

# **Centennial Bank Regulation GG Unlawful Internet Gambling Policy**

## **Introduction**

Regulation GG implements the Unlawful Internet Gambling Enforcement Act (UIGEA). The Act prohibits businesses from knowingly accepting payments in connection with unlawful internet gambling, including payments made through credit cards, electronic funds transfers and checks. Such transactions are termed "restricted transactions." The act generally defines "unlawful internet gambling" as placing, receiving, or otherwise knowingly transmitting a bet or wager by any means which involves the use, at least in part, of the internet where such bet or wager is unlawful under any applicable federal or state law in the state or tribal lands in which the bet or wager is initiated, received, or otherwise made.

## **Policy**

Under UIGEA and the regulations applicable to UIGEA, Centennial Bank ("the Bank") is not required to monitor or determine whether a customer is a gambler except that it must ensure that unlawful credit and debit card transactions are blocked. It is the responsibility of the card networks to establish policies and procedures to identify and block unlawful transactions. The Bank will rely on a written notice and/or certifications from Vendors – Transaction Service Providers (SHAZAM/MasterCard/NACHA, etc.) stating that the policies and procedures that are in place meet the UIGEA Final Rule requirements.

The Bank is not required to validate said Vendors statements or certifications, but will be required to adhere to such Vendors policies and procedures. The Bank is not required to block ACH, wire, or check payments (payments from its customers' accounts) related to unlawful internet gambling to be in compliance with the Final Rule.

## ***Independent Testing***

The Bank's internal auditor or external auditor, as designated by the Board, is responsible for periodically conducting an independent audit for compliance with Regulation GG.

The auditor shall file a written report of the results with the Board of Directors or its Audit Committee, detailing the Bank's compliance with the regulation. The report shall also include an explanation of any deficiencies cited and notation of the subsequent steps taken to remedy any deficiencies.

## ***Individual Responsible for Compliance***

The Bank Secrecy Act Officer will hold ultimate responsibility for ensuring compliance with Regulation GG – UIGEA.

## ***Training***

Bank management will make training available to all employees regarding the intent of the laws and regulations that govern the bank, including UIGEA.

### ***Designated Payment Systems***

The following payment systems could be used by participants in connection with, or to facilitate, a restricted transaction:

- ***Automated clearinghouse (ACH) systems:*** The Bank receives a large number of ACH credit transactions. While there is no database of illegal internet gambling businesses, it is impossible to review each ACH for restricted transactions. If the Bank receives actual knowledge of a restricted transaction, it will refuse to complete the transaction. Additional documentation may be requested to ensure it is not a restricted transaction. If the Bank is unable to verify the validity of the transaction, it will be refused. The Bank will not originate ACH entries using standard entry codes associated with illegal internet gambling.
- ***Card systems:*** The Bank will rely on the policies and procedures developed by the card system operators to block prohibited transactions. The Bank will require documentation from our card network vendor that their policies and procedures comply with the UIGEA regulations.
- ***Check collection systems:*** If the Bank receives actual knowledge that checks deposited to a commercial account are the result of illegal internet gambling the account will be closed.
- ***Money transmitting businesses*** solely to the extent they:
  - Engage in the transmission of funds, which does not include check cashing, currency exchange, or the issuance or redemption of money orders, traveler's checks, and other similar instruments; and
  - Permit customers to initiate transmission of funds transactions remotely from a location other than a physical office of the money transmitting business
- ***Wire transfer systems:*** If the Bank receives actual knowledge that a wire transaction involves a prohibited transaction, it will refuse to complete the transaction. Additional documentation may be requested to ensure it is not a restricted transaction. If the Bank is unable to verify the validity of the transaction, it will be refused.

### ***Safe Harbor***

In accordance with provisions set forth in the Act, the Institution shall not be liable to any party for transactions that are identified and blocked, the prevention or prohibition of acceptance of any products or services in connection with a covered transaction, or the refusal to honor a transaction in any other manner. The provisions to protect from liability have been set forth for above mentioned actions when the transaction is restricted, the transaction is reasonably believed to be restricted, or the person is a participant in a designated payment system and blocks or prevents the transaction in connection with reliance on a designated payment system established policies and procedures set forth to comply with the regulation.

### **Procedures**

The following is a non-exclusive list of procedures to identify and block or otherwise prevent or prohibit restricted transactions. The Bank may have different procedures for each business line or department that is affected by the rule. The Bank must also notify all of its business customers, through provisions in the account agreement or otherwise, that restricted transactions are prohibited from being processed through the account or relationship.

### ***Due Diligence***

The focus of the rule falls on commercial customer accounts. In general, the Bank will implement the following procedures when first opening an account. This due diligence will be performed in conjunction with existing account opening processes that are already required with the Bank Secrecy Act.

- Determine whether the account is for an individual or commercial customer.
- For accounts determined to be for individuals, no further steps are required.
- Certain entities are defined in the rule as posing minimal risk, such as agencies, departments or divisions of federal or state government and entities directly supervised by a Federal functional regulator (e.g. banks, savings associations, credit unions, broker-dealers, etc.). For commercial accounts where the bank determines there is "minimal risk" of it being an Internet casino, no further steps are required.
- For commercial accounts where it can't be immediately determined that there is "minimal risk" the applicant that does not operate as an internet gambling business should certify that they do not engage in internet gambling activity. The Commercial Customer Information Questionnaire used during the new accounts process addresses this question. For those that certify this, no further steps are required.
- For commercial accounts that do engage in Internet gambling business, the Bank will not open an account.

When the Bank has “actual knowledge” that one of their commercial customers is participating in restricted transactions, the Bank will close the account.

The “actual knowledge” standard is met when a particular fact with regard to a commercial customer is known by or brought to the attention of an individual responsible for compliance functions at your bank or an officer of the organization.

### ***Suspicious Activity***

It is the policy of the Institution to comply with the suspicious activity monitoring and reporting requirements under the Bank Secrecy Act (BSA.) Discovery of restricted and unlawful gambling will initiate a Suspicious Activity Report (SAR) filing. If an identified transaction is refused, a SAR will also be filed.

### ***Notification to commercial customers***

In addition to the certification requirement detailed above, an Unlawful Internet Gambling Notice is included in the Account Terms & Conditions provided to the customer at account opening.

To further ensure continued compliance, with regard to commercial customer notice of the prohibition on restricted transactions, the Institution will periodically notify commercial customers by another sufficient notification method.