includes any specific services developed from time to time by CO-OP Shared Branching or with other service providers.

**Shared Branching Networks** currently represents CO-OP Shared Branching and FSCC.

**Shared Branching Service Mark**  is the CUSCNI Network logo mark used to identify the CU Service Centers<sup>®</sup> National Network participants. CO-OP Shared Branching and FSCC both utilize this brand as the nationally recognized shared branching mark/logo among credit unions. This mark will also be used by International participants so there is a single shared branching logo recognized by credit unions and their members around the world.

**Shared Service Center** is a location which allows members from any participating credit union to perform financial transactions, obtain information from their credit union and perform other general credit union branch transactions or functions. These locations include Standalones and credit union sponsored Outlets both Internationally and within the US market. Refer to Licensed Service Centers and Licensed Outlet.

**Soliciting** is any direct or intentional attempt, by verbal, written or other means, to suggest or entice a member of one participating credit union to become a member of another credit union during any visit, contact, or communication with any acquirer or other facility which is a functional part of the CO-OP Shared Branching Network. Any such attempt at soliciting memberships on, within or around the premises of a facility will be considered a prima facie violation of the neutrality principles on which the system is founded.

**Standalone** refers to a Licensed Service Center.

**Standard** is the degree to which a service must function; the criteria which determines satisfactory performance or the quality or specifications which must be present.

**State Network** refers to networks operating within a Shared Branching Network. Refer to Local Network.

**State Regulations** refers to network operating policies and procedures used by a local network.

**Sub-Account** is a secondary account opened after the establishment of a primary membership account that is identified by a suffix.



**Sub-switching**, for the purposes of these rules, is the capability to circumvent the CO-OP Shared Branching network or switch with inter-network transactions.

**Suffix** is a unique identifier, either alpha or numeric, for sub-accounts.

**Surcharging**, for the purpose of these rules, is the capability of the CU Service Center location owner to charge members of participating credit unions a fee on the transactions processed through the shared branching network.

**Swirl** is the Logo Mark for CU Service Centers network(s) and is a registered trademark for the CUSCNI.

**Switch** (Data and Information) is the hardware/software operated by the CO-OP Shared Branching Network or its designated processor.

**Switch Processor** is the organization(s) that processes data and/or information by the use of an established system of transmitting items and messages throughout the shared branching network (i.e., NGN).

**Switched Transaction** means either (a) a transaction in which an item is sent through the switch or (b) an attempted transaction received by the switch.

**System** means the CO-OP Shared Branching Network system of transmitting items and messages between a terminal or Shared Service Center (acquirer) and a participating credit union and settling transactions between participating credit unions, and includes, but is not limited to, the terminals, all related computer hardware and software, logos, service marks and communications systems.

**Terminal** means an automated teller machine, teller workstation, automated lending device, dispenser, personal banking machine, kiosk, telephone-driven interactive voice response (IVR) system, mobile phone or other self-service type solution which meets such technical specifications as shall be established by CO-OP Shared Branching.

**Third-party Processor** means an organization contractually permitted to access Next Generation Network (NGN) for the benefit of any credit union that has elected to participate in CO-OP Shared Branching through a processing relationship rather than a direction connection.

**Transaction** is a financial and/or non-financial request that is processed through the switch and includes, but is not limited to the following: Deposit, Withdrawal, Balance Inquiry, Loan Payment, Loan Advance, and Transfers.

**V•Point BFA** – refer to Balance File Authorization.



## ***SECTION 2.0***

### ***CU Service Centers Network, Inc.***

- 2.1 CO-OP Shared Branching** is both the majority owner and a participating network in CUSCNI which was created to provide financial and information services to credit unions including development, administration and marketing of a system of Shared Service Centers. In developing its network, CO-OP Shared Branching benefits from all services developed or provided and each location established within CUSCNI. CUSCNI grants these privileges to CO-OP Shared Branching Network which in turn has the ability to grant privileges to participating local-level organizations, CUSOs and credit unions.
- 2.2** These services include but are not limited to:
- 2.2.1 Identity**  
Use of the network service mark, "CU Service Centers" or "Credit Union Service Centers," and the logo referred to as the Shared Branching Service Mark. CO-OP Shared Branching will sub-license the use of these items to its Participants upon their signing of an agreement. All participating local networks and acquirers of shared branching transactions are required to use the service mark and logo, in order to create a credit union known and recognized identity for the network. Individual credit unions participating in the Service Center network are required to use the service mark and logo when advertising Service Centers to their members. Sub-licensees must execute an agreement acknowledging the ownership of the service mark and logo and agree to the prescribed use of the service mark and logo as set forth in CU Service Centers Network, Inc.'s Graphic Standards (Exhibit A: Graphic Standards).
- 2.2.2 Data Switch**  
All CO-OP Shared Branching participating service centers and credit unions are required to use an authorized switch processor. Subject to contract terms and conditions, CO-OP Shared Branching reserves the right, from time to time to change its designated switch processor, when there is a business advantage to do so.
- 2.2.3 Availability**  
Subject to these rules and state regulations, credit unions participating in the CO-OP Shared Branching Network will automatically be able to provide service to their members at any location displaying the CU Service Centers<sup>®</sup> Service Mark.
- 2.3 Network Participation**  
Shareholder of CUSCNI reserves the right to establish eligibility of networks participating in CUSCNI.



## ***SECTION 3.0***

### ***Credit Union Service Organization***

- 3.1** Each shareholder/local network will determine the location of the service centers and other facilities in its contracted network area. The local network shall determine the structure of their state organization and credit unions participating in the CO-OP Shared Branching Network.
- 3.2** Each local network shall determine which credit unions will be permitted to participate in the state network. It is the local network's responsibility to determine that each credit union is in a sound financial condition and capable of meeting its commitments as a network participant, that each participating credit union is connected electronically to the Switch Processor, either directly connected or through a positive balance file agreement, in order to perform transactions and will require that each credit union sign a participation agreement.
- 3.3** Credit unions wishing to participate in the CO-OP Shared Branching Network must first join the local network for the area in which the credit union's principal office is located or receive permission from that local network to join either another local network or contract directly with CO-OP Shared Branching. In the event there is not a local network, then the credit union may contract with CO-OP Shared Branching directly.
- 3.4** Members of credit unions participating in a local network will be able to make transactions at any facility which is connected to either CO-OP Shared Branching or a facility displaying the CU Service Centers mark. Exemptions will be granted by CO-OP Shared Branching in any cases where this requirement would otherwise supersede any applicable state or federal statute or regulation.
- 3.5** Each CO-OP Shared Branching local network must market all credit union or CUSO-owned shared branch locations offered by and accessible through the CO-OP Shared Branching Network. From time to time, CO-OP Shared Branching will provide updated information for this purpose. Exemptions to this rule may be granted for extenuating circumstances. A request for exemptions should be submitted in writing to the President/COO of CO-OP Shared Branching at the corporate office address.
- 3.6** It is the local network's responsibility to report to the CO-OP Shared Branching Network any of the following occurrences if they relate to a credit union that is participating in the Network: Credit union name changes, settlement account changes, liquidations, mergers, deletions from the shared branching network or other critical information.
- 3.7** CO-OP Shared Branching reserves the right to request from time to time member demographic data for all participating credit unions. This information will be used to assist in building a master network data base for the purposes of further expanding the network.



- 3.8 At least annually, NGN will have a third-party review audit (SAS70) performed on the "Network System" to ensure that the network is performing as designed with accurate transaction results. Copies will be provided to each CO-OP Shared Branching Shareholder, credit union or local network as deemed appropriate.
  
- 3.9 The local network may adopt such additional rules as deemed appropriate for its contracted participants obtaining shared branching services within that same local network (for example, an Indiana issuer going to an Indiana outlet). The local network's rule, policy or procedure shall not negate, alter, amend, change, be in conflict with, be contrary to, or supersede any CU Service Centers Network, Inc. or CO-OP Shared Branching rule for out-of-network, national or international members visiting that local network acquirer.



## ***SECTION 4.0***

### ***Fees, Billing and Invoicing***

- 4.1 Each local network will determine its shared branching transaction fee charges. Different shared branching acquirer types (teller, self-service terminal, etc) within a state may have different fee schedules. CO-OP Shared Branching will set transaction fee charges for directly-contracted participants.
- 4.2 CO-OP Shared Branching shall determine a standard National/International Fee Schedule. This fee schedule shall apply to all transactions acquired at a shared branch that is operated through a direct contract with CO-OP Shared Branching or a different local network than is used by the issuing credit union. The National/International transaction fee will apply to all issuers visiting out-of-state (out of local network) acquirers within the CO-OP Shared Branching Network. During the business combination transition period, one or more fee schedules may apply. CUSCNI establishes the fee matrix for issuers visiting other CUSCNI networks.
- 4.3 Pass-through charges and at-cost charges will be billed by CO-OP Shared Branching to the appropriate local network or credit union per the terms of the agreement.
- 4.4 Monthly, CO-OP Shared Branching will bill each local network or credit union for the appropriate service fees. These fees shall be based upon the number of transactions recorded for the local network or credit union during the preceding month. The fees will be the sum of the then current CO-OP Shared Branching service fee times the number of transactions.
- 4.5 Each month, either CO-OP Shared Branching or the local network will prepare and provide transaction fee invoices/reports to participating credit unions in the CO-OP Shared Branching Network. The automated fee settlement system will settle each credit union individually for its previous month's switch transactions by transaction types according to the CO-OP Shared Branching fee schedule(s) in effect. A recap summary of all billings will be provided to the local network and/or the participant credit union.
- 4.6 Each month, CO-OP Shared Branching will provide a miscellaneous fees invoice to each local network or participant credit union covering its previous month's miscellaneous services. The invoice will include any pass through and miscellaneous charges owed to CO-OP Shared Branching or its switch or service provider, monthly service fee charges and charges for any other services provided by NGN or CO-OP Shared Branching. CO-OP Shared Branching will enter this invoice for automatic credit to its account into the settlement system with corresponding debt(s) to the appropriate local network or participant credit union's settlement account(s). A recap summary of all billings will be provided to the local network and/or credit union participant.



## ***SECTION 5.0***

### ***Licensed Facilities***

#### **I. STANDALONE SERVICE CENTERS**

- 5.1** The CO-OP Shared Branching Shareholder or local network shall determine if it will permit Licensed Service Centers to be a functional part of its network. Licensed Service Center credit union(s) must be an owner(s) of and participate in the CO-OP Shared Branching Network.
- 5.2** The CUSO or credit union owners of a Standalone are required to sign an agreement with either CO-OP Shared Branching or the local network before the standalone service center can provide shared branching services. CO-OP Shared Branching may also operate standalone facilities as it deems appropriate, typically in areas not covered by a local network. The Standalone facility must use a CO-OP Shared Branching approved teller application. A mechanism for tracking transactions must also be available at the Standalone. The Service Center will be subject to audit with penalty if found violating any of the required policies. All transactions must be switched by the CO-OP Shared Branching Network approved switch provider.
- 5.3** The Standalone must have a participation agreement with CO-OP Shared Branching or the local network agreeing to abide by all CO-OP Shared Branching policies, local network policies, procedures, rules and requirements. The contract shall include the requirements that training of Service Center employees must be certified by CO-OP Shared Branching or the local network and use only data processing software and equipment, procedures, advertising, service marks, logos and pricing approved by the Network. The contract shall also give CO-OP Shared Branching or the local network enforcement rights should it determine that the Standalone is being operated or managed in a matter detrimental to the Network. The enforcement rights are to include provision for the CO-OP Shared Branching or the local network to place surcharges on transaction fees originating from the Standalone, withhold fees payable to the Standalone, allow CO-OP Shared Branching or the local network to assume direct management of the Standalone and/or withdrawal of the Service Center's license to operate.
- 5.4** Acquirers are encouraged to maintain a telephone accessible to members of participating credit unions so that they may contact their primary credit unions. This telephone may be restricted to local, toll free, operator assisted or credit card calls, provided the Standalone has a controlled access telephone on which necessary long distance calls may be placed. A member of a participating credit union, or the member's credit union, may not be charged by the Standalone or its owners for the phone call to their credit union.
- 5.5** A Standalone is encouraged to provide ATM, Money Orders, and other similar services for CO-OP Shared Branching participants.



