

MONEY SERVICE BUSINESS



1

PRESENTED BY:

ARMANDO CARLOS,

SVP, MSB BUSINESS DEVELOPMENT, UNIVERSAL BANK

ARMANDOC@UNIVERSALBANK.COM

626-854-2818, EXT. 126



UNIVERSAL BANK

What is a Money Services Business?

2

- MSBs are ***non-bank*** financial institutions that provide one or more of the following financial services:

- | | |
|--|--|
| <ul style="list-style-type: none">• Currency Dealer or Exchanger• Check Casher• Issuer of Traveler's Checks, Money Orders or Prepaid access (formerly Stored Value) | <ul style="list-style-type: none">• Seller or Redeemer of Traveler's Checks, Money Orders or Prepaid access (formerly Stored Value)• Money Transmitter• U.S. Postal Service |
|--|--|

Note: MSBs operating in California that provide check cashing services must maintain a check cashing permit from the State of California. California Department of Justice maintains a list.

What is a Money Services Business?....CONTINUED

3

1. To qualify as an MSB the business must conduct more than \$1,000 in business with one person in one or more transactions on the same day in one or more of the financial services.
1. The threshold applies separately to each activity -- if the threshold is not met for the specific activity, the [person](#) engaged in that activity is not an MSB on the basis of that activity.
2. EXCEPTION: Providing money transfer service in any amount. No threshold.

Regulatory Authorities USA & other countries

4


- MSBs are a common place in many parts of the world that are subject to regulatory oversight. Some examples of Global MSB Regulators include:
- **The United States:** In the United States, MSBs must register with the [Financial Crimes Enforcement Network](#) (FinCen), be reviewed by the Internal Revenue Service (IRS), and comply with any relevant state and federal laws.
- **The United Kingdom:** MSBs must register with either the [Financial Conduct Authority](#) (FCA) or [Her Majesty's Revenue and Customs](#) (HMRC), depending on the specifics of their business.
- **Canada:** Broadly similar to the United States in terms of regulations, MSBs in Canada must register with the [Financial Transactions and Reports Analysis Centre of Canada](#) (FINTRAC).
- **Hong Kong:** In Hong Kong, MSBs are known as money service operators (MSO), and are required to apply for a license from the [Customs and Excise Department](#) in order to conduct business. MSOs in Hong Kong must abide by the Anti-Money and Counter-Terrorist Financing (Financial Institutions) Ordinance.

MONEY SERVICE BUSINESS Registration

- MSBs must register with the [Financial Crimes Enforcement Network \(FinCen\)](#), be reviewed by the Internal Revenue Service (IRS), and comply with any relevant state and federal laws.

This form has been signed and cannot be altered.

WARNING: PRINTED VERSIONS OF THE BSA E-FLING FORMS ARE NOT FOR SUBMISSION TO AND WILL NOT BE PROCESSED BY FINCEN.

 **Registration of Money Service Business** Version Number: 1.1
OMB No. 1500-0013

Steps to Submit

1. Complete the report in its entirety with all requested or required data known to the filer.
2. Click "Validate" to ensure proper formatting and that all required fields are completed.
3. Sign with PIN.
4. Click "Save"; filers may also "Print" a paper copy for their records.
5. Click "Submit".

Filing Name: [REDACTED]

SPECIAL NOTE: Please be advised that Part IV of this registration may be left blank for an initial registration when the Primary Transaction Account for MSB Activities is not yet known. Registrants must file a corrected registration when the account data is known.

By providing my PIN, I acknowledge that I am electronically signing the BSA report submitted.

Release Date: 08/08/2018

This form has been signed and cannot be altered.

WARNING: PRINTED VERSIONS OF THE BSA E-FLING FORMS ARE NOT FOR SUBMISSION TO AND WILL NOT BE PROCESSED BY FINCEN.

Part I Filing Information

1. Indicate the type of filing by checking a, b, or c below (Check only one). If filing a corrected, check "c" and either a, b, or d.

a. Initial registration b. Renewal c. Correction of a prior report d. File registration

2. Enter RMBS registration (BSA IC) number if 1b, 1c, or 1d is checked: [REDACTED]

3. If you checked item 1 c please indicate the reason(s). Check all that apply:

Re-registered under state law More than 10 percent transfer of equity interest More than 50 percent increase in agents

Part II Registrant Information

Check here if entity

3. Individual's last name, or entity's legal name: [REDACTED]

4. First name: [REDACTED]

5. Middle name(s): [REDACTED]

6. Suffix name: [REDACTED]

6. Alternate name, e.g., AKA, individual or DSA - entity: [REDACTED]

7. Address: [REDACTED]

8. City: [REDACTED]

9. State: [REDACTED]

10. ZIP/Postal Code: [REDACTED]

11. Country: [REDACTED]

12. TIN: [REDACTED]

13. TIN type: EIN

14. Date of birth: [REDACTED]

15. Telephone number: [REDACTED] Ext: [REDACTED]

16. E-mail address: [REDACTED]

17. Website address (URL): [REDACTED]

18. Name of compliance contact person for this registered MSB: [REDACTED]

19. Compliance telephone number: [REDACTED] Ext: [REDACTED]

MSB Registrant Search

The MSB Registrant Search Web page contains entities that have registered as Money Services Businesses (MSBs) pursuant to the Bank Secrecy Act (BSA) regulations at 31 CFR 102.230 (a)-(c), administered by the Financial Crimes Enforcement Network (FinCEN).

