

Visit the Bank of Blunders (Operations)

Our cast of characters consists of:

Cissy CSR – Customer Service Representative

Tommy Teller – frontline staff

Trudy Teller – frontline staff

Carla Cashier – Head Cashier

Mark MoneyOrder – Sales of cash equivalents

Assorted Customers

Step inside Bank of Blunders during a typical day. Observe the activity and interaction with customers. See how many compliance problems you can spot.

CISSY CSR (talking to Carla): I am so pleased! Things went very smoothly this morning with opening the bank. I was supposed to meet Tommy here for the opening, but my kids just wouldn't get up this morning and I was running late. He went ahead and opened himself and I thought he did really well, especially when you consider the fact that he has only been at the bank seven months, so he hasn't had any security training yet. His timing was bad when he started here. We had just finished the annual security training about a week before, so he still has a while to wait before we have security training again. Anyway, he did a fine job.

CISSY CSR (turning to greet someone who has just arrived at her desk): Hello, how can I help you?

COCKY CUSTOMER: I'd like to open a savings account. I've completed the application form, although I had to leave the social security number part blank because I surrendered my social security number. I'm in kind of a hurry. Here is my initial deposit -- \$12,000 in cash. Is there anything else you need?

CISSY CSR (looking over the application): So, this is a personal account, I see. I'll just put N/A under SSN, since you don't have one anymore. And I know you from seeing you at the Parent/Teacher conference at my son's school, so that takes care of identification. Let's see. Here is your funds availability disclosure, a booklet to record your transactions in and the receipt for your first deposit. That should be all you need.

SINGLE SUZIE, a customer, (speaking to CISSY): I couldn't help noticing that very attractive man you were just speaking to. Why don't I ever meet men like that?

CISSY CSR: He's a teacher at the high school across the street. Teaches Algebra. His name is Cocky Customer. He's single, and I think he must have some other sources of income, judging from his opening deposit. I'll bet you can figure out a way to meet him. You would make such a cute couple!

CARLA (after overhearing Cissy): I'm not so sure I'd be trying to fix Cocky Customer up with anyone. I know for a fact that we filed a suspicious activity report a couple of years ago when he had a checking account with us. It was a big deal. All the employees were buzzing about it at the time.

SINGLE SUZIE: I'm so glad you warned me. Maybe he's not as good as he looks.

FLUSH FLOYD, a customer (speaking to TOMMY and handing him 100 neatly stacked \$100 bills.): I'd like to deposit this into my account, please.

TOMMY TELLER: Sure thing. It will just take me a second. I'll need to fill out a Currency Transaction Report. It's just a standard government form that must be filed on all cash transactions of \$10,000 or more.

FLUSH FLOYD: But I'm already late for work. Do you have to? I'll tell you what. I'll just deposit part now and part later today. That way, you won't have to file anything.

TOMMY (sounding exasperated): Well, now I'll have to file a Suspicious Activity Report on you!

FLUSH FLOYD: I'm going to see my lawyer! (Grabs his money and walks out, muttering angrily.)

CURIOUS KATE (talking to Cissy): I'm thinking about opening an account for me and my husband. Do you have any literature that describes what you offer?

CISSY CSR: Well, not really. I mean we do, but they get printed out when someone actually opens an account. I could certainly tell you about what we have and try to answer any of your questions. You may have seen our ad in the paper for "Better than free checking." The only time you have to pay a fee is if you fail to meet the minimum balance requirement, or if you have more than three transactions per month, or if you transfer funds from one account to another. Like the ad says, it's a no cost account! Let me know what you decide.

DAVID DEALER (a noncustomer): (talking to Mark Moneyorder) Man, like I really need to get a cashier's check. Help me count this cash, dude. I just need it converted to a blank cashier's check.

MARK MONEYORDER: (after counting the large stack of bills) Looks like you have \$4300. Here is your cashier's check. (handing the blank cashier's check to David, who immediately leaves the bank.)

TOMMY TELLER: (talking to Mark Moneyorder) Who was that guy?

MARK MONEYORDER: Don't have a clue. Never saw him before. Don't know what his name was. Oh. That reminds me. I meant to tell you that Anthony Pins came by two weeks ago while you were on vacation. He told me that he had lost his ATM card and that several unauthorized withdrawals have been made with it.

TOMMY TELLER: Well, he obviously must have had his PIN written on the back. Sometimes these customers just have to learn the hard way that it is going to cost them money if they do stupid things like that.

MARK MONEYORDER: He also asked me something I wasn't sure about. He wrote a check for \$22.63 at the convenience store. It bounced. A couple of weeks later, the convenience store evidently sent through an electronic debit to his account, but it wasn't for \$22.63. It was for \$37.63. They can't do that, can they?

TOMMY TELLER: Not unless he signed a written contract authorizing them to add a fee. It has to be in writing.

MARK MONEYORDER: That's good to know.

TOMMY TELLER: (speaking to Mark Moneyorder) By the way, I sent a memo to the President last week, recommending that we start sending checking account statements quarterly, rather than monthly, since postage has gone up again. He thought that sounded great and he has Marketing working on how to roll it out.. With Internet banking, our customers can just go online to check their account between statements if they need to.

