



Bank Secrecy Act USA Patriot Act Compliance



President Bush signed the USA PATRIOT Act following the September 11, 2001 terrorist attacks. The USA PATRIOT Act is intended to ensure that our financial systems are used for legal purposes. On July 24, 2002, new regulations, affecting retailers who offer money services, went into effect and require compliance with the USA Patriot Act of 2001. The following information outlines compliance requirements.

What is Money Laundering?

- Money laundering is a process intended to:
 - Hide the existence, illegal source, or use of income from criminal activity; and
 - The disguising of the source of that income to make it appear legitimate.



Steps of Money Laundering

A man in a dark suit and grey trousers is walking up a long, wide flight of concrete stairs. He is carrying a black briefcase in his right hand. The stairs lead upwards and to the right, creating a strong sense of progression and ascent. The background is a plain, light-colored wall.

There are 3 steps to money laundering:

- **Placement**: Introducing the illegal proceeds into the financial system. (Buying money orders for deposit into a bank account)
- **Layering**: Converting the illegal proceeds into another form and using multiple financial transactions to hide the audit trail, source and ownership of funds. (Transferring funds from one account to another)

Steps of Money Laundering

- Integration: Placing laundered proceeds back into the economy to create the perception of legitimacy. (Purchasing real estate, business ventures or luxury items)

How do I comply with the Bank Secrecy and USA PATRIOT Acts?



Am I an MSB?

You are an money services business (MSB) if you are doing business in one or more of the following capacities, and perform these services in an amount greater than \$1,000 per day to any one person on any day in one or more transactions:

- **Issuer, Seller or Redeemer of Money Orders;**
- **Issuer, Seller or Redeemer of Traveler's Checks;**
- **Check Casher;**
- **Currency Dealer or Exchanger; or**
- **Issuer, Seller, or Redeemer of Stored Value.**

Money Services Business Registration

If you provide money transfer services in any amount, you are an MSB and subject to the anti-money laundering requirements.

Every MSB must register with the Department of the Treasury.

If you are an MSB only because you are an agent of an MSB, you do not need to register.

Money Services Business Registration

- Must be completed and signed by the controlling person or owner of business
- Must be renewed every 2 years
- Copy of registration and supporting documents must be maintained for 5 years

Agent List

Every registered money services business
must maintain a list of its' agents



Agent List

- The list must be maintained in the United States.
- The list must be revised every January 1
- The list must contain agent information for the immediately preceding 12 month period.



Agent List

- Upon request, the list(s) must be made available to the Financial Crimes Enforcement Network, its' designee or the Internal Revenue Service.
- A copy of the agent lists must be kept for 5 years.



Anti-money Laundering Program



Internal Policies, Procedures and Controls

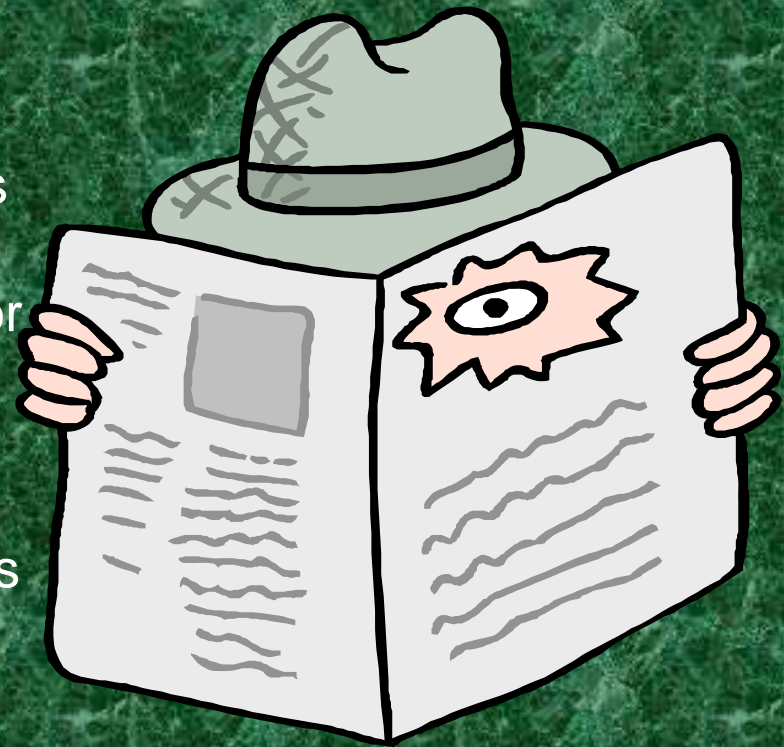
- Know Your Employee Program
 - Work history, background, criminal history, and reference checks.
 - Drug testing, if permissible.
 - Monitor employee activity while at work.
 - Recognize changes in employee behavior.



