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JTM COMPLIANCE TRAINING GUIDE: Q1 2024

Dear Subscribers,

Welcome to the highly anticipated Q1 2024 edition of the JTM Compliance Training Guide, where we navigate the complex regulatory landscape to bring you invaluable insights into the latest updates and upcoming financial regulations that impact training for your organization. As we stand on the cusp of a new year, we are poised to address the challenges and opportunities that lie ahead, taking a proactive approach to ensure your teams are well-prepared with the proper compliance training.

2024 Q1 Commentary:

Embarking on a quarter-by-quarter approach in 2024, we recognize that the regulatory environment keeps on changing. In this issue, we dive into the key themes that will shape the first quarter, providing you with a strategic roadmap and ideas for compliance training.

Our focus is not only on regulatory changes but also on translating these changes into actionable training for specific roles within financial institutions. Staff must understand their new responsibilities, what they entail and how to put them into action. With so many priorities being communicated from various regulators, compliance officers need to be prepared for 2024.

This issue focuses on the key changes occurring in Q1. Not only do we have the BOI provision, but other regulatory requirements that will be rolled out. This includes AML, digital assets, examinations, new regulations in banking and the threats of artificial intelligence (AI). Do not forget about fraud as well.

For staff that oversee a compliance training program, we need to be prepared and agile in 2024. With all the changes, our program must have the flexibility throughout the year. Remember, a plan should be a living document that should be amended during the year.

For additional information or to suggest topics for future newsletters, contact us through our website: jtmcompliancetraining.com.

Understanding the newsletter: For each section, it all starts with a summary and explanation of the regulatory environment, then we move onto the relevant study materials, training courses for you to consider and lastly, the impacted audiences. The information contained in our newsletter is based on our research into pertinent rules & regulations impacting financial institutions.

Please consult Compliance for rules & regulations that directly impact your financial institution and specifically, your roles & responsibilities.

Table of Contents

JTM Compliance Training topics for Q1 2024 3

Anti-money Laundering (AML) in 2024 3

Banking: It could be a wild year!..... 4

The World of Digital Assets!..... 5

Regulatory Examinations will be on the rise in 2024!..... 6

FINRA/SEC: Wealth Management 7

Artificial Intelligence (AI): It is only the beginning!..... 8

Fraud: Criminals keep evolving! 9

Enhancing the Capabilities of Compliance Officers 10

JTM Compliance Training topics for Q1 2024

Anti-money Laundering (AML) in 2024

Summary:

As always, AML is always at the top of the list. The [BOI Provisions](#), which takes effect on January 1st (with additional rulemaking coming from FinCEN), is only the beginning. FinCEN will focus on strengthening AML regulations. Most likely, there will be more stringent requirements for financial institutions. As you are probably aware, money laundering is a global problem and the more information we can share across jurisdictions the better it is for everyone, except the criminals of course.

We also have the [Anti-Money Laundering and Countering the Financing of Terrorism \(AML/CFT\) policy](#) from the EU which will also start in 2024 and includes a BOI provision as well. The policy also includes the creation of a new EU authority to fight money laundering as well as enforcing criminal law provisions and sharing among authorities.

For suspicious activity reporting (SARs) and currency transaction reports (CTRs), if you have not read the stats on the increase in filings, please take a look. It has been trending up the last few years and is expected to increase in 2024. It does not help that fraud has been on the rise and typically when market environments get worse, fraudsters like to take advantage (See Fraud section). And lastly, if you really want some good information, check out the latest version of the [National Illicit Finance Strategy](#). The four main priorities to address threats and risks to the US are an interesting read. It also discusses what we intend to do with these threats.

There are several training opportunities in 2024 for AML. I provided some ideas below in the Training topics section. It is important to inform staff of all the potential changes in 2024 and the ongoing risks. If training is not ideal for a particular topic, consider creating a campaign with a series of communications and reminders throughout the year.

Study Materials:

- [BOI Provisions](#): Beneficial Ownership Information Reporting Rule
- [EU AML/CFT policy](#): It will contain directly applicable rules, including in the areas of customer due diligence (CDD) and beneficial ownership.
- FAQs: [Currency Transaction Repots \(CTRs\)](#) & [Suspicious Activity Reports \(SARs\)](#)
- New acts for digital assets and the associated AML Risks (See Digital Assets section).

Training topics:

- **Creating a Regulatory Reference guide:** we all want to reduce stress and anxiety in our work lives. Regardless of the frequency of a task, we need to be organized with our resources.
- **Key US AML Regulation Changes for 2024:** Important for Compliance Staff: detailed look at the upcoming changes in 2024 and what to do with them.
- **Currency Transaction Reports (CTRs) & Suspicious Activity Reports (SARs):** avoid issues with filing!
- **BOI provision:** what does it mean for financial institutions and reporting companies.