You cannot register as an MSB on this Web page. All MSB registrations must be completed electronically through the [BSA E-File System](#).

The MSB Registrant Search Web page reflects information exactly as provided by the registrant. Posted entries should include: (1) Registrant's legal name; (2) Registrant's "doing business as" name if applicable; (3) Registrant's address; (4) MSB activities in which the Registrant engages; (5) states in which the Registrant engages in MSB activities; (6) number of branches; (7) date the registration form was signed; and (8) date the registration form was received.

- The MSB Registrant Search Web page is the public information source for MSBs registered with the Financial Crimes Enforcement Network (FinCEN).
- MSB acknowledgement letters will not be sent to MSBs. FinCEN will not provide facsimiles or copies of filed Registration of Money Services Business (RMBS) Form 107.
- Searches may be performed on individual or multiple fields. Search criteria must be entered exactly as submitted on the Registration of Money Services Business (RMBS) Form 107. Variations in abbreviations or spellings could result in negative search results. If you initially receive a negative search result, please try searching again using the state or zip code field. For best results, please enter an MSB Registration Number.
- Click on the highlighted legal name link on the search results page to generate a printable PDF document that contains the registration status information.

How do I search for MSB Registration information?

STEP 1: Start by entering complete or partial information in one or more of the search fields.

STEP 2: Click the button.

STEP 3: On the RESULTS PAGE, click the desired MSB LEGAL NAME to retrieve its printable registration information.

MSB REGISTRATION NUMBER/ICN [REDACTED]

LEGAL NAME [REDACTED]

DBA NAME [REDACTED]

STREET ADDRESS [REDACTED]

CITY [REDACTED]

STATE [REDACTED]

ZIP [REDACTED]

MSB ACTIVITIES (MSB System Use Only) [REDACTED]

STATES OF MSB ACTIVITIES [REDACTED]

FOREIGN LOCATION [REDACTED]

Download all currently registered MSBs in Excel. FinCEN is providing the information contained in this spreadsheet for the benefit of the financial institutions who use this site and requested a media type to migrate into their data processing systems. It is not intended to be a substitute for the information contained on the Web site and should not be relied on in any manner.

The Web site, which is current as of February 23, 2018, contains data on 27,116 registered MSBs. This is an increase of 59 MSB registrations from the February 15, 2019 total of 27,057.

*On April 13, 2018 4,581 entities were dropped from the MSB Registrant Search Web page for renewal of registration. Entities that continue to provide activities which would require them to be registered with FinCEN but have been dropped from the MSB Registrant Search Web page should renew their registration immediately. MSBs must use FinCEN's [BSA E-File System](#) to renew their registration.

The inclusion of a business on the MSB Registrant Search Web page is not a recommendation, certification of legitimacy, or endorsement of the business by any government agency.

The MSB Registrant Search Web page, which is updated on a weekly basis, contains entities that have registered as Money Services Businesses (MSBs) pursuant to the Bank Secrecy Act (BSA) regulations at 31 CFR 102.230 (a)-(c), administered by the Financial Crimes Enforcement Network (FinCEN).

Information contained on this site has been provided by the MSB registrant. FinCEN does not verify information submitted by the MSB. Information provided on this site reflects only what was provided directly to FinCEN. If an error or incomplete information is detected on this site, the registrant should follow the appropriate procedures for correcting a Registration of Money Services Business (RMBS) form.

Every MSB must register with FinCEN by electronically filing form 107 within 180 days after the date on which the business is established and must be renewed every two (2) years.

MSBs must obtain a Check Cashers Permit from the California Department of Justice.

chkcashpermit@doj.ca.gov



MSBs must have an effective BSA/AML Program

6

- **Developing an Effective AML Program**

- The anti-money laundering compliance program must be comprised of the following five elements:
 - ✦ 1) Internal Controls – policies, procedures, and processes to control risks and achieve compliance.
 - ✦ 2) Designated BSA/AML Compliance officer
 - ✦ 3) Training Certification
 - ✦ 4) Independent Testing/Review
 - ✦ 5) Beneficial Ownership (Best practice if engaged in commercial check cashing).

The program must be commensurate with the MSB's operations. The greater the complexity and risk of the MSB, the greater the comprehensiveness of the program.