MARK MONEYORDER: Have you seen the new Reg E disclosures we got printed up? I think they do a nice job of trying to explain to the customer what their potential liability is and what they should do if an access device is lost or stolen. They are a lot better than our old ones because these say "Call your branch office". That's better than having a main office phone number.

TOMMY TELLER: I did see them. They look good. Plus, I noticed you removed the part about limitations on the frequency and dollar amount of transfers. I think it's important to keep that secret for security reasons. Customers don't need to be told in advance there are limitations. Most of them will never come close to them anyway. Plus, if they tried to make a withdrawal when the ATM was offline, the limitations would not click in anyway, so it would just be too confusing.

TRUDY TELLER (talking to Cissy CSR): Refresh my memory against about these money market accounts. I know that there is a limit on the number of withdrawals and transfers a customer can make, but I can't remember the specifics.

CISSY CSR: It's easy. Some count, some don't. If they make a transfer or withdrawal in person, at an ATM, using a computer, or by telephone, it doesn't count toward the limit. Only those made by check, by mail, or as a preauthorized transfer, are counted toward the limit. The limit is six per month, and no more than 5 of those may be via check payable to

a third party. On a savings account, the limit is six per statement cycle, and statements are only sent quarterly.

TRUDY TELLER: Thanks. I needed to know because I'm opening a new account for a customer that is a church. They wanted a NOW account, but they aren't eligible because the church is a corporation. I told them that an MMDA would be just as good.

CARLA CASHIER: (joins Trudy and Cissy) We've got trouble. Mel Mean's account has had debits initiated against it for the last two months by an insurance company. Mel's saying that the insurance company had no right to the money. I've looked everywhere and I can't find evidence that we obtained a written authorization from Mel for the preauthorized transfers. The examiners can nail us for a Reg E violation. I'm not sure what to do. He told me he wants me to stop payment on the debit that is likely to come through next week, but he left town before he could come in and sign the stop order in writing, so I don't think we can legally reject the EFT. (Carla walks off dejectedly.)

TRUDY TELLER: (talking to Carla Cashier) Carla, I feel so bad. Dennis Deadman was just in here. He and his wife purchased a CD four days ago and she suddenly passed away yesterday. He wanted to cash in the CD today, but I told him he would have to wait until it matured or we would be required, under Regulation D, to impose an early withdrawal penalty. I sure wish there was something we could do.

CARLA CASHIER: Well, we can't afford to incur a violation. As hard as it may have been, you did the right thing.

TOMMY TELLER (talking to Carla): I'm sorry to interrupt, but this is important. There is an IRS agent in the lobby. He wants to get copies of the records on Ted Taxevader's checking account for the last two years. I asked him if he had some sort of court order or summons or anything. He said he didn't need one because the IRS is covered by Title 26 of the United States Code and there is an exception under the Right to Financial Privacy Act for the IRS.

CARLA CASHIER: I remember seeing that in the RFPA. Go ahead and give him what he's asked for. I certainly don't want the IRS mad at us! And you did respond to that IRS levy we got on Ted a couple of weeks ago, didn't you?

TOMMY TELLER: Not yet. We have 21 days after receipt of the levy. The 21st day is Thursday. I will take a look at his account on Thursday and freeze any funds that are there. I know his payroll direct deposit came in yesterday, so there should be quite a bit in the account on Thursday.

TOMMY TELLER: I also meant to mention that we got a federal grand jury subpoena for records relating to Weseldrugz Corporation. Apparently, the feds think the company is laundering money, big time. I called the company's president and let them know about the subpoena. He says they get harassed by the government all the time. He really appreciated

my call, I could tell. I've been keeping track of the time we're spending researching and copying the records so we can get reimbursed by the U.S. Attorney's office.

CARLA CASHIER: Document it carefully. We can't do this for free.

CARLA CASHIER (spotting Cissy, Tommy and Trudy): Hey, gang. I have an idea to bounce off you. Our computer programmer is in here today and I was thinking about having him adjust our software to allow us to start charging some new fees today on our deposit account. Here's what I was thinking: I'd like to impose a fee of \$15.00 for every check that is not properly MICR encoded. We have to handle those manually and that costs us money. I think it will deter customers from ordering checks through off-brand vendors. I also want to charge a daily fee of \$1.00 for balances remaining in overdraft. We'll give them a couple of days to come in and make a deposit. If they don't, then in addition to the overdraft charge, we'll charge \$1.00 a day. Plus, ever since we did that promotion for money market accounts where we didn't require a minimum balance, we have had tons of accounts that people opened and never did anything with. If the account goes dormant, I want to convert it to a non-interest bearing account and I want to impose a fee of \$5.00 per month while it is dormant. What do you think?

CISSY: I think those are great ideas. If we can start identifying the transactions and accounts that would be impacted, we can start racking up the fee income this week. Christmas bonuses, here we come!

TRUDY TELLER: I had the most interesting thing happen to me today. A guy came in to open an account. He filled out the application and handed it to me, along with his deposit. Then I got some sort of weird alert on our software. Something about OFAC. I didn't know what it was, but he sure seemed to. He said he didn't want to burden me, so he just took his deposit back and decided not to open the account after all. I thought that was awfully thoughtful.

CISSY: I wish they were all that easy.