Impacted Areas: Compliance (business-aligned compliance officers, Onboarding, Monitoring & surveillance), Operations, IT, Legal and front office who deal with entity type clients.

Banking: It could be a wild year!

Summary:

2024 promises to be a busy year for the banking industry as various regulatory bodies release a host of new rules and proposals that could significantly impact your financial institution. This regulatory surge is marked by a focus on key themes such as debt collection, mortgage servicing, small business lending data, and consumer reporting.

Regular training and continuous education are essential to keeping staff well-informed and compliant with the latest regulations. Customizing study materials based on the specific needs and roles within the institution can further enhance the effectiveness of the training program.

While the regulatory landscape is expansive, the upcoming changes and proposed amendments for 2024 may serve as a starting point for institutions to consider in their annual training and strategic planning. The list includes new and proposed changes for 2024. There are more of course so consult with your Compliance Officer about any pertinent changes for your specific business line.

- [Federal Oversight of Big Tech Companies and Other Providers of Digital Wallets and Payment Apps](#)
- [OCC 2024 Bank Supervision Operating Plan, Enterprise Fair Lending and Fair Housing Rating System](#)
- [Fair Lending for All Act, Community Reinvestment Act \(CRA\) Modernization, Rulemaking on Personal Financial Data Rights, Regulation V Amendment, Debit Card Interchange Fees and Routing](#)
- [FDIC's Establishing Standards for Corporate Governance and Risk Management for Covered Institutions](#)
- [Dollar Thresholds for Applicability of Truth in Lending and Consumer Leasing Rules for Consumer Credit and Lease Transactions.](#)

Study Materials:

- Keep up to date on all upcoming regulations. Most regulators allow you to sign up for communications through their website. Try it, it can save a lot of time.
- Refresh knowledge on fair lending & deposit regulations, relevant ABC regulations and regulations focusing on risk framework & operations.

Training topics:

- **CFPB ABC Regulations:** A discussion on the different regulations in banking.
- **Fair Lending Regulations:** An overview of Fair Lending and a deep dive into the regulations.
- **Deposit Compliance:** An overview of Deposit Compliance and an in-depth look at the regulations.
- **How to Prepare & Conquer a Regulatory Examination:** process, preparation, regulatory expectations and closing the examination.
- **Regulatory Compliance Quarter wrap-up:** Connect Rules to Roles. Know the recent and upcoming regulations from each regulator.

Impacted Areas:

- Compliance (regulatory affairs, operations, lending & deposit functions), customer facing, Legal.

The World of Digital Assets!

Summary:

Governance around Digital assets is gaining more traction around the world. As our understanding improves, governments and regulators will develop future regulations around digital assets, specifically, cryptocurrencies.

As cryptocurrencies and blockchain technology continue innovating, regulatory oversight is trying to keep pace. With decentralized digital assets still relatively new, uncertainties around governance and compliance standards continue to raise big concerns. For technology companies, financial institutions, investors, and consumers, there needs to be a solid framework for everyone to operate within. It also lends credibility as an emerging asset.

Priority should be placed on promoting awareness and understanding across your financial institution dealing with cryptocurrency adoption or regulation. Be prepared if FinCEN unveils further guidelines for regulating cryptocurrencies to minimize risks and enhance transparency. This could involve stricter measures related to anti-fraud and know-your-customer (KYC) procedures for crypto-related businesses.

But many of the risks surrounding cryptocurrencies come from a general lack of understanding. These technologies can be complex and involve areas such as cryptography, distributed networks, transparency through blockchains, and other technical concepts. Remember this phrase, "People Fear the unknown." When it comes to digital assets and understanding the risks it poses, we need to educate our staff on the basics and what rules & regulations apply from different jurisdictions.

Study materials:

- Resources on cryptocurrency regulation: [Cryptocurrency regulations, PWC Cryptocurrency Report](#).
- [EU AML/CFT policy](#): Contains new regulations for customer due diligence (CDD) and beneficial ownership.
- [FinCEN Alert](#) on Virtual Currency Investment Scam Commonly Known as "Pig Butchering"
- [Responsible Financial Innovation Act](#) has not passed congress yet, but it might be right around the corner. The bill wants to integrate digital assets into existing laws and provide greater clarity.
- [Responsible Development of Digital Assets](#). It is a great step since the goal is to issue guidance, increase enforcement resources, and aggressively pursue fraudulent actors.
- [New Federal Oversight of Big Tech Companies and Other Providers of Digital Wallets and Payment Apps](#)
- [SEC Crypto Enforcement Actions](#)
- [Convertible Virtual Currency Mixing \(CVC mixing\)](#): FinCEN proposed rule to increase transparency around CVC mixing. This is a big money laundering risk since anonymity is the key.