- 5.6 A Standalone must prominently display the CU Service Centers Network, Inc. "swirl" logo as set forth in the graphic standards (Exhibit A: Graphic Standards) and post funds availability signage that states the following, or other similar language:

“Funds deposited may not be immediately available.  
Check with your credit union for funds availability information.”

- 5.7 CO-OP Shared Branching reserves the right to periodically and at its sole discretion, conduct surprise evaluation audits of a Standalone or other facility participating in the network through a secret shopper or other similar program. Results of these service quality and standards reviews will be reported to the appropriate CO-OP Shared Branching Shareholder, local network or participant.

## **II. OUTLETS AND SELF-SERVICE**

- 5.8 An Acquirer, including a Licensed Outlet or self-service solution may be driven by the host credit union's data processor, a network approved teller platform or self-service solution. An Outlet, including any self-service solution, will be permitted to process only on us transactions for the host credit union's members; all other transactions must be switched by the CO-OP Shared Branching Network approved switch provider.
- 5.9 Licensed Outlets and any self-service solution must prominently display the CU Service Centers Network, Inc. "swirl" logo as set forth in the graphic standards (Exhibit A: Graphic Standards). If limited teller windows are available to shared branching members at an outlet, then those windows/stations must clearly be marked.
- 5.10 All Acquirers, including Licensed Outlets and self-service solutions that provide shared branching services to members are required to certify their platform prior to becoming an acquirer within the network. The acquirer will be invoiced for the cost associated with certification per the terms of their agreement or as disclosed by CO-OP Shared Branching. The acquirer must abide by all applicable CO-OP Shared Branching policies and local network polices, procedures, rules and requirements. A separate outlet/acquirer participation agreement may be required by CO-OP Shared Branching or the local network.
- 5.11 Outlets and self-service solutions may operate using their normal schedule (days/hours of operation), and will provide shared branching services during the same times that branch services are provided to their members.
- 5.12 Outlets must instruct their employees to refrain from "soliciting" or encouraging members of other credit unions to change their credit union memberships or to join the host credit unions. This restriction must also apply to any self-service solution and/or be enforced on any vendor permitted to utilize any premise(s) under control of the Outlet or host credit union. Any participating credit union that persists in directly or intentionally soliciting the members of another credit union will be penalized for repeated occurrences which could include expulsion from the network.



- 5.13** Acquirers are encouraged to maintain a telephone accessible to members of participating credit unions so that they may contact their primary credit union. This telephone may be restricted to local, toll free, operator assisted or credit card telephone calls, provided the Licensed Outlet has a controlled access telephone on which necessary long distance calls may be placed. Members of a participating credit union, or the member's credit union, may not be charged by the Acquirer credit union for the phone call to their credit unions.
- 5.14** A Licensed Outlet is encouraged to provide ATM, Money Orders, and other similar services for CO-OP Shared Branching participants.
- 5.15** Acquirers, including Outlets and self-service solutions will clearly post funds availability signage that states the following, or other similar language:

"Funds deposited may not be immediately available.  
Check with your credit union for funds availability information."

If the self-service solution or device is able to display the funds availability message within the application or on the unit itself, that will suffice and additional signage will not be required.

- 5.16** Outlets may ONLY access accounts in the course of performing a financial transaction for a guest member visiting the Acquirer's branch. Outlets are prohibited from utilizing shared branching inquiries and transactions for non-shared branching related activity, i.e., researching available funds on a check presented for deposit to the Acquirer's own on-us accounts.
- 5.17** CO-OP Shared Branching or the local network reserves the right to periodically and at its sole discretion, conduct surprise evaluation audits of a Licensed Outlet or other facility participating in the network through a secret shopper or other similar program. Results of these service quality and standards reviews will be reported to the appropriate CO-OP Shared Branching Shareholder, local network or participant.



## ***SECTION 6.0***

### ***Adjustments***

- 6.1** CO-OP Shared Branching is responsible for processing its participant's adjustments.
- 6.2** Same day adjustments (reversals) are allowed via the acquirer's teller platform when transaction errors are discovered on the same day the transaction occurred. Best practice would indicate the reversal should be performed while the member is at the acquirer location. If an error is discovered after the member completed their transaction, consideration should be given to contacting either the member or the issuer credit union to inform them of the correction.
- 6.3** The issuer cannot initiate an adjustment. The issuer can only inquire on the status of an adjustment or transaction.
- 6.4** Adjustments, excluding non-sufficient funds and other returned items, will be processed within four (4) days from:
- The date the transaction occurred or
  - The date the error is discovered
- Saturdays, Sundays, holidays, and days where acts of God or other events beyond reasonable control would prevent the adjustment from being processed are excluded from the timeline.
- 6.5** The acquirer must notify the issuer credit union by telephone, fax or email of any item \$500 or more being returned to the acquirer, once information sufficient to identify the issuer credit union is received. The acquirer must provide the notification to the issuer credit union no later than the business day following the date the identifying information is received. The acquirer must retain documentation/confirmation indicating the issuer was notified. If the issuer is not notified within the stated timeframe, the liability of the return item generally rests with the acquirer. .
- 6.6** Non-sufficient funds and other returned items will be processed within two (2) days of receipt. Day one begins on the day of receipt, excluding Saturdays, Sundays, holidays and days where acts of God or other events beyond reasonable control that would prevent adjustment processing. The acquirer will date and time stamp the item, fax the item to the credit union on the date the item is received and mail the item via certified mail to the issuer credit union.
- 6.7** Adjustments for offline transactions will be processed within 24 hours (1 business day) from the date the items are taken if the issuer/host system is not back online for processing. This excludes Saturdays, Sundays, holidays and days where acts of God or other events beyond reasonable control occur that would prevent adjustment processing.
- 6.8** Standard Adjustments will only be processed for items that are \$10 or more.
- 6.9** Returned Item (NSF) adjustments may be processed regardless of the amount of the item.



**6.10** No adjustment request aged more than 60 calendar days will be processed. Any standard adjustment aged more than 60 calendar days from the original transaction date will be required to go through the Grievance Procedure.

Exceptions to this policy are those items that fall under the guidelines specifically defined in the Uniform Commercial Code (UCC §3-118).

**6.11** All returned items not processed within the time frames according to Regulation J “Collection of Checks and Other Items by Federal Reserve Banks”, or failure to follow timeframes and guidelines established by CO-OP Shared Branching, may result in liability to the Acquirer.

**6.12** Acquirers may elect to automatically redeposit NSF items up to \$250. Any losses suffered by the Issuer/Host credit union for items re-deposited over \$250 will be the responsibility of the Acquirer. The Acquirer will be responsible ONLY for the difference of any items returned over \$250.

Non-NSF returned items, i.e. closed accounts, stop payments, etc, must be handled through the normal adjustment process.

**6.13** Adjustment fees will be charged as defined in the institution’s contract. Adjustment types include standard adjustments, offline and NSF/returned item adjustments.



## ***SECTION 7.0***

### ***Grievances***

- 7.1 Before any transaction(s) is disputed, the credit union must ascertain if any Rules have been violated that contributed to the loss. If the investigation reveals that Rules have been violated by the acquirer, the issuer credit union will follow the grievance procedures below. If the investigation reveals that Rules have been violated by the issuer credit union, the issuer will accept the loss without recourse.
- 7.2 In the event a dispute arises between the issuer and the acquirer, the issuer must make its best effort (i.e., the same it regularly uses for its own business) to collect from its member or members before entering into the dispute process. Collections effort examples are, but not limited to:
- Contacting the member(s)
  - Written letters to the member(s)
  - Checking for ACH or other Automatic deposits
  - Hold funds from other accounts held mutually by the member(s)
- The issuer may be asked to demonstrate its efforts in collecting or recovering funds from its members.
- 7.3 Grievances will not be accepted for review by CO-OP Shared Branching on transactions older than 120 calendar days from the date of the original transaction.
- 7.4 All parties involved in a dispute, including issuers, acquirers and members, agree to cooperate and testify in court and/or during the arbitration process as required.
- 7.5 Resolution Procedures: In the event a dispute arises between the issuer credit union and the acquirer, the following procedures should be followed:
- 7.5.1 If both parties are US-based participants, the party initiating the dispute should phone the other credit union for resolution. If one or more parties are International, skip to 7.5.3.
- 7.5.2 If no agreement can be reached within two (2) business days, the initiating credit union will submit the complaint directly to the other credit union, including all documentation regarding the dispute. The written request should also include a deadline for a response (10 business days).
- 7.5.3 If no agreement is reached by the response date (10 business days), the initiating credit union must submit a detailed description of the dispute, including all documentation and actions taken to resolve the dispute, to the local network or the CO-OP Shared Branching office of the credit union initiating the dispute. The local network will contact CO-OP Shared Branching, who will have fourteen (14) business days to review all documents and respond to the request. If appropriate, disputes involving another CUSCNI participant will be escalated to the appropriate network (i.e., FSCC).



The dispute must be a minimum of \$200. A \$100 filing fee for all disputes must be included when submitting a dispute along with a detailed description of the dispute. If a decision is made in favor of the initiating institution, the fee will be reimbursed by the institution found responsible.

- 7.5.4** If either party is not satisfied with the ruling by CO-OP Shared Branching, the party will submit, in writing, a request to the CUSC Management Task Force. The Task Force will have fourteen (14) business days to rule on the dispute.
- 7.5.5** If either party continues to object or disagree with the decision of the Management Task Force, the party will submit, in writing, a request to the CUSC Board of Directors. The Board will have fourteen (14) business days to rule on the dispute.
- 7.5.6** If either party continues to object or disagree with the decision of the CUSC Board of Directors, the arbitration process will be initiated.
- 7.5.7** In the event that any dispute between US-based Network participants cannot be resolved by the parties, the dispute shall be submitted to binding arbitration, as to the facts only, in Atlanta, Georgia, under the then prevailing rules of the American Arbitration Association. Conclusions of law shall be appealable in the same manner as if made by a trial court. The final award by an arbitrator or arbitrators shall fix the costs and expenses of the arbitration, which may include the reasonable legal and other costs incurred by the parties for the arbitration, and shall decide which of the parties shall bear them or in what proportion they shall be borne by the parties.
- 7.5.8** If not otherwise resolved between the parties, all disputes between any United States-based participating credit union or other organization, including any participating United States-based regional or national shared branching/service center network, and any Central American or South American-based participating credit union or other organization, including any participating Central American or South American-based regional or national shared branching/service center network, shall be submitted to binding arbitration in Miami, Florida, USA, using the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with said Rules. The arbitrator or arbitrators shall have knowledge of and experience in financial institution and commercial law, and shall be fluent in the English language; all evidence will be presented to the arbitrator or arbitrators and the arbitration will be conducted in English.