MONEY SERVICE BUSINESS & Bank Secrecy Act

7

- The [Bank Secrecy Act \(BSA\)](#) requires many financial institutions, including money services businesses (MSB), to keep records and file reports on certain transactions to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN).
 - **Reporting Cash Transactions**
 - MSBs must electronically file [FinCEN Form 112, Currency Transaction Report](#), when they have a cash-in or cash-out currency transaction, or multiple transactions totaling more than \$10,000 during one business day for any one person, or on behalf of any one person.
 - **Reporting Suspicious Activities**
 - Generally, MSBs that know, suspect or have reason to suspect that the transaction or pattern of transactions is suspicious and involves \$2,000 or more, must electronically file a [FinCEN Form 111, Suspicious Activity Report](#) on the activity.

TO BANK MSBs, OR NOT TO BANK MSBs, THAT IS THE QUESTION

8

- The biggest challenge that MSBs face today, are being unbanked and/or de-risked by financial institutions. Many banks rather sever ties with MSBs than face regulatory scrutiny, reputational risk and/or heavy fines. Some examples of Banks that have been subject to Consent Orders and CMPs for failing to maintain an effective AML Compliance Program, include:
 - Merchants Bank - In February 2017, FinCen imposed a \$7,000,000.00 civil money penalty (CMP) against Merchants Bank of California for willful violations of the Bank Secrecy Act.
 - US Bank – In February 2018, agreed to pay \$613 million in penalties to state and federal authorities for violations of the BSA Act and a faulty AML program. One of the violations was for filing more than 5,000 CTRs with incomplete and inaccurate information relating to the beneficial owners of MSBs.
 - Citigroup/Banamex - Citigroup agreed to pay \$97.4 million. One of the Red Flags Banamex USA did not heed was \$1.3 billion in remittances that each totaled more than \$1,500 — five times the amount that families typically send.

TO BANK MSBs, OR NOT TO BANK MSBs, THAT IS THE QUESTION.....continued

9

While MSBs do present an opportunity for financial crime, this risk can be successfully managed through a robust BSA/AML Compliance Program.

However, before a Bank endeavors into whether or not it wants to consider an MSB program and/or continue banking MSBs, the Bank must understand its risk appetite for MSBs.

To understand its Risk Appetite, the Bank should develop a Cost Benefit Analysis to evaluate the Bank's needs, recent regulatory concerns, monitoring system, tolerance guidelines, strategic goals and Board oversight.

Risk Appetite

10

- Outline the Bank's Strategic Plan/direction
 - **Costs Benefit Analysis (3 year forecast with supporting doc & methodology)**
 - ✦ Number of MSBs, staffing (FTE), marketing, set up fees, application fees, future fee income, management services needed, etc.
 - Forecasted future fee income relating to MSBs is the single most important element in determining the number of MSBs that will be opened.
 - Continue to conduct further research regarding historical trends from other Banks, including growth rates from the MSB portfolio.
 - Address regulatory concerns, refer to other consent orders, etc.
 - **Ensure implementation of Risk Management Systems**
 - ✦ Robust AML System, CDD & EDD processes
 - ✦ Experienced BSA/AML/MSB personnel

Risk Appetite....continued

11

- **Establish Tolerance Guidelines (refer to Appendix “A”)**
- Set parameters and/or guidelines regarding the types of MSBs your Bank chooses to serve.
 - ✦ **Type of MSB**
 - Determine type of MSB the Bank will service, i.e. primarily consumer, commercial checking or both along with other services (liquor store, markets, etc.).
 - Simple, Semi-Complex, Complex
 - ✦ **Sources and Uses of Cash**
 - Conduct Sources and Uses analysis (inflows/outflows).
 - Set tolerance thresholds for MSBs that generate a substantial amount of operating cash, i.e. a percentage from non-financial services such as cash-intensive retail sales, whereby, the transactions and sources of cash are not clearly documented (e.g., POS system or other transaction monitoring system). If the MSB can demonstrate a reliable method of accounting for cash transactions for all products and services sold, the Bank can consider otherwise.
 - Maintain separate accounts from the MSB and Retail Account to avoid commingling, should the Bank establish an MSB account for cash-intensive business.

Board & Management

12

- **Communicate to the Board of Directors and Sr. Mgmt.**
 - **Establish an MSB Committee Charter**
 - ✦ Have decision making protocol for MSBs is in place.
 - ✦ MSB Committees can report to the Board and/or the Audit Committee
 - ✦ Monthly ratification by the Board keeps the Board informed.
- Whatever the risk, management and the board must recognize the risks associated with banking MSBs. More importantly, train your staff from the front line to the back office.

Appendix “A”

- Other Tolerance guidelines

Average Transaction amount	Acceptable Services or anticipated	Number of Locations	Armored Transport
Aggregate Monthly Trans Amount	Types of Checks	Mobile Locations	Remote Deposit Capture “RDC”
Service Area	Wire Activity	HIFCA/HIDTA Status	Collateral Analysis
MSB Customers	Legal Formation	Years in Business	Risk Assessment MSB & Bank
Check Monitoring System	Compliance Program	Experience of Principals/Employees	

MONEY SERVICE BUSINESS

14

QUESTIONS?

- EMAIL: armandoc@universalbank.com
- 626-854-2818, ext. 126