Training topics:

- **Digital assets:** overview, AML risks, AML Compliance Program.
- **Cryptocurrencies:** Basics, regulations in the US & Aboard
- **Regulatory Compliance Quarter wrap-up: Connecting Rules to Roles:** recent rules & regulations.

Impacted Areas: Specific emphasis on compliance officers (financial crimes, monitoring & surveillance, PMO), sales, legal, third parties and any other function directly involved.

Regulatory Examinations will be on the rise in 2024!

Summary:

With the increased scrutiny from regulators, it is extremely important for financial institutions to increase their oversight efforts. This past year was only a start and we witnessed increased scrutiny during regulatory examinations, and this trend is expected to continue. Starting in Q1 2024 and throughout the year, we will see an increase in examination efforts and the repercussions that could result. As a result, financial institutions should increase their efforts in ensuring regulatory compliance and be ready for an exciting examination year. The outcomes might dictate new rules & regulations in 2024. Regardless, we need to prepare with what we have.

With the OCC, examiners are going to focus on the impacts due to recent economic conditions (inflation, interest rates, and a potential downturn in 2024) and global events to see if there has been an increased level of risk.

The SEC's annual Exam Priorities requires reading and offers valuable guidance for training and upgrading policies. Getting ahead of these focused risk areas promotes smoother exams and augments investor protections year-round

We need to be prepared for this coming year with examinations. Regulators are not kidding around when they say that enforcement measures will increase in 2024 as result of their examinations. Part of the preparation includes training, including those directly involved (Compliance, Legal) and those that could be based on the examination focus areas.

Study materials:

- Review examination procedures based on your regulators: [SEC](#), [UDAAP](#), [FFIEC](#), [CFPB](#), [OCC](#).
- Understanding examination priorities for each of your regulators. Here is one: [OCC: Examiner focus for 2024](#)
- Review policies, procedures, audit actions, prior examination results and any resulting actions.

Training topics:

- **Regulator examinations:** understanding the process, expectations and how to handle
- **How to Prepare & Conquer a Regulatory Examination:** process, preparation, regulatory expectations and closing the examination.
- **Examination priorities:** how to review and apply based on your risk-based approach.
- **Examination Procedures:** Discussion on the examination procedures for each regulator

Impacted Areas:

- Compliance, regulatory affairs, operations, business-aligned compliance officers.

FINRA/SEC: Wealth Management

Summary:

FINRA is currently evaluating potential updates to its market conduct rules. The areas of focus may include enhanced disclosures, monitoring & oversight, standardizing reporting. FINRA may issue further guidance or rules around digital assets, crypto custody, trading, DeFi platforms, cybersecurity, and operational resilience regulations.

As investment advisers look ahead to 2024, the SEC's annual Exam Priorities should be required reading. It also offers valuable guidance for training and upgrading policies. Compliance should be prepared due to the increase in regulatory scrutiny. And SEC may propose rules requiring more stringent climate risk/ESG disclosures for public companies and funds. The key focus areas include marketing practices, conflicts of interest, operational resiliency, and financial technology.

Training could involve some of the following topics:

- SEC's priority list
- Processes around higher risk products especially for recommending suitable investment strategies.
- Conflict related documentation, fee and conflict disclosure documents, incentive structures, and policies around client best interests.
- Fiduciary obligations across compensation, valuation procedures, and marketing.

Study Materials:

- [SEC's annual Exam Priorities for 2024](#)
- [2024 FINRA financial reporting obligations and timing](#)

Training topics:

- **RIA Training:** An overview of RIA compliance, fiduciary duties, registration & reporting, advertising, and consequences of non-compliance.
- **Regulator examinations:** understanding the examination process, expectations and how to handle when facing FINRA or SEC.

Impacted Areas:

- Staff involved in advice, disclosures, marketing, portfolio management, and compliance, including investment advisors and anyone in a sales or support function.

Artificial Intelligence (AI): It is only the beginning!

Summary:

The potential of Artificial Intelligence (AI) in reshaping financial regulation is just the beginning. Regulatory agencies stand to benefit significantly by leveraging AI systems to interpret and enforce financial regulations.

Financial institutions are also integrating AI into their business operations, particularly in research, data gathering and monitoring and surveillance. When implemented effectively, AI can play a crucial role in identifying irregularities, detecting discrepancies in transactions, and uncovering fraudulent or illegal activities.

