



# ***DCU BULLETIN***

***Division of Credit Unions***

***Washington State Department of Financial Institutions***

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September 21, 2016

No. B-16-14

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## Electronic Payment Systems Exams

Electronic payment system (EPS) technologies are changing the landscape of how transactions are performed, and digital and mobile payments are expected to grow significantly in the future. The Division of Credit Union (Division) is enhancing its safety and soundness examinations to include EPS reviews. EPS exams will be performed by Division examiners beginning in 2017. The goal of the EPS exams is to help credit unions better implement the payments systems they use in order to reduce losses and prudently manage risk exposures.

The Division will perform one or two pilot test payment system exams at credit unions in the fourth quarter of 2016 before implementing its new EPS examination program in the first quarter of 2017. In 2017, the Division will perform EPS exams on Washington state chartered credit unions with over \$250 million in total assets.

Glenn Ross, Division IT examiner, will be the lead EPS examiner as other Division examiners are being trained. EPS exams will usually last no longer than three days onsite and these exams will be performed during the regular safety and soundness examinations. A separate EPS rating will not be given, although the “Management” component rating of CAMELS could be adjusted up or down based on the EPS examination. Examination issues and examiner’s findings regarding electronic payment systems will be incorporated into the safety and soundness exam report.

Division EPS examiners will focus their reviews on the following:

- EPS risk assessments;
- EPS audits (both external and internal);
- EPS policy and procedures; and
- EPS limits and controls that are in place.

Additionally, examiners will focus on new EPS services and the credit unions’ internal controls, limits and processes in place to minimize and reduce risks.

Examiners will use the following existing AIREs questionnaires pertaining to electronic payment systems;

- IC – ACH General,
- IC – Payment Systems – FRB,
- IC – Wire Transfers,
- IC – ATM
- Remote Deposit Capture Procedures,
- IC – ACH RDFI,
- IC – ACH ODFI (moderate risk), and
- IC – ACH ODFI (high risk).

These questionnaires can be found on the NCUA website at <https://www.ncua.gov/regulation-supervision/Pages/regulatory-reporting/aires-exam.aspx>

Examination for compliance with the Bank Secrecy Act (BSA) and the Office of Foreign requirements Asset Control (OFAC) as well as money service businesses will continue to be done during the regular safety and soundness examination or the separate standalone compliance examinations on credit unions with at least \$500 million in total assets.

The Division understands that electronic payment systems do not have a one size fits all solution and the success of a credit union's electronic payment systems program is dependent upon a its business model, size, complexity, product offering and delivery.

Any questions regarding this Bulletin should be directed to Doug Lacy-Roberts at [Doug.Lacy-Roberts@dfi.wa.gov](mailto:Doug.Lacy-Roberts@dfi.wa.gov) or (360) 902-8753.