The final award by an arbitrator or arbitrators shall fix the costs and expenses of the arbitration, which may include the reasonable legal and other costs incurred by the parties for the arbitration, and shall decide which of the parties shall bear them or in what proportion they shall be borne by the parties.

- 7.5.9** Business days: for all intended purposes, the measurement of business days will commence from the date the item was received either by mail, email or fax, Monday – Friday, excluding weekends and holidays.



## SECTION 8.0 Member Services

- 8.1 All services to be offered at Acquirers, other than shared branching services, must receive prior approval by either the local network or CO-OP Shared Branching.
- 8.2 Acquirers may not solicit new members, open accounts or close existing member accounts of any participating credit union. Acquirers may not recommend a particular credit union for a potential member to join. All requests for participation in a credit union by a prospective credit union member will be forwarded to the local network or state credit union league office in the state that the shared branching facility is located. If a credit union member inquires about membership or initiates discussion related to joining the specific credit union outlet they are visiting, it is permissible for that credit union’s staff to respond to the member’s inquiry and establish membership. The credit union staff may not initiate the discussion however.
- 8.3 All Acquirers must agree to refrain from "soliciting" or encouraging members of other credit unions to change their credit union membership or join another credit union. The “no soliciting” policy would apply to both branch visits as well as visits to overlapping Select Employee Groups (SEGs). Credit unions with overlapping SEGs may market and promote their specific credit union and services during onsite visits, but they are prohibited from suggesting that members close their accounts at other participant credit unions. This restriction must also apply to and be enforced on any vendor permitted to utilize any premise(s) under control of the local network, CO-OP Shared Branching or any of its participating locations.
- 8.4 A participating credit union, CO-OP Shared Branching Shareholder, CUSO, local network, or vendor that persists in violating the “no soliciting" rule will be penalized. The following schedule shall apply:

1st Offense .....	Written warning
2nd Offense.....	\$2,500 fine
3rd Offense .....	(min) \$5,000 fine and possible expulsion

- 8.5 Any entity that violates the No Solicitation agreements will be subject to the following steps:

### **First Occurrence – Written Warning of Rule Violation**

The Standalone or Outlet is allowed fifteen (15) calendar days from the date of **written warning** to correct the issue. Upon corrective action or findings, written notification must be provided to all parties involved.



*If it is determined that the violation was a willful act, the offender will be subject to an immediate fine of \$2,500 and a review by CO-OP Shared Branching management and/or the Board of Directors for further action up to and including possible expulsion from the shared branching network for a minimum period of three (3) years.*

### **Second Occurrence of Same Violation**

The Standalone or Outlet will be allowed fifteen (15) calendar days from the date of violation to correct the issue. Upon corrective action or findings, written notification must be provided to all parties involved. The acquirer will be subject to a **\$2,500** fine.

*If it is determined that the violation was a willful act or a result of NO CORRECTIVE ACTION of the first violation, the offender will be subject to an immediate fine of an additional \$5,000 and a review by CO-OP Shared Branching management and/or the Board of Directors for further action up to and including possible expulsion from the shared branching network for a minimum period of three (3) years.*

### **Third Occurrence of Same Violation**

The Standalone or Outlet will be subject to a **minimum of \$5,000.00 fine** and reported to the CUSC Board of Directors for review and determination of possible expulsion from the shared branching network for a minimum period of three (3) years.

All written correspondence will be delivered via certified/registered mail to ensure receipt.

- 8.6** Acquirers are encouraged to maintain a telephone accessible to members of participating credit unions so that they may contact their credit unions. This telephone may be restricted to local, toll free, operator assisted or credit card telephone calls, provided the acquirer has a controlled access telephone on which necessary long distance calls may be placed. A member of a participating credit union, or the member's credit union, may not be charged by the acquirer for the phone call to their credit union. Self-service solutions will not be required to provide a telephone for member use.
- 8.7** Non-member deposits, with no cash back, will be accepted by tellers at Standalones and Outlets with the signature of the individual making the deposit. Identification is required of the non-account owner similar to the policies for accepting member deposits.

The person making the deposit must be able to provide the credit union name and member's account number as well as verify certain key pieces of information, such as member name(s) on the account to ensure the outlet is accessing the proper account. A receipt will be provided to the member; however, the receipt will not include account balance information.



## *SECTION 9.0*

### *Operations*

- 9.1 All host computers (credit union or data processor) are encouraged to be in a service mode for authorizing transactions 24 hours per day, 7 days per week to facilitate member transaction authorization from various service points, including shared branches, self-service solutions, etc. At a minimum, systems must be available between the hours of 9 AM Eastern time until 12 midnight Eastern time Monday through Friday and 9 AM Eastern time until 10 PM Eastern time Saturdays. Exceptions may be granted based on operational or technical limitations of the credit union. Requests for exceptions should be submitted in writing to either the local network or CO-OP Shared Branching. Credit union participants connecting to NGN using the V•Point BFA product will not be required to meet these minimum system requirements since they are not processing in an on-line, real-time environment.
- 9.2 The maximum response time standard from a host computer to the Network switch is thirty (30) seconds, measured from the time the switch transmits a message to the time that the switch receives the host response. Response times allowed may vary based on the switch provider. Issuers and acquirers should refer to the message format specifications and/or contact the CO-OP Shared Branching corporate office for detailed requirements.
- 9.3 The Network designated switch processor will monitor all host computers (or third-party processors) for compliance with response time standards and host availability. The minimum acceptable standard for a timely response is 98.5% of the time. The minimum acceptable standard for host availability is 98.5% of required up time.
- 9.4 Penalties will apply for repeated failures of a host computer (or third-party processors) to be available for the required up time or to respond within the timely standard set by CO-OP Shared Branching and NGN. When monitoring reveals a problem with either availability or response time, the host will be given a written warning which will include a time period allowance for the host to cure or correct the problem. If the problem is not corrected within the allowed period, the host or third party may be fined \$250 per day until the problem is corrected. The fine will commence on the first day after the date on which the correction period expires.
- 9.5 Installation and maintenance of all communication lines and equipment between the Switch and other components of the system connected directly to the switch shall be coordinated with or ordered by CO-OP Shared Branching or its designated provider.
- 9.6 When new terminal types or devices are being interfaced into CO-OP Shared Branching, through an already certified host computer, the processor for the credit union must undergo sufficient testing to ensure compliance with the CO-OP Shared Branching message format and specifications.



- 9.7 CO-OP Shared Branching (CUSC) will coordinate all testing activities to include scheduling, defining test requirements and defining scope of test.
- 9.8 The issuing credit union will bear the liability for any uncollectible items that are processed in the offline mode according to the Network Policies and Procedures. All offline transactions are subject to later posting and will be processed by the teller platform when the issuer host is available. If the transaction cannot be posted within a 24-hour timeframe, the acquirer will submit an offline adjustment as further defined in the adjustment policies.
- 9.9 CO-OP Shared Branching Shareholders, CUSOs, local networks and participating credit unions assume full responsibility for the consequences of any information or instructions given to CO-OP Shared Branching or its designated switch processor. Shareholders, CUSOs, local networks and participating credit unions agree to hold CO-OP Shared Branching harmless for the results of such instruction, except to the extent of any claim, demand or cause of action due to, in whole or in part, the willful misconduct, fraud, intentional act or negligence of CO-OP Shared Branching, its switch provider or their employees or agents.
- 9.10 CO-OP Shared Branching Shareholders, CUSOs, local networks and participating credit unions must agree to keep confidential, all data switch processor and CO-OP Shared Branching proprietary information. CO-OP Shared Branching agrees to keep confidential all Shareholder, CUSO, local network and participating credit union proprietary information. (See definition of **Confidential Information**.) The confidential information of each party remains the property of that party both during and after that party's participation in the CO-OP Shared Branching Network.

NGN or the designated switch processor will retain transaction logs and all reports for Network activity for a period of seven (7) years. Copies of transaction activity will be available to the local network or participating credit unions at the then applicable CO-OP Shared Branching charges.

Acquirers will provide reasonable safeguards to ensure the safety of all negotiable instruments and member information (vouchers, receipts, checks, etc.).

- 9.11 CO-OP Shared Branching reserves the right to, periodically and at its sole discretion, conduct surprise evaluation audits of any Standalone, Outlet or other facility participating in the network through a secret shopper or other similar program. Results of these service quality and standards reviews will be reported to the appropriate local network and/or participant credit union.
- 9.12 CO-OP Shared Branching will provide each local network or directly contracted participant credit union with one (1) copy, at no charge, of all standard documentation for the services being utilized by the local network or credit union. This will include updated releases of such documentation. The local network or participant may request additional copies of any documentation, which will be made available at CO-OP Shared Branching's then current charge.



- 9.13** No acquiring institution (Standalone, Outlet, or Self-Service) may maintain a data base of guest member information for the purposes of marketing to guest members, performing future transactions or any other similar purpose.
- 9.14** Overriding any transactions denied by the issuing credit union is prohibited. Acquirers that “force post” transactions denied by the issuer accept responsibility for any loss amounts incurred as a result of overriding the transaction(s).
- 9.15** In the event an acquirer (Standalone, Outlet, or Self-Service) is unable to perform a transaction due to an aged ISO/BIN file residing on the acquirer application, the acquiring institution will be fined \$35.00 by the Network office for each occurrence.
- 9.16** Certification is required on each new data processing environment or “direct link” from the switch to the data processor or participant credit union. No institution will become a network participant until all transaction sets are successfully tested and standards met or the appropriate exceptions granted by CO-OP Shared Branching.
- 9.17** Any acquiring institution (Standalone or Outlet) overriding the issuer’s ability to place a hold on deposits, by using the “immediate/expedited” transaction code or cash transaction code when the item qualifies for either a “local” or “non-local” designation, accepts all return liabilities for that deposit; otherwise, the issuing credit union accepts all deposit liabilities. Liability may result only to the extent the loss was a direct result of non-compliance of these policies and procedures. Refer to Exhibit B, Section II, A.2 Check Deposits for more specifics.
- 9.18** All check deposits must include proper endorsement, where the authorizing credit union must be the sole institution whose routing and transit number is placed in the “Bank of First Deposit (BOFD)” section as defined by “Federal Reserve Bank (FRB) standards”. All adjustment requests involving improperly endorsed check deposits may place liability on the acquirer. Refer to Exhibit B, Section II, Financial Transactions, for specific endorsement requirements.
- 9.19** An acquirer accepts all liability for share drafts presented as a request for withdrawal of funds from a shared draft suffix. The network suggests that, if funds equal to or greater than the requested dollar amount are available at the time of the transaction, a withdrawal should be performed using the presented share as a transaction voucher. The item should not be deposited and then withdrawn from the account.
- 9.20** An acquirer may refuse to perform transactions for members of guest credit unions if the member previously caused them a financial loss or was disruptive. If an acquirer opts to refuse service to a member, they must notify the issuer credit union in writing and provide any details that may be appropriate.