One thing to keep in mind, it is your responsibility to make any technology is kept up to date and functioning properly. Periodic reviews, assessments, testing should be a big part of your policies and procedures. If a regulator catches an error due made due to poor technology, this will cast a wider net over your compliance program. Not a good place to be since your sole focus on an examination to keep the scope as narrow as possible

President Biden's recent [Executive Order](#) on Safe, Secure, and Trustworthy Artificial Intelligence establishes new standards encompassing safety, security, privacy protection, and the advancement of equity and civil rights.

Just like digital assets, when it comes down to understanding the subject matter, we need to start with the basics and buildup. Training should focus on creating awareness and providing reference materials to the intended audience for future use.

For staff with more experience and with direct involvement with technology, a customized training approach becomes important. This training should address areas of risk pertinent to your financial institution and staff should understand which confines to operate within. This targeted approach ensures that individuals well-versed in AI are equipped with the knowledge necessary to navigate potential risks.

Study materials:

- [Executive Order on Safe, Secure, and Trustworthy Artificial Intelligence](#).
- Policies and procedures involving the use of AI technology.

Training topics:

- Understanding the purpose and risks associated with artificial intelligence (AI)
- How accountants can use Chat GPT Effectively
- Chat GPT: Fundamentals, Understanding the incredible uses and fallbacks.

Impacted Areas:

- Almost all areas of a financial institution will be impacted in some shape or form.

Fraud: Criminals keep evolving!

Summary:

Fraud is a big concern, and with new technologies emerging, it's becoming even trickier. Things like generative AI, industry changes, and digital money make it easier for criminals.

As we continue to battle the cost-of-living crisis and rising inflation, in addition to external actors using technology to defraud organizations, we will see an increase in incidents of internal fraud within organizations, from employees trying to cope with rising costs, including invoice fraud, and forging expenses. We may well also see a rise in fraudulent recruiters looking to scam job seekers out of money.

Banks and other financial institutions need to stay up to date with regulations around the movement of money and invest in the right technology to make sure they not only stay one step ahead of scammers. We need to be proactive and stay ahead of fraudulent activities. Go over your Know Your Customer (KYC) procedures and look for opportunities to improve.

For training, we need to emphasize awareness in our financial institutions and invest in a robust training program that can assist in mitigating the risks. This is also a great opportunity for different communications on understanding the types of fraud, red flag identification and the escalation process. Other topics to consider, depending on your financial institution, are fraudsters using passive datasets, identity theft and mail theft, and synthetic ID fraud.

Study materials:

- [American Bankers Association \(ABA\)](#): overview of common and emerging external scams

Training topics:

- **Fraud Program:** Creating a fraud program and implementing it for your institution
- **Fraud training:** Covers insider trading, embezzlement, cybercrime, online banking and more.
- **Knowing the different types of fraud and how to deal with them effectively.**
- **Fraud Prevention Strategy for Financial Institutions**
- **KYC:** An overview, understanding the process and making changes to keep up with the fraud landscape.

Impacted Areas:

- Compliance, Risk Management, Fraud Prevention Units, Information Security, Internal Audit, Business Continuity Management (BCM).

Enhancing the Capabilities of Compliance Officers

Summary:

For all the financial institutions out there, please take care of your compliance officers! I almost feel like creating a GoFundMe page. In my experience, Compliance Officers are slighted when it comes to personal development. They are not revenue creators, but revenue enablers. We must remember the value they provide.

With so many changes occurring in 2024 and some on the horizon, Compliance Officers need to be more effective than just translating rules & regulations for their coverage area(s). You need to convey these messages appropriately and in a targeted manner. Staff need to understand what to do with these forthcoming regulations.

Since Compliance Officers have direct contact with some or all parts of the business, it is essential that they have the necessary tools to succeed and help shift the compliance culture of an organization. And yes, I mean an emphasis on soft skills.

I hope my message gets through!

Training materials:

- Self-reflection: Understanding your current gaps & opportunities and then a plan to remediate.
- Relationships: the better they are, the more effective you can be.
- Product knowledge, understanding of the business,

Training topics:

- How to Improve the Culture of Compliance through your Compliance Officers.
- Enhancing the capabilities of Compliance Officers through real-life soft skills training.
- Doing an effective compliance training needs analysis

Impacted Areas:

- All Compliance Officers in US & abroad.

If you need further information, there are useful resources available on our website. And if you would like to see additions to the next Compliance training Guide, please contact us through our website: jtmcompliancetraining.com.

Best regards,

Justin Muscolino,

JTM Compliance Training