

TCBON POLICY — High-Security Public Funds & Law-Enforcement Adjacent Accounts

Control Classes: S3 and S4

Status: Active **Version:** v1.0 **Owner:** Treasury + Compliance (Dual Authority)

Applies To: Both inbound and outbound flows

Effective Date:	February 16, 2026
Review Cycle:	Quarterly (minimum)
Records Classification:	Restricted (S3) / Restricted-Special Handling (S4)
Retention:	7 years minimum (or governing rule, whichever longer); immutable storage required

1. Purpose

This policy establishes enhanced control requirements for accounts and transactions involving public authorities (including city, county, sheriff, and court offices), government auctions or disposition programs, tax lien-related proceeds, and any activity that is public-funds adjacent or otherwise sensitive. The objective is to ensure funds integrity, payee authenticity, audit-ready traceability, fraud and diversion prevention, and examiner-grade evidencing.

2. Scope

Outbound (Disbursements): payments to city/county/sheriff/court entities; auction settlement payments; fee remittances; court-ordered disbursements.

Inbound (Receipts): proceeds from sheriff/government auctions; refunds or reimbursements from public entities; court-related receipts; tax or lien sale proceeds.

All such activity SHALL be classified at minimum **S3**.

3. Control Class Definitions

S3 — Public Funds / Law-Enforcement Adjacent (PLEA): Applied when transactions involve legitimate public authorities but do not present extraordinary sensitivity. High-control, routine enhanced monitoring.

S4 — Restricted / Special Handling: Applied when any trigger is present, including elevated reputational sensitivity, unusual payment routing, intermediaries, rapid instruction changes, or examiner/legal scrutiny indicators. Maximum control and supervisory oversight.

4. Mandatory Control Gates

4.1 Payee Master Verification (Pre-Funding)

Before any S3/S4 payment is released, the payee **MUST** be verified in a payee master record. Required evidence includes: legal name validation, government entity confirmation, official remittance address, banking instruction verification, and authority documentation on file. Out-of-band verification is **REQUIRED** for new payees, instruction changes, and first-time transactions. Email-only verification is **PROHIBITED**.

4.2 Dual-Control Requirement (Treasury + Compliance)

The following actions **REQUIRE** two-person approval with role separation: add payee; modify payee instructions; release S3/S4 payments; override holds; process refunds; approve inbound exception postings. No single operator may both create and approve, modify and release, or ingest and reconcile exceptions.

4.3 Transaction Limits and Step-Up Controls

S3/S4 transactions **SHALL** enforce per-transaction limits, daily aggregate caps, rail-specific controls (ACH versus wire), and velocity monitoring. Step-up approval is **REQUIRED** when amount exceeds threshold, payee is new within 30 days, first transaction with entity, or exception flags are present.

4.4 Documentation Requirements

Each S3/S4 transaction **MUST** have an evidence basis. Outbound: invoice/order/statutory basis, auction notice or fee schedule when applicable, and payment authorization record. Inbound: official receipt or settlement statement, auction or court reference, and remittance source identification.

5. Immutable Evidence Pack Requirements

All S3/S4 events **SHALL** generate a sealed evidence pack containing: index.pdf (Court and Examiner variants), canonical metadata JSON, ES256 JWS signature, SHA-256 manifest, approvals log, payee authority record, screening results, and supersession chain (if amended). Retention **SHALL** be enforced via immutable storage (object-lock/WORM).

6. Screening and Risk Monitoring

Mandatory checks include sanctions screening (entity level), fraud red-flag review, instruction change monitoring, unusual urgency detection, and intermediary routing review. Automatic escalation to S4 occurs on instruction changes near payment date, intermediary involvement, mismatched entity details, reputational sensitivity flags, or examiner inquiry.

7. Reconciliation and Post-Settlement Controls

Within the defined settlement window, independent reconciliation is **REQUIRED**, including exception-queue review, unmatched funds investigation, and proceeds tie-out for auction-related receipts. Unreconciled items beyond policy thresholds **SHALL** be escalated to Compliance and logged as a control event.

8. Retention Policy

S3/S4 records SHALL be retained a minimum of seven (7) years or longer if required by governing rule. Records SHALL be stored immutably and SHALL NOT be deleted during the retention period. Legal hold overrides are supported and take precedence over scheduled disposal.

9. Management Reporting

Treasury and Compliance SHALL receive monthly reporting on S3/S4 volumes, exception rates, instruction change events, and any dual-control overrides (expected to be zero; otherwise documented). Quarterly, management SHALL perform control effectiveness review, sample evidence pack audit, and execute an adherence attestation.

10. Examiner Position Statement

TCBON maintains enhanced controls over public-funds and law-enforcement-adjacent activity to ensure authenticity of counterparties, integrity of disbursements, full audit traceability, resistance to social engineering and diversion fraud, and supervisory transparency. Controls are designed to meet or exceed FFIEC expectations for high-risk payment environments.

Authorized for Implementation (Dual Authority):

Treasury Authorized Signer: _____ Date: _____

Compliance Authorized Signer: _____ Date: _____