## ***SECTION 10.0***

### ***Settlement***

- 10.1** For participating credit unions using a third party processor, CO-OP Shared Branching will provide processor settlement to the contracted third party, when technically and operationally available, who will in turn provide institutional settlement to the participating credit unions. For all other participants, CO-OP Shared Branching will provide institution settlement.
- 10.2** Acquirer and issuer credit unions are responsible for auditing, balancing, verifying and correcting the data contained in the settlement reports daily, and/or reconciling any out-of-balance condition.
- 10.3** All settlements between the participants and CO-OP Shared Branching will be accomplished in an automated fashion provided by the data switch provider.
- 10.4** CO-OP Shared Branching and its switch processor(s) will transmit settlement files daily to the appropriate settlement institution. Standardized descriptions will be used for settlement uniformity.
- 10.5** A participant must establish a settlement account with its designated Corporate Credit Union. Exceptions or alternative arrangements must be approved by the state network and/or CO-OP Shared Branching.
- 10.6** Local networks will be permitted to process adjustments for credit unions within their local network in accordance with their policies. Each local network or CO-OP Shared Branching acquirer is responsible for initiating adjustments for transactions involving institutions not associated with its network and routing them to the designated CO-OP Shared Branching office for processing. The local network may determine if it will issue adjustments from its central office or assign the responsibility to its standalone offices.
- 10.7** Acquirers should present for collection all checks (items) received for deposit in accordance with guidelines outlined in Uniform Commercial Code (UCC) –Bank Deposits and Collections Article 4 and in compliance with Federal Regulation CC, Article 229 governing check availability. Acquirers will exercise ordinary care under these regulations and guidelines by taking proper action before its standard deadlines following receipt of an item. Best practice would indicate that acquirers should present checks for collection on the same day as deposited by the member but not later than the following business day.



## ***SECTION 11.0***

### ***Teller Platform System***

- 11.1** CUSC holds the **EXCLUSIVE** right to sub-license its teller platform.
- 11.2** CUSC will sub-license the use of the teller platform hardware and software and grant the local networks the right to sub-license to other users within their local networks.
- 11.3** Local networks and participant credit union wishing to utilize CUSC's teller application will be required to complete the appropriate paperwork.
- 11.4** All Standalones must install a CO-OP Shared Branching approved teller platform system. Outlets may use the host credit union data processor's teller system provided it meets network requirements and certification, current and future.
- 11.5** CUSC's teller platform system software may not be copied or modified by any user without express written consent from CUSC.
- 11.6** CUSC's teller platform system must be installed by a qualified technician. CUSC reserves the right to designate and certify person(s) qualified to install its teller platform hardware/software and certify its functionality through an approved test script. Only CUSC authorized personnel may service the teller platform hardware and software. Exception requests may be submitted to CUSC for approval.
- 11.7** Sub-licensees may not, at any time, disclose or disseminate the trade secrets embodied in the licensed software program to any person, firm, organization, or employee who does not need to obtain access thereto consistent with the licensee's use of the software.



## ***SECTION 12.0***

### ***Participation Requirements***

- 12.1** CO-OP Shared Branching may immediately suspend services to a local network or any participating credit union if the local network or credit union files for bankruptcy or has a petition filed against it which has not been discharged within ninety (90) days, or becomes insolvent, or if any substantial part of such party's property becomes subject to levy, seizure, assignment, application or sale for or by any creditor or governmental agency, and in any event, CO-OP Shared Branching may declare all amounts due, and to become due, immediately payable. Due written notice, after the fact, shall be given by CO-OP Shared Branching to all interested parties.
- 12.2** CO-OP Shared Branching may immediately suspend services to any participating credit union if the credit union fails to honor for immediate payment any settlement for service center transactions rendered on behalf of the credit union, or if the credit union is taken over by either a state or federal credit union regulator or share deposit insurance agency, or if it is ordered to suspend operations and/or ordered to merge or liquidate by any state or federal credit union regulator with competent authority to issue such order or directive. Due written notice, after the fact, shall be given by CO-OP Shared Branching to all interested parties.
- 12.3** CO-OP Shared Branching may, at its sole discretion, immediately suspend services to any participating credit union upon receiving notice from its designated switch processor that the switch has been notified by any network to which the switch is linked and regularly exchanging transactions that a foreign network has suspended acceptance of transactions from that credit union due to non-settlement of transaction items or for other specific reasons. This suspension will be immediately communicated to the appropriate local network and participant credit union so that an evaluation can be made regarding continuance of or lifting of the suspension.
- 12.4** CO-OP Shared Branching may temporarily suspend services to any participating issuer credit union, acquirer, service center, outlet, self-service solution, geographic region, local network or Shareholder where a disruptive act of nature or other catastrophe severely limits the network's ability to properly provide accurate and timely service under the circumstances. CO-OP Shared Branching will extend its best efforts to work with the individual organization or group, the affected users and the appropriate vendor and/or switch provider to restore service as quickly as possible.
- 12.5** In the event that CO-OP Shared Branching invokes any emergency rule, it shall not be liable for direct or consequential damages to any participant or participating credit union in the Network, except for loss due to negligence or fraud on the part of CO-OP Shared Branching officers or employees.



- 12.6** All participants must receive appropriate levels of training to include, but not limited to, teller application usage, settlement procedures, and adjustment procedures in accordance with the Network Policies and Procedures. Training will be provided in coordination with CO-OP Shared Branching, the local network and/or the credit union's data processor.
- 12.7** Issuer credit unions must have a Participation Agreement with CO-OP Shared Branching or the local network and agree to abide by all CO-OP Shared Branching Policies, local network policies, procedures, rules and requirements.
- 12.8** Issuer credit unions can provide great assistance in loss prevention by:
1. Limiting access to new account holders until the credit union has established a relationship with that account holder. If access is provided, the credit union should monitor new account activity and exercise extended holds if suspicious activity occurs.
  2. Restricting access on accounts that have a history of problems and/or losses, such as returned items, stolen ID and/or suspicious or fraudulent activity.
  3. Providing clear, timely warning messages on member accounts. Credit unions should not rely solely on warning messages for preventing activity; account access should be restricted if appropriate.
  4. Establishing reasonable withdrawal limits on their host systems if deemed appropriate.
  5. Monitoring large dollar and suspicious transaction activity.
- 12.9** As of 6/16/2009 all issuers and acquirers are required to support the new transaction (message) format that includes the cash deposit indicator for deposit transactions (enabling acquirers to process cash and checks as a single deposit transaction) and qualifiers for transfers between financial institutions.

Failure to comply with the June 2009 transaction formats and specifications may result in inaccurate reporting and aggregation of transactions. Issuers and Acquirers not adhering to the June 2009 transaction mandates may be subject to financial penalties of \$250 per day until the specifications are certified and implemented and/or CO-OP Shared Branching may temporarily suspend services to the issuer or acquirer until they are able to comply with the network mandate.



## ***SECTION 13.0***

### ***Sub-Switching/Surcharging/Fees***

**13.1** All transactions performed in the CO-OP Shared Branching network must be routed through the CO-OP Shared Branching designated switch for processing.

**13.2** CO-OP Shared Branching's network is intended to operate as an extension of each participating credit union's service delivery system. CO-OP Shared Branching requires each participating credit union to promote the services of and cooperate with the network in extending services to the credit union's members.

CO-OP Shared Branching does not prevent participating credit unions from establishing member fees for shared branching services. However, CO-OP Shared Branching encourages credit unions to apply any fee policies regarding member activity at CU Service Center offices no differently than for member activity conducted at the credit union's own proprietary facilities. If a credit union establishes a usage fee for its members visiting CU Service Centers, the fee must be consistently applied to all shared branch locations. Specific locations or acquirers may not be singled out and higher fees may not be charged to members visiting those specific locations.

To provide CO-OP Shared Branching with adequate notice of a credit union's intent to establish fees for shared branch services and to ensure that such a fee policy does not violate the spirit and intent of shared branching, credit unions are encouraged to provide a description of the credit union's fee policy for review to either their local network or CO-OP Shared Branching, at least 30 days before any notice of such fees are communicated to the credit union's members.

**13.3** It is the intent of CO-OP Shared Branching and all participants that credit union members that perform transactions on the network are not surcharged.

Participants agree as follows:

*Surcharging to the credit union members is prohibited at all CU Service Centers locations operational on the shared branching network.*

Acquirers shall not charge members of participating credit unions for conducting transactions for which the acquirer receives interchange/fee income or for any service or product in an amount or manner which is different from that which the acquirer charges its own members.



This is not intended to limit the acquirer from directly charging the member a fee for optional ancillary services as follows:

- Credit Card Advances
- Traveler’s Checks
- Money Orders
- Check Withdrawals (if check is made payable to someone other than the member/joint)
- Official Checks
- Coin Counting
- Stamps
- Movie Tickets
- Theme Park Tickets
- Entertainment Discount Books
- Notary Services if available
- High Volume Check Fees (This fee may be charged when more than fifteen (15) items are presented. Starting with the 16<sup>th</sup> item, a fee of not more than \$0.20 per item may be charged to the member.)

All acquiring shared branch locations must display a member fee schedule of services provided for which a member will be directly charged at the time of services. This member fee schedule is to be posted in a conspicuous area within the shared branch location.

**13.4** A participating credit union, CO-OP Shared Branching Shareholder, local network or vendor that persists in violating this rule may be penalized. The following schedule shall apply:

- 1st Offense ..... Written warning
- 2nd Offense..... \$2,500 fine
- 3rd Offense ..... (min) \$5,000 fine and possible expulsion



## CU Service Centers Graphic Standards

CO-OP Shared Branching/CU Service Centers has created a name and image that says who we are and what we do. The logotype, style, color, slogan/tag line, etc., are all used consistently throughout communications to members. Much like CO-OP Network, Star, Cirrus, and other ATM networks, the CU Service Centers logo has become the symbol of convenience for members of participating financial institutions.

The following standards are for use by participants in the design and production of advertising and promotional materials. The primary objective of the standards is to create a consistent image.

### The Swirl Logo Mark

The swirl logo mark of CU Service Centers is a registered trademark. Reproduction of the swirl logo mark is only allowed from the official stat sheets provided. The swirl logo mark may be placed parallel to and to the left of the letters or centered above. The squares in the center of the swirl logo mark form a diamond figure. Use lowercase letters for the words “service center” unless referring to “CU Service Centers.”

The swirl logo mark may be used alone in marketing material to members, on credit union web sites or other forms of literature to members. The swirl logo must be used in combination with “CU Service Centers” when displayed on exterior signage. You may use the “Swirl Logo Mark” and “CU Service Centers” without the slogan/tag line “The Member-Friendly Financial Network.”

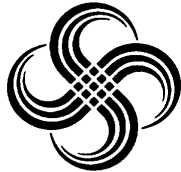
You may also spell out “credit union” in the logo “Credit Union Service Centers,” but you must use the same typeface, Busorama bold. See sample logo versions.

The swirl logo mark may be placed parallel and to the left of the letters. The typeface of CU Service Centers is Busorama bold. The typeface of “The Member-Friendly Financial Network” is Else medium italic.

CO-OP Shared Branching/CUSC grants to its contracted participants, a nonexclusive and nontransferable license to use and display its trademarks, service marks, and logos (the “CU Service Centers”) solely in connection with identifying the services in marketing and promoting shared branching services to their members.

## Swirl Logo Mark Variations

The CO-OP Shared Branching President/COO, or other designated Officer of CO-OP Shared Branching, must approve any other variation than those shown below.



CU SERVICE CENTERS.®

*The Member-Friendly Financial Network*



CU SERVICE CENTERS.®



CU SERVICE CENTERS.®

*The Member-Friendly Financial Network*



CU SERVICE CENTERS.®



CREDIT UNION  
SERVICE CENTERS.®

*The Member-Friendly Financial Network*



CREDIT UNION  
SERVICE CENTERS.®

## Signs


Every shared branch location must prominently display the CU Service Centers logo mark as shown in the Swirl Logo Mark Variations or Color Standards of Logo sections in Exhibit A. This creates member awareness and promotes use.

Building exteriors, pedestal signs, and lobby doors all provide excellent visibility and every effort should be made to display the logo on such items. The logo must clearly be visible to the reasonable and average member when entering the building/outlet or can be displayed at individual teller stations if landlord/building restrictions prevent the signage from being present on the exterior.

All signs must appear in one of three colors: black, blue (PMS 548equivalent), or white reversed out of the blue (PMS 548) or black color. Minimum lettering is 120 points with a 3.75-inch logo. Exceptions must be approved by CO-OP Shared Branching.



Checks, Transaction Request/Vouchers or Receipts

Either the “Swirl Logo Mark”  CU SERVICE CENTERS, or the words “CU Service Centers” should appear on checks, transaction request/vouchers or receipts issued by the acquirer. The use of a rubber stamp is permitted.

Color Standards of Logo

One Color Standards



A. mark and copy in PMS 548 (blue)



C. mark and copy in white



B. mark and copy in black



D. mark and copy reversed out of background color by PMS 548 or black.



For newsletter purposes, use the Mark to the left of the copy and delete “The Member-Friendly Financial Network”



## **CU SERVICE CENTERS POLICIES/PROCEDURES**

### **I. Operating**

#### **A. OPERATING**

POLICY Standalone or licensed service centers are encouraged to provide services to members during the following hours:

Monday to Friday     9:00 AM to 7:00 PM  
Saturday                9:00 AM to 5:00 PM

Other acquirers may operate using their normal schedule.

All acquirer locations must provide their schedule to CO-OP Shared Branching for display on the Network's locator services. Acquirers are responsible to ensure that the information CO-OP Shared Branching advertises for their respective locations/outlets is accurate and up-to-date. An acquirer must notify its local network or CO-OP Shared Branching of its plans for the relocation of an outlet at least 30 days in advance.

Except for legal holidays, any closing observed by the acquirer (i.e., data processing conversion, etc.) must be identified to their local network or CO-OP Shared Branching initially and on an ongoing basis. Notice to the members must be published 30 days prior to the dates being observed.

#### **B. HOLIDAY SCHEDULE**

POLICY It is recommended that all standalones and outlets establish and follow their own holiday schedules. If credit union outlets are open to serve their own membership, then they must also accept shared branching guest members during these same hours.

#### **C. SERVICES OFFERED**

POLICY Standalones and Outlets, at minimum, will provide the following services:

Deposits  
Withdrawals  
Account Inquiries

**CO-OP Shared Branching - Network Policies and Procedures**

Statement Prints  
Transfers  
Loan Payments  
Loan Advances  
Loan Interviewing - optional  
Sale of Traveler's Checks and Money Orders – optional

Self-service solutions, including Mobile and Call Center applications, will typically provide the following services:

Account Inquiries  
Statement Prints  
Transfers between sub-accounts for the same member.

Exceptions are to be approved by CO-OP Shared Branching.

**D. CHANGES IN POLICIES**

POLICY All changes to the CU Service Centers policies will be approved by the CUSC Board of Directors. All policies will be reviewed and revised as deemed necessary.

PROCEDURE

Changes will be submitted to the Management Task Force (a task force of five state network representatives that is appointed by CO-OP Shared Branching) for review and presented to the Board of Directors for approval.

**E. ACCESSING ACCOUNTS VIA TELLER**

POLICY An account may be accessed through the entry of the member's credit union name and member's account number. Accounts may ONLY be accessed by tellers in the course of performing a financial transaction for a guest member visiting the Acquirer's branch. Acquirers are prohibited from utilizing shared branching inquiries and transactions for non-shared branching related activity, i.e., researching available funds on a check presented for deposit to the Acquirer's own accounts.

Member identification (both member and non-member) must be verified by the Member Service Representative (MSR), to ensure the correct account is being accessed. The ID number, expiration date, and state of the issued ID must be recorded on either the transaction request form, the teller copy of the receipt or on-line teller platform. Expired Driver's Licenses are acceptable for holders of a valid United States Military ID.



**Acceptable Identification (all valid forms of ID must be current (not expired) and have photo and signature):**

- Valid State-issued Driver's License – US and Canada
- Valid State-issued Identification Card – US and Canada
- Valid Passport, US or other (issued by a foreign country)
- Valid Permanent Resident Card or Resident Alien Card
- Valid United States Military ID
- Valid Matricula Consular ID card

Minors accessing their accounts must also provide valid state-issued ID cards or passports. Student IDs will generally not be accepted unless the student is making a deposit only.

Acquirers are required to maintain a current copy of I.D. Checking Guide (or some similar source of information) for use in verifying driver's license, identification and passport characteristics. MSR's must take reasonable care to validate these characteristics when the MSR is unfamiliar with any particular form of identification.

**Note:** In 2001, the Military began issuing ID cards with smart chips for active duty and National Guard service personnel; cards with smart chips will not have signatures. Military cardholders may hold an expired driver's license since the military does not require the holder to have a valid driver's license. An expired driver's license or expired ID card may be used for signature verification along with the US military ID. ID cards for military dependents and retired personnel will still contain signatures.

In addition to verifying the valid form of ID, tellers/MSR's will verify:

- Complete address (If the address on the ID is different from the system address, the teller will verbally inquire as to address on file.)
- Last 4-digits of the member's or joint owner's Social Security number (when presented by the issuer credit union)

If the teller is unable to adequately confirm the identity of the member, the acquirer can refuse service and refer the member to their issuer credit union. The acquirer can also opt to obtain additional information from the issuer in order to process the member's transaction if they deem it appropriate. Acquirer will use reasonable discretion as to whether to process the transaction if the member is unable to or is not asked to provide the correct address or Social Security number. If found to be negligent, the Acquirer may be responsible for any losses incurred as a result of performing the transaction when all steps for verifying the member were not followed.

**F. ACCESSING ACCOUNTS AT SELF-SERVICE SOLUTION**

POLICY An account may be accessed through the entry of the member's credit union name and member account number.

Members must enroll and establish a personal identification number (PIN) to use a shared branch self-service solution (kiosk).

PROCEDURE

First-time users (members) may be asked to enroll for self-service usage and create a PIN for subsequent member visits. CO-OP Shared Branching recommends the following steps for the enrollment process:

1. The member inserts any card (credit card, debit card, driver's license, etc.) for the purpose of reading the member's name on the Track data of the magnetic strip. The process is similar to that used at airports for issuing boarding passes to passengers.
2. The member's photograph is taken.
3. The member must confirm the last five digits of their social security number and then respond correctly to two out of three of the following: (a) their telephone number, (b) their three to five digit street number, and (c) their ZIP code.
4. If successful, the member is asked to select their PIN and confirm by re-entering.
5. If the member fails to successfully enroll and establish a PIN during their initial visit, they must contact their credit union to determine if their correct information is on file.

If the member forgets their PIN, they need to have their PIN block reset. A self-service acquirer may reset the PIN block for any member who has already used the device. The PIN block reset is best done by the member while at the self-service device if a phone is provided and available for member use.

Subsequent visits by the enrolled credit union member will require them to insert a valid card and PIN to confirm identification and ownership on the account. The name presented on the magnetic strip will be verified against the account and the PIN validated.

**G. ACCOUNT WARNINGS AND MESSAGES**

POLICY All warnings and messages must be followed if presented by the issuer and displayed by the acquirer's terminal platform. If a member or account-level message is



unclear, the member's credit union is to be contacted prior to processing the transaction. It is essential that warning messages be written in a manner that acquirers can understand. Issuers should avoid using "buzz words", codes or abbreviations.

Issuers/Hosts should not rely solely on warning messages for preventing activity; account access should be restricted or blocked when appropriate. If the acquirer is unable to process an online transaction due to an account being flagged, blocked or restricted in any manner, the member must be referred to their credit union.

## **H. SERVING MEMBERS WITH FLAGGED ACCOUNTS**

If the issuer credit union desires to limit services available to members at shared branch locations, the issuer credit union must establish authorization limits for the member on their host system or flag/restrict the account(s) from access at acquirer locations.

If the accounts are restricted, acquirers are typically unable to perform any transactions on those flagged accounts regardless of the source of funds (cash or check).

If the flag or denial message is received while attempting to perform a member verification, the acquirer must refer the member to their credit union for removal of the flag or other account restriction.

If the flag is received while attempting to perform a monetary transaction, the branch staff may call the credit union for authorization or refer the member to their credit union. Branch staff must document the following when receiving authorization:

1. Name (first and last) of authorizing person and title
2. Phone number and extension
3. Date and time of call

If the issuer credit union is unavailable or denies authorization, the acquirer must refer the member to their credit union.

Overriding any transactions denied by the issuing credit union is prohibited. Acquirers that "force post" transactions denied by the issuer accept responsibility for any loss amounts incurred as a result of overriding the transaction(s).

## **I. SPECIALLY TITLED ACCOUNTS**

POLICY Specially titled accounts or accounts with restrictive ownership will generally not be accessible through shared branching. This would include such accounts as Estate, Fiduciary (Conservator/Guardian/Representative Payee), Infant Compromise,



UTMA (uniform transfer to minors), Power of Attorney, etc. Often these types of accounts have specific paperwork and/or court orders describing account activity and transaction restrictions.

If the acquirer receives a transaction request for these types of accounts, the person requesting the transaction should be referred to the issuer credit union for proper handling.

## **J. INTERNATIONAL TRANSACTIONS**

POLICY All International credit union deposit transactions will be processed as cash. Check deposits will not be permitted for International credit union members. Members of foreign credit unions will be required to deposit cash in the local currency (i.e., Ecuadorian members depositing funds at a US outlet will be required to deposit US currency).

## **K. TRANSACTION REQUEST FORM**

POLICY It is recommended that MSR/tellers have the member complete a "Transaction Request Form" prior to each transaction.

## **L. MEMBER RECEIPTS**

POLICY Members will receive a receipt for each transaction displaying:

- Member's credit union name
- Member's name
- Amount and date of the transaction
- Service Center location
- MSR's ID number and transaction sequence number
- The MSR must have the member's signature on the receipt or the transaction request/voucher
- Identification information for the person completing the transaction must be noted on the transaction request/voucher, acquirer software application or receipt (Type of ID, ID number, state of issuance and expiration date).

It is recommended that the MSR review the transaction receipt with the member to ensure the appropriate transaction was completed on the member's account, and have the member sign the transaction receipt. A signature on the transaction request form in lieu of a signature on the receipt is permissible.



M. SIGNATURE VERIFICATION

POLICY Service center personnel may request verification of a member’s or joint member’s signature from the host credit union. The host credit union will ultimately be responsible for determining the validity of and approving the member’s signature.

N. OFF-LINE

Off-line is defined as anytime a member's transaction cannot be completed in an on-line mode. This may include the host credit union data processor being down, or data lines being down where communication is unavailable.

POLICY The CO-OP Shared Branching Network-approved Off-Line Policies and Procedures are used to perform the following member transactions during off-line mode:

<u>Transaction Type</u>	<u>Limits</u>
Deposit	Unlimited
Withdrawal	Unavailable
Transfer	Unavailable
Balance Inquiry	Unavailable
Loan Payment	Unavailable
Loan Advance	Unavailable

**Note:** Emergency Disaster Recovery rules will apply when authorized by CO-OP Shared Branching. Specific instructions will be provided to acquirers during such disaster recovery events.

PROCEDURE

In the event the service center is unable to post a transaction, the following procedures apply:

1. Using a Transaction Request Form, the MSR will obtain the off-line member information necessary to perform a transaction.
  - a) Credit union name
  - b) Member name
  - c) Member account number
  - d) Member account description (if known)
  - e) Member Social Security number
  - f) Day and evening phone number
  - g) Signature and picture identification
2. An off-line receipt will be generated and completed by the MSR and signed by the member.



3. The member will receive the duplicate off-line receipt.
4. Transaction procedure when communication is re-established:

**Step 1** ⇒ The MSR will post the transaction as the system becomes available. The transaction will include a member verification, the transaction request and host approval. **The transaction must be posted within 24 hours of the receipt of the item. If the transaction cannot be completed within 24 hours of being accepted, the service center will complete the appropriate adjustment and submit it for processing.**

**Step 2** ⇒ A copy of the new on-line receipt will be attached to the original Off-Line Transaction Form.

## O. FUNDS AVAILABILITY

POLICY The following statement, or other similar language, will be posted by each acquirer so that it is clearly and reasonably visible to guest members: "Funds deposited may not be immediately available. Check with your credit union for funds availability information."

If the self-service solution or device is able to display the funds availability message within the application or on the unit itself, that will suffice and additional signage will not be required.

## P. FEE SCHEDULE

POLICY Transaction fees are incurred by the issuer/host credit union for member activity and paid to the service center or outlet. Please refer to your contract for pricing information and fee billing schedules.

## Q. SAFEGUARDING INFORMATION

POLICY Acquirers will provide reasonable safeguards to ensure the safety of all negotiable instruments and member information (i.e., vouchers, receipts, checks, etc.).

## R. SUPPORTING DOCUMENTATION

POLICY Acquirers shall provide transaction data to any issuer upon request if there is an alleged error or dispute. All requests for information should be timely and reasonable in nature. Issuers may make reasonable requests for copies of checks



deposited when unusual circumstances dictate further review of the deposit is appropriate. Issuers should not expect that acquirers will provide routine information on a daily basis for making hold decisions, etc. Issuers are encouraged to have standard holds in place for handling routine daily check deposits.

## S. CHECK PRESENTMENT AND COLLECTION

POLICY Acquirers should present for collection all checks (items) received for deposit in accordance to guidelines outlined in Uniform Commercial Code (UCC) –Bank Deposits and Collections Article 4 and in compliance with Federal Regulation CC, Article 229 governing check availability. Acquirers will exercise ordinary care under these regulations and guidelines by taking proper action before its standard deadlines following receipt of an [item](#).

Best practice would be for acquirers to send items that are deposited for collection the same business day the deposit occurred but not later than the following business day if the same-day cutoff times were missed.

## T. HIGH VOLUME TRANSACTION ACTIVITY

POLICY Acquirers shall provide services to guest members, whether owners of individual credit union accounts or members conducting transactions for business accounts. Acquirers may make arrangements with regular members or businesses wishing to conduct higher volumes of transactions either in cash or by checks so that both the guest member's and acquirer's needs are met. For instance, the acquirer may request that the guest member not present a high volume of checks just before closing. Acquirers are encouraged to work with the business members and make arrangements for handling larger amounts of cash when appropriate, etc. Reasonable care should be given to servicing these types of accounts in accordance with the policies outlined within this document.



## CU SERVICE CENTERS POLICIES/PROCEDURES

### II. Financial Transactions

#### A. DEPOSITS

POLICY Beginning after the June 16, 2009 mandate, deposits consisting of cash and check(s) in the same transaction may be processed as a single transaction. As of June 16, 2009 all issuers and acquirers are required to support the new transaction (message) format that includes the cash deposit indicator for deposit transactions, enabling acquirers to process cash and checks as a single deposit transaction. Acquirers no longer need to process cash and check transactions separately.

Failure to comply with the June 2009 transaction formats and specifications may result in inaccurate reporting and aggregation of transactions. Issuers and Acquirers not adhering to the June 2009 transaction mandates may be subject to financial penalties and/or CO-OP Shared Branching may temporarily suspend services to the issuer or acquirer until they are able to comply with the network mandate.

Non-member deposits, with no cash back, may be accepted with the signature and ID of the person making the deposit at teller-assisted acquirer locations. A receipt will be given to the non-member; however, the receipt should not include account balances.

#### PROCEDURE

Deposits consisting of both cash and check, regardless of the dollar amount, will be processed as a single transaction and will now give issuer credit unions the ability to aggregate cash transactions for their members and do any necessary BSA (Bank Secrecy Act) reporting. Refer to Section III, Bank Secrecy Act/Anti-Money Laundering and OFAC Requirements, for further definition and clarification of network policies on BSA.

This procedure for qualified cash/check deposits will:

- Require a transaction request form from the member (where applicable)
- Provide a transaction receipt

#### 1. CASH AND COIN

POLICY Deposits will be accepted in US currency only.



Currency Transaction Reports (CTRs) will be completed for all cash transactions when appropriate. Refer to Section III, Bank Secrecy Act/Anti-Money Laundering and OFAC Requirements, for further definition and clarification of network policies.

## PROCEDURE

Cash deposits are processed after the verification of a member's identification.

MSRs are required to inspect all cash and/or coin accepted for deposit prior to posting the transaction. The amount of coin accepted may vary based on the service center/outlet's policy. Suspicious currency will be referred to the Service Center or credit union manager, who will inform the proper authorities.

## 2. CHECK

### POLICY

MSRs/tellers are required to inspect all items for negotiability/acceptability using reasonable care, which will include the verification and presence of all noted security features disclosed on the item, such as watermarks and printed instructions. All negotiable items must also meet the following:

- a. Is properly endorsed (actual member endorsement or "Credited to the account of the within named payee")
- b. Does not have a Conditional/Restrictive endorsement obligating the MSR or financial institution to events other than "to be signed in the presence of the teller" or "for Deposit only" or similar wording.
- c. Is not a third party item (A check written by one person, payable to a second person and endorsed by a third person will not be accepted.)
- d. Is payable to the member or joint owner
- e. Is signed by the maker
- f. Has a current date (less than 6 months old unless otherwise stated on the item)
- g. Is not postdated
- h. Has a routing and transit number encoded in the MICR line
- i. Check has not been noticeably altered
- j. Is payable in US funds and drawn on a financial institution located in the US
- k. Is not written in pencil
- l. Is not a collection item
- m. Is not an insurance draft requiring special handling
- n. Is not drawn on the member's account or joint account at the same financial institution to which the deposit or payment is being made
- o. Jointly payable income tax refund checks will be accepted only if both parties have endorsed the check and are joint owners on the account.
- p. The item has not been previously returned
- q. Temporary and/or Courtesy checks will be visually inspected to ensure that the MICR information (Routing and Transit number and account number) at the bottom of the check is imprinted with MICR ink.



All teller-assisted branches or outlets are responsible for coding items deposited at their service center location. MSRs/tellers will code items as follows:

Immediate/Expedited =

- Cash Deposits
- Government Checks
- Federal Reserve or Federal Home Loan Bank Checks
- US Postal Money Orders
- Payroll Checks: Must be computer-generated; handwritten payroll checks will not be processed with the Immediate indicator but will be processed as either local or non-local based on the Routing and Transit number. In addition, the word "payroll" or "payroll account" should be commercially imprinted on the item and members **must** provide the corresponding paystub for the check to be given immediate credit. Tellers must make a note in the upper right hand corner of the check (i.e. "stub") indicating they have viewed the payroll check stub. Payroll checks in excess of \$2,500 will be coded as either local or non-local or if one or more of the conditions above cannot be met.

Local = An item drawn on an institution within the same Federal Reserve District as the acquirer location. Cashier Checks (Official, Teller Checks), Money Orders and Traveler's Checks. Payroll checks in excess of \$2,500 or if one or more of the payroll requirements cannot be met.

Non-local = An item drawn on an institution outside of the acquirer locations Federal Reserve District. Cashier Checks (Official, Teller Checks) Money Orders and Traveler's checks. Payroll checks in excess of \$2,500 or if one or more of the payroll requirements cannot be met.

Payroll Item Best Practices:

- The net pay on the stub should match the amount of the check.
- The perforation for the stub and check should line up. If the perforation is on top of the check, then the perforation should be on the bottom of the corresponding payroll stub.
- Review the wages to see if they seem appropriate, for example, if a January check, YTD wages probably should not be \$77,000.

**CO-OP Shared Branching - Network Policies and Procedures**

Self-Service Solutions will code checks as either local or non-local based on the Routing and Transit number and whether it falls within the same Federal Reserve District.

Immediate = cash only will typically qualify as “immediate” at self-service devices.

Local = An item drawn on an institution within the same Federal Reserve District as the acquirer location. Cashier Checks (Official, Teller Checks), Money Orders and Traveler’s Checks, Payroll checks.

Non-local = An item drawn on an institution outside of the acquirer locations Federal Reserve District. Cashier Checks (Official, Teller Checks) Money Orders and Traveler’s checks, Payroll Checks.

**Acquirers:**

Failure to properly designate a deposited item as described in these policies and procedures may result in the acquirer being liable for any loss amount incurred. Liability may result only to the extent the loss was a direct result of non-compliance of these policies and procedures. Acquirers overriding the issuer’s ability to place a hold on deposits by sending an “Immediate” indicator where a “Local” or “Non-Local” indicator is required, may be held liable for any losses if funds are withdrawn, unless it is determined that the issuer’s hold policies are non-functional or it can be proved that the acquirer’s non-compliance had no direct affect on the outcome and did not contribute to the loss.

Coding allows host credit union to identify items and place their appropriate holds. Items requiring the MSR/teller to use the immediate/expedited indicator:

- Cash Deposits
- Government Checks
- Federal Reserve on Federal Home Loan Bank Checks
- US Postal Money Orders
- Payroll Checks: Payroll check must be computer-generated; handwritten payroll checks will not be processed with the Immediate indicator but will be processed as either local or non-local based on the Routing and Transit number. In addition, the word “payroll” or “payroll account” should be commercially imprinted on the item and members **must** provide the corresponding paystub for the check to be given immediate credit. Tellers must make a note in the upper right hand corner of the check (i.e. "stub") indicating they have viewed the payroll check stub. Payroll checks in excess of \$2,500 will be coded as either local or non-local or if one or more of the conditions above cannot be met.



The MSRs will inform the member that a check hold may be placed on the deposited funds in accordance with their credit union's funds availability policy.

#### On-Us Check Presentment:

Guest members presenting an item drawn against the outlet (credit union official check or credit union member's share draft) should be negotiated internally and a cash deposit made to the guest member's account. For instance, a guest member brings in a check drawn on XYZ Credit Union to XYZ Credit Union outlet for deposit to ABC Credit Union. XYZ Credit Union would try to process or “clear” their check first, depositing cash to the member’s account at ABC credit union.

#### Third Party Checks:

Checks written by one person, payable to a second person and endorsed by a third person will not be accepted, unless directly authorized by the host/issuer credit union.

#### Restrictive Endorsements:

Items with Restrictive endorsements will be referred to the host credit union.

#### Multiple Payee Checks:

Joint or multiple payee checks will be accepted only if all parties have endorsed the check and are owners on the account the check is being deposited to. Signature verification from the Issuer/Host credit union may be requested by the Acquirer.

#### Non-Member Deposits:

Non-member deposits, with no cash back, may be accepted with the signature and ID of the person making the deposit. A receipt will be given to the non-member; however, the receipt should not include account balances.

#### International Members:

Members of International credit unions (i.e., Ecuador, Mexico, etc.) may not deposit checks (either checks drawn on US or foreign institutions). Acquirers accepting checks for International members are subject to any loss amounts incurred as a result of any returned or uncollected items. Cash only deposits will be allowed.

### PROCEDURE

Deposits consisting of check(s) are processed after the verification of a member's identification.





#### 4. SPLIT DEPOSIT

POLICY Check deposits cannot be split into more than one account or sub-account. If a member wishes to deposit the proceeds into two or more accounts or sub-accounts, the items must be deposited into one account with the proper hold code. If funds are available, a transfer or withdrawal can then be made. If funds are not available, the member will be referred to their financial institution.

#### PROCEDURE

Deposits are processed after the verification of a member's identification. Items will be deposited in their entirety and then subsequent withdrawals or transfers made if funds are available.

#### 5. MONEY ORDERS

POLICY All money orders presented for immediate credit must be US Postal Money Orders and will be inspected by the teller for authenticity. Anything other than a US Postal Money Order will be deposited as either a local or a non-local item, based on the Routing and Transit number.

Members of International credit unions (i.e., Ecuador, Mexico, etc.) may not deposit money orders. Acquirers accepting money orders for deposit for International members are subject to any loss amounts incurred as a result of any returned or uncollected items. Cash only deposits will be allowed.

#### PROCEDURE

Money orders have been involved in numerous frauds, including Internet scams and counterfeit notes. Postal money orders are specially designed with security features and different colored inks, watermarks, and security thread in the paper. Tellers are required to check for and verify the following security features:

- Ben Franklin images (watermarks) repeated on the left side, top to bottom.
- A dark security thread running top to bottom to the right of the Franklin watermark, with the tiny letters "USPS" facing backward and forward.

Also note that denominations are indicated on two locations. The maximum value for domestic postal money orders is \$1,000. The maximum value for international postal money orders is \$700. Any discoloration of the denomination amounts indicates the number was altered and is fraudulent and, therefore, should not be accepted by the teller.

**Note:** The United States Postal Service (USPS) launched a money order verification system that tellers may use to verify the validity of a USPS Money Order. This system is an interactive voice response system that financial institutions can reach by



calling 866-459-7822. Plans are underway for a batch type of system allowing users to verify more than 20 USPS money orders at a time. Using the system, users can verify money orders issued more than 48 hours ago and not older than 90 days.

The system will either verify that the money order was issued by the USPS in the dollar amount entered or respond that the money order does not match the USPS data base.

If there is any question as to the validity of a money order being presented for deposit, tellers must verify the acceptability of the item by using the USPS money order verification system.

## **B. WITHDRAWALS**

### **1. CASH**

POLICY Cash withdrawals will be processed only after the member is properly identified and a valid photo ID is presented to the MSR. (Refer to the Accessing Accounts section of the Operating Policies and Procedures.)

Credit union Outlets are required to make available a minimum of \$500 in cash, per member, per day, based on funds availability of member's account. Outlets that participate in the network and are publicized as "cashless" branches are exempt from this requirement. Licensed service centers (Standalones) are required to make available a minimum of \$1,000.

Acquirers at their discretion may disburse additional funds to the members provided the acquirer has the funds available and the issuer/host provides online authorization.

If a joint owner is requesting a cash withdrawal from a specific account, verification must be obtained to authorize the withdrawal from that account. (Refer to the Accessing Accounts section of the Operating Policies and Procedures.)

### **2. CHECK**

POLICY Check withdrawals will be limited to the total amount of available funds and can be processed only with online authorization from the host credit union.

Acquirers may not set check withdrawal limits. Acquirers are encouraged to have the CU Service Centers logo appear on all check withdrawals.

Upon notification from the member, the service center will place stop payments on checks issued by the service center or outlet, which are lost, stolen or destroyed. A



replacement check will be issued, or an adjustment made to the member's account in accordance with the acquirer's own check replacement policy. The service center or outlet may require the member to complete an affidavit stating the check was lost or stolen.

#### PROCEDURE

The service center or outlet credit union will follow the procedures established by its third-party vendor (corporate credit union, etc.).

### 3. CHECK WITHDRAWAL – CASHED CHECK FROM ACCOUNT – limited availability.

#### POLICY

Participating acquirers will provide an optional service where members and non-members may present a share draft to be cashed/cleared against the payor as an immediate withdrawal. When share drafts are presented and handled as direct share withdrawals, the Acquirer provides the draft numbers, which is transmitted in the electronic message to the Issuer/Host. Local networks may establish separate check withdrawal cashed check policies for local network credit unions. This transaction is not currently available to all CO-OP Shared Branching issuers and acquirers.

Available to Standalones in limited markets.

## C. CHECK CASHING

#### POLICY

Checks will not be cashed. All checks must be deposited and funds withdrawn if available and online approval is provided by the issuer. Local networks may establish separate check cashing policies for local network credit unions.

Members of International credit unions (i.e., Ecuador, Mexico, etc.) may not deposit checks (either checks drawn on US or foreign institutions). Acquirers accepting checks for International members are subject to any loss amounts incurred as a result of any returned or uncollected items. Cash only deposits will be allowed.

## D. ACCOUNT INQUIRIES

#### POLICY

Account inquiries may be obtained for member share, loan, and credit union-defined investment accounts.

Accounts may ONLY be accessed by tellers in the course of performing a financial transaction for a guest member visiting the Acquirer's branch. Acquirers are prohibited from utilizing shared branching inquiries and transactions for non-shared branching related activity, i.e., researching available funds on a check presented for deposit to the Acquirer's own accounts.

**E. TRANSFERS**

POLICY Share to share and share to loan transfers may be processed within the same member account (to sub-accounts). Beginning after the June 16, 2009 mandate, Acquirers will have the ability to perform a transfer transaction between different Issuer/Host credit unions or different member accounts within the same Issuer/Host.

As of 6/16/2009 all issuers and acquirers are required to support the new transaction (message) format that includes a new transfer transaction, enabling acquirers to process transfers between different accounts or different issuer credit unions. Acquirers should no longer need to process transfers between credit unions as check withdrawals and deposits.

Failure to comply with the June 2009 transaction formats and specifications may result in inaccurate reporting and aggregation of transactions. Issuers and Acquirers not adhering to the June 2009 transaction mandates may be subject to financial penalties and/or CO-OP Shared Branching may temporarily suspend services to the issuer or acquirer until they are able to comply with the network mandate.

Transfers (share to share, share to loan within the same or different issuers ) will not require a Currency Transaction Report since reporting will identify that no cash was involved (changed hands).

**F. LOAN PAYMENT EXCEPTION**

POLICY A loan payment will not be accepted if the host credit union denies the transaction (i.e. bankruptcy, foreclosure, repossession, etc.)

Acquirers will refer members to their respective credit unions for additional information and instructions.

PROCEDURE

Loan payments are processed after the verification of a member's identification.

Currency Transaction Reports (CTRs) will be completed for all cash transactions when appropriate. Refer to Section III, Bank Secrecy Act/Anti-Money Laundering and OFAC Requirements, for further definition and clarification of network policies.

MSRs must not accept a loan payment if the response from the host credit union denies the transaction.



**G. LOAN ADVANCE**

POLICY The host credit union will be responsible for member notification of payment or APR changes subsequent to an advance obtained from a service center.

**H. REVERSALS**

POLICY Reversals may only be processed on the same day as the error. Transaction errors found after the day the transaction is posted must be processed according to the Adjustment Procedures. Best practice would indicate the reversal should be performed while the member is at the acquirer location. If an error is discovered after the member completed their transaction, consideration should be given to contacting either the member or the issuer credit union to inform them of the correction.



## CU SERVICE CENTERS POLICIES/PROCEDURES

### III. Bank Secrecy Act/Anti-Money Laundering and OFAC Requirements

The Currency and Foreign Transactions Reporting Act, also known as the Bank Secrecy Act (BSA), and its implementing regulation, 31 CFR 103, is a tool the U.S. government uses to fight drug trafficking, money laundering and other crimes. Congress enacted the BSA to prevent banks and other financial service providers from being used as intermediaries for, or to hide the transfer or deposit of money derived from, criminal activity.

The reporting and record keeping requirements of the BSA regulations create a paper trail for law enforcement to investigate money laundering schemes and other illegal activities. This paper trail operates to deter illegal activity and provides a means to trace movements of money through the financial system.

#### A. CURRENCY TRANSACTION REPORTS

POLICY Currency Transaction Reports (CTR) must be prepared by the Acquirer/Outlet Owner on a cash transaction(s) of \$10,000.01 or more, that is done for either one Issuer/Host Credit Union or multiple Issuer/Host Credit Unions, and is done by or on behalf of the same person at the same time or when the Acquirer has knowledge that multiple cash transactions are being done by or on behalf of the same person during any one business day.\*

“Cash-in” and “Cash-out” transactions should be considered separately and not combined in any manner, but may be reported on a single CTR filling in both *Total Cash In* (Item 26) and *Total Cash Out* (Item 27). See examples 1 to 4 in the CTR instructions.\*

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\* The CTR instructions concerning aggregation state “Multiple transactions must be treated as a single transaction if the financial institution has knowledge that (1) they are by or on behalf of the same person, and (2) they result in either currency received (Cash In) or currency disbursed (Cash Out) by the financial institution totaling more than \$10,000 during any one business day.” This means that cash-in and cash-out transactions are not aggregated to reach the \$10,000.01 threshold, but are considered separately. An administrative ruling defines “knowledge” in this context to mean “knowledge on the part of a partner, director, officer or employee of the financial institution or on the part of any existing automated or manual system at the financial institution that permits it to aggregate transactions.”

PROCEDURE

Acquirer/Outlet Owners and Issuer/Host Credit Unions are responsible for determining when circumstances require the filing of a CTR, reading and understanding the CTR form and its instructions and accurately completing the CTR form and timely filing it with the appropriate government agency.

A copy of the CTR, completed pursuant to the procedures below and signed by the Acquirer/Outlet owner, must be filed with the appropriate agency on a timely basis, but not later than what is allowed according to the Regulation. Please refer to the CTR for the proper agency filing address.

When there is a single Issuer/Host credit union, the acquirer/outlet is responsible for faxing a copy of the CTR to the issuer credit union. Because of potential privacy concerns, Outlets will NOT fax copies of CTRs to issuers when multiple issuers are included on the same CTR. Issuer/Host credit unions will have the ability to request the appropriate details and CTR information from the Acquirer/Outlet owner when multiple issuers are involved or if the Issuer/Host doesn't receive CTR information from the Acquirer/Owner and they suspect a CTR should have been completed.

Responsibilities:1) Transactions where there is **one** Issuer/Host Credit Union

(aa) Example 1: Member of CU A conducts a transaction(s) at Outlet X that would require a CTR.

- The Acquirer/Outlet Owner is responsible for obtaining the information necessary to complete the CTR, preparing the CTR at the time the guest member makes the cash transaction(s), filing the CTR directly with the appropriate agency and retaining the original CTR for the time required by the regulation. When there is a single issuer, the acquirer/outlet is responsible for faxing a copy of the CTR to the issuer credit union.

(bb) Example 2: Member of CU A conducts transactions at Outlet X and Outlet Z, or Outlet X and Outlet X at different times that, when combined, would require a CTR.

- The Issuer/Host Credit Union (CU A) is responsible for aggregating transactions at multiple Acquirers/Outlets, or at single Acquirers/Outlets when the transactions are not done at the same time, completing a CTR when required, and filing the CTR directly with the appropriate government agency.

It is the Issuer/Host Credit Union's responsibility to comply with federal regulations and aggregate transactions to file a CTR for



transactions occurring at multiple locations within the same day (i.e. a branch of the Issuer/Host Credit Union, shared branches, ATMs, etc.)

2) Transactions when there are *multiple* Issuer/Host Credit Unions

(cc) Example 3: Example: Member of CU A and CU B conducts transactions at Outlet X in accounts at both CU A and CU B that, when combined, would require a CTR.\*\*

- The Acquirer/Outlet Owner is responsible for obtaining the information necessary to complete the CTR, preparing the CTR at the time the guest member makes the cash transactions, filing the CTR directly with the appropriate agency and retaining the original CTR for the time required by the regulation.

Because of potential privacy concerns, Acquirers will NOT fax copies of CTRs to Issuers when multiple issuers are included on the same CTR. Issuer/Host credit unions will have the ability to request the appropriate details and CTR information from the Acquirer/Outlet owner when multiple issuers are involved or if the Issuer/Host doesn't receive CTR information from the Acquirer/Owner and they suspect a CTR should have been completed.

All cash transactions should be considered, including loan payments made in cash or advances made in cash.

The Issuer/Host Credit Union and Acquirer/Outlet should also pay attention to Part III of the instructions on the CTR form concerning the financial institution where the transaction takes place which provides that the preparer:

“Enter the street address, city, state and ZIP Code of the financial institution where the transaction occurred. If there are multiple transactions, provide information on the office or branch where any one of the transactions has occurred.”

**Note: The Issuer/Host Credit Union must check the Cardholder Deposit Activity/Issuer Transaction Detail Report daily to file CTRs for deposits that total over \$10,000 for one business day.**

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\*\* Note that if the transaction(s) with just one of the Issuer/Host Credit Unions exceeded \$10,000, the Acquirer/Outlet would still follow the procedure under 2(a)(ii)(cc), however, making sure the CTR contains the credit union names and the combined transaction amounts for the total dollar amount received at the Outlet for the multiple Issuer/Host Credit Unions. Remember that “cash-in” are aggregated and reported separately from “cash-out”.

**FORM COMPLETION:**

1. To the extent a standalone service center is: (1) a money service business (i.e., offers money orders, Traveler's Checks, check cashing, currency dealing or currency exchange); or (2) an agent of a credit union, the standalone service center will be deemed a financial institution pursuant to the regulatory definition set forth in the 31 CFR 103.11. Pursuant to 31 CFR 103.22(b)(1), financial institutions must file Currency Transaction Reports using Form 104 when reporting currency transactions in excess of \$10,000.
2. When there is one Issuer/Host Credit Union, the Acquirer/Outlet location would complete all sections of the report, sign the report and file the report with the appropriate agency. When there is a single issuer, the acquirer/outlet is responsible for faxing a copy of the CTR to the issuer credit union.
3. When there is one Issuer/Host Credit Union and multiple outlet locations (or a single Acquirer/Outlet location with transactions for one Issuer/Host Credit Union conducted at different times), the Issuer/Host Credit Union will complete all sections of the CTR report, sign the report, and file it with the appropriate agency.
4. When there are multiple Issuer/Host Credit Unions, the Acquirer location would complete all sections of the report, sign the report and file the report with the appropriate government agency. Because of potential privacy concerns, Outlets will NOT fax copies of CTRs to issuers when multiple issuers are included on the same CTR. Issuer/Host credit unions will have the ability to request the appropriate details and CTR information from the Acquirer when multiple issuers are involved or if the Issuer/Host doesn't receive CTR information from the Acquirer/Owner and they suspect a CTR should have been completed.

**B. SUSPICIOUS ACTIVITY REPORTS**

**POLICY** Suspicious Activity Reports (SARs) must be prepared by the Acquirer for transactions (cash or check) if they are able to determine that any one or more of the following apply:

1. Criminal violations involving insider abuse of any amount
2. Criminal violations aggregating \$5,000 or more when a suspect can be identified
3. Criminal violations aggregating \$25,000 or more regardless of potential suspect
4. Transactions conducted or attempted by, at, or through an Acquirer and aggregating \$5,000 or more and the Acquirer knows, suspects or has reason to suspect the transaction:



- Involves funds derived from illegal activities or is intended or conducted in order to hide or disguise from illegal activities assets derived from illegal activities as part of a plan to violate or evade federal law or to avoid any transaction reporting requirement
- Is designed to evade the BSA
- Has no business or apparently lawful purpose or is not the sort in which the particular guest member would normally be expected to engage and the Acquirer knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction

**Note: This is not to be taken as a complete list required for completing the SAR; please refer to federal regulations with regards to filing SARs.**

SARs must be filed by the Acquirer directly with the appropriate agency within 30 calendar days after the initial detection of facts that may constitute a basis for filing a SAR, 60 days if necessary to identify a suspect.

With limited exceptions, generally it is the Acquirer's responsibility to comply with federal regulations to file the original SAR in accordance with the Bank Secrecy Act.

Issuer/Host credit unions are also responsible for reviewing all financial transactions performed by their members at service centers to determine whether the combination of the cash transactions fall within the parameters of SAR filing. If the issuer sees activity that would constitute a reportable event, then the Issuer credit union must complete and file a SAR in accordance with the Bank Secrecy Act.

A copy of all completed SARs must be retained for the time required by the regulation.

## C. MONETARY INSTRUMENT LOGS

### POLICY

Acquirers are required to maintain monetary instrument logs with respect to the sale of money orders, Traveler's Checks and cashier's checks where the issuance and sale of such items is for currency in amounts between \$3,000 and \$10,000. With respect to record keeping and reporting of such transactions that fall below the \$3,000, there is no record keeping or reporting requirement on the part of the financial institution unless there is knowledge of structuring by the guest member.

**FORM COMPLETION:**

When circumstances require that monetary instrument purchases be documented, the following guidelines apply:

1. When Acquirers facilitate the purchase of monetary instrument(s) by a member of an Issuer credit union, the Acquirer will obtain and document the required information on a Monetary Instruments Recordkeeping Log.
2. The information will be maintained at the Acquirer location for the mandatory recordkeeping requirement timeframe as determined by the BSA rules.

Refer to Exhibit C for a sample Monetary Instrument Log that may be used by the Acquirer or used as a guide for completing your own log.

The record of these transactions can either be a manual or electronic format. The records must be kept for the appropriate length of time in accordance with the requirements. If the Acquirer's computer system has the ability to generate a report that contains the appropriate information, the Acquirer does not need to maintain a separate log. However, the Acquirer must be able to generate this report for any currency transactions for the purchase of a credit union check, cashier's check, money order or Traveler's Check. And, you must be able to aggregate these currency transactions to determine whether a member or account made more than \$10,000 in transactions at your location in one day.

**D. OFFICE OF FOREIGN ASSETS CONTROL REPORTING**

POLICY Issuer/Host Credit Unions are responsible for checking their members against the OFAC lists and complying with OFAC requirements to the same extent they would be required to do so if they were not a participant in a shared branching network.

When handling third-party transactions for an Issuer/Host Credit Union guest member, the Acquirer is responsible for complying with all OFAC requirements just as it does when handling third-party transactions for its own members. It is the Acquirer's responsibility to apply its general risk assessment policy to these third-party transactions, and take such action and file such reports as may be required by OFAC regulations. For example, when a member requests an official check made payable to a third party, the payee must be checked against the OFAC list, etc.

A member performing International transactions (member depositing funds through a US outlet to their foreign credit union and vice versa) will be verified against the OFAC lists to be compliant with OFAC requirements and transactions rejected if necessary.



**NOTE: CO-OP SHARED BRANCHING POLICIES OR THOSE DEFINED BY THEIR LOCAL NETWORKS DO NOT SUPERSEDE FEDERAL OR STATE REGULATIONS. ISSUERS AND ACQUIRERS SHOULD BE FAMILIAR WITH ALL RULES PERTAINING TO, BUT NOT LIMITED TO, THE RECORD KEEPING AND REPORTING REQUIREMENTS FOR OFAC, BANK SECRECY ACT, CTRS, SARS, MONETARY INSTRUMENT LOGS, ETC. TO BE SURE THEY ARE IN COMPLIANCE WITH ALL APPROPRIATE REQUIREMENTS.**



## CU SERVICE CENTERS POLICIES/PROCEDURES

### IV. FACTA/Identity Theft

The National Credit Union Administration (“NCUA”), and other financial institution regulators, as well as the Federal Trade Commission (“FTC”) collectively issued guidelines for financial institutions and other creditors with regard to identity theft. The guidelines are intended to assist financial institutions and creditors in formulating and maintaining a written identity theft program. The guidelines include a list of “red flags” that indicate identity theft.

The NCUA adopted its identify theft rules as part of NCUA Regulation 717. In particular, Regulation 717.82 deals with duties of users of consumer reports regarding address discrepancies. Section 717.90 deals with duties regarding the detection, prevention and mitigation of identity theft, which includes as a part thereof, Appendix J, to Part 717. Finally, Section 717.91 deals with the duties of card issuers regarding changes of address. The NCUA regulations became effective November 1, 2008 and are applicable to all federally chartered credit unions.

State chartered credit unions are not specifically subject to the regulations adopted by NCUA. However, state chartered credit unions are subject to very similar regulations adopted by the FTC in 16 CFR, Part 681. Specifically, Section 681.1 deals with duties of users of consumer reports regarding address discrepancies, Section 681.2 deals with duties regarding the detection, prevention, and mitigation of identity theft, and Section 681.3 deals with duties of card issuers regarding changes of address. The FTC also promulgated Appendix A to Part 681, and specifically, Section 681.2, which sets forth the guidelines for adopting an identity theft program, including relevant red flags. The FTC granted a six month delay of enforcement of its red flags rule until May 1, 2009. The NCUA regulations and the FTC regulations are collectively referred to as the “FACTA red flag rules”.

CO-OP Shared Branching is not subject to the NCUA regulations, since it is not a federal credit union. CO-OP Shared Branching is also not subject to the FTC regulations since it is neither a “financial institution” nor “creditor”, and it does not maintain “covered accounts”, all as defined in the FTC regulations. While the FACTA red flag rules do not have direct application to the operations of CO-OP Shared Branching, CO-OP Shared Branching is cognizant of the requirements placed upon federal and state chartered credit unions relating to oversight of service provider arrangements. It is the policy of CO-OP Shared Branching to periodically review the products and services that it provides to participating credit unions and adopt operating policies and procedures as it deems necessary to detect, prevent, and mitigate the risk of identity theft in connection with the services provided by CO-OP Shared Branching. Those policies and procedures shall be incorporated into the Operating policies and procedures set forth in Section I of this Exhibit B, and the policies and procedures for Teller Transactions set forth in Section II of this Exhibit B.