Internal Policies, Procedures and Controls

Customer Awareness Program (Know Your Customer)

- Most helpful for long term employees familiar with repeat customers.
- Look for changes in the customer's money order purchasing habits.
- Verify ID for purchases of \$3,000 or more.
- Does the money order serve an apparent lawful purpose?
- Can the customer's source of funds be determined?
- What is the location of the selling store?



Internal Policies, Procedures and Controls

- Filing Reports
 - Suspicious Activity Reports (SARs)
 - Currency Transaction Reports (CTRs)



Suspicious Activity Reporting

- Suspicious activity by a **customer** or **employee** must be reported to the federal government.
- Reports are made on the Suspicious Activity Report by Money Services Business ("SAR-MSB") form.

Suspicious Activity Reporting

- Requirements for filing a SAR-MSB:
 - Whenever one or more transactions total **\$2,000 or more**; and
 - Involve transactions conducted or attempted at your location; and
 - You know or suspect the transactions:



Suspicious Activity Reporting

- Involve money obtained from some sort of illegal activity (Customer Awareness Program);
- Have no business or apparent lawful purpose and you know of no reasonable explanation for the transaction (Customer Awareness Program);
- Involve a customer attempting to keep the transaction from being reported by buying money orders in amounts below the reporting thresholds (e.g. \$3,000 and \$10,000);



Suspicious Activity Reporting

- Involve a customer using false or expired identification or an identification belonging to or is similar to another customer;
- Involve two or more individuals acting together to split up the transaction to avoid providing recordkeeping information about the transaction (Structuring).
- Is an unusual transaction for the customer (Customer Awareness Program).



Suspicious Activity Reporting

Structuring

- Customer using cash to buy money orders several times a day **or** over a period of several days at your business location. In this example, no single transaction equals \$3,000 or more; but, all transactions total \$3,000 or more.
- Two or more individuals attempting to avoid providing information about the transaction, act together to split up a single reportable transaction into more than one transaction.

Suspicious Activity Reporting

Intentional failure to file a SAR-MSB
can constitute a criminal act.



“Willful Blindness” is defined as the deliberate avoidance of the facts. Any business location that ignores obvious signs of suspicious activity may be held responsible for failing reporting that suspicious activity.

Suspicious Activity Reporting

Send completed MSB Suspicious Activity Reporting forms to:

IRS Detroit Computing Center

ATTN: SAR-MSB

PO Box 33117

Detroit, MI 48232-5980

A MSB must file a SAR-MSB with the IRS within 30 calendar days of the business' initial detection of facts that may constitute a basis for filing a SAR-MSB. The business must keep a copy of the filed SAR-MSB and the supporting documents for 5 years.

MSB - SAR

The image shows a sample of the TD F 90-22.56 Suspicious Activity Report by Money Services Business form. The form is titled "TD F 90-22.56 Suspicious Activity Report by Money Services Business" and includes the IRS logo. It contains various sections for reporting suspicious activity, including "Part I. Subject Information" and "Part II. Suspicious Instrument/Money Transfer Information". A large, diagonal watermark reading "Example" is overlaid on the form.

To order MSB-SAR Forms call the IRS National Forms Distribution Center at:

1-800-829-3676

Transactions over \$10,000

Currency Transaction Report (CTR) - Form 104

- You must file a CTR, for a cash sale of money orders or a money transfer to, (or on behalf of) the same person that involves a transaction of more than \$10,000 during any one-business day (calendar day).



Transactions over \$10,000

Send completed Currency
Transaction Reports (CTR) to:

IRS Detroit Computing Center

ATTN: CTR

PO Box 33604

Detroit, MI 48232-5604

This form must be sent to the IRS, within 15 calendar days and a copy kept at your business location or your home office location for 5 years.

Transactions over \$10,000

Currency Transaction Report (CTR) - Form 104

The image shows the IRS Form 104, Currency Transaction Report, with the following sections and fields:

- Section A - Person(s) Involved in Transaction(s)**
 - 1. Check all boxes that apply: Amend prior report, Multiple persons, Multiple transactions
 - 2. Individual's last name or entity's name
 - 3. First name
 - 4. Middle initial
 - 5. Doing business as (DBA)
 - 6. SSN or EIN
 - 7. Address (number, street, and apt. or suite no.)
 - 8. Date of birth (MM/00/YYYY)
 - 9. City
 - 10. State
 - 11. ZIP code
 - 12. Country code (if not U.S.)
 - 13. Occupation, profession, or business
 - 14. If an individual, describe method used to verify identity: Driver's license/ID, Passport, Alien registration, Other
 - 15. Individual's last name
 - 16. First name
 - 17. Middle initial
 - 18. Address (number, street, and apt. or suite no.)
 - 19. SSN
 - 20. City
 - 21. State
 - 22. ZIP code
 - 23. Country code (if not U.S.)
 - 24. Date of birth (MM/00/YYYY)
 - 25. If an individual, describe method used to verify identity: Driver's license/ID, Passport, Alien registration, Other
- Section B - Individual(s) Conducting Transaction(s) (if other than above)**
 - 26. Total cash in \$
 - 27. Total cash out \$
 - 28. Foreign cash in (see instructions, page 9)
 - 29. Foreign cash out (see instructions, page 9)
 - 30. Foreign Country
 - 31. Wire Transfer(s)
 - 32. Negotiable Instrument(s) Purchased
 - 33. Negotiable Instrument(s) Cashed
 - 34. Currency Exchange(s)
 - 35. Deposits/Withdrawals
 - 36. Account Number(s) Affected (if any)
 - 37. Other (specify)
- Section C - Financial Institution Where Transaction(s) Takes Place**
 - 38. Name of financial institution
 - 39. Address (number, street, and apt. or suite no.)
 - 40. City
 - 41. SSN or EIN
 - 42. ZIP code
 - 43. Routing (MICR) number
 - 44. Title of approving official
 - 45. Signature of approving official
 - 46. Date of signature
 - 47. Type or print preparer's name
 - 48. Type or print name of person to contact
 - 49. Telephone number

To order CTR Forms,
call the IRS National
Forms Distribution
Center at:

1-800-829-3676

Logging Requirements

- “LOG” must be kept for transactions of \$3,000 - \$10,000.
- LOG is required for recordkeeping purposes for each MSB location.

For transactions of \$3,000 or more, you must record the following:

- Purchaser's Name and Address;
- Purchaser's social security number;
- Purchaser's date of birth;
- Purchase Date;
- The type(s) of instruments purchased, such as money order;
- The serial numbers of money orders purchased; and
- The amount in dollars of each of the money orders purchased.

Transactions \$ 3,000 - \$10,000

- No business location may sell or redeem money orders in currency amounts of \$3,000 to \$10,000 unless it maintains a record (“LOG”) of the transaction.
- MEMO’s High Dollar Transaction Report form can be used to record all the required information.
- The records of all \$3,000 to \$10,000 transactions must be kept for 5 years.

Compliance Officer

- All MSBs must appoint a Compliance Officer.
- The Compliance Officer does not have to be a separate position.



Compliance Officer

- Duties of the Compliance Officer include:
 - Ensuring compliance with federal and state anti-money laundering and terrorist financing laws; and
 - Training and educating those employees that sell money orders.



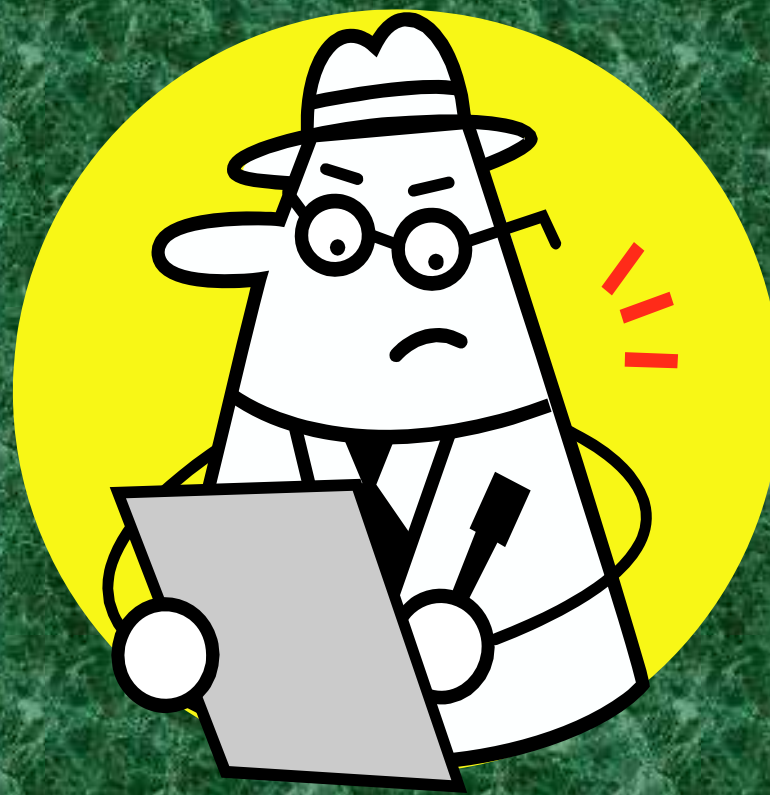
Training Program

- All MSBs and their agents are required to provide anti-money laundering training to every employee that sells money orders.
- Training should include:
 - Completing all required reports;
 - Recognizing structuring;
 - Recognizing suspicious activity.



Audit Function

- Federal law requires MSBs and their agents to audit their Anti-Money Laundering Programs.
- The Compliance Officer may not perform the audit of the Anti-Money Laundering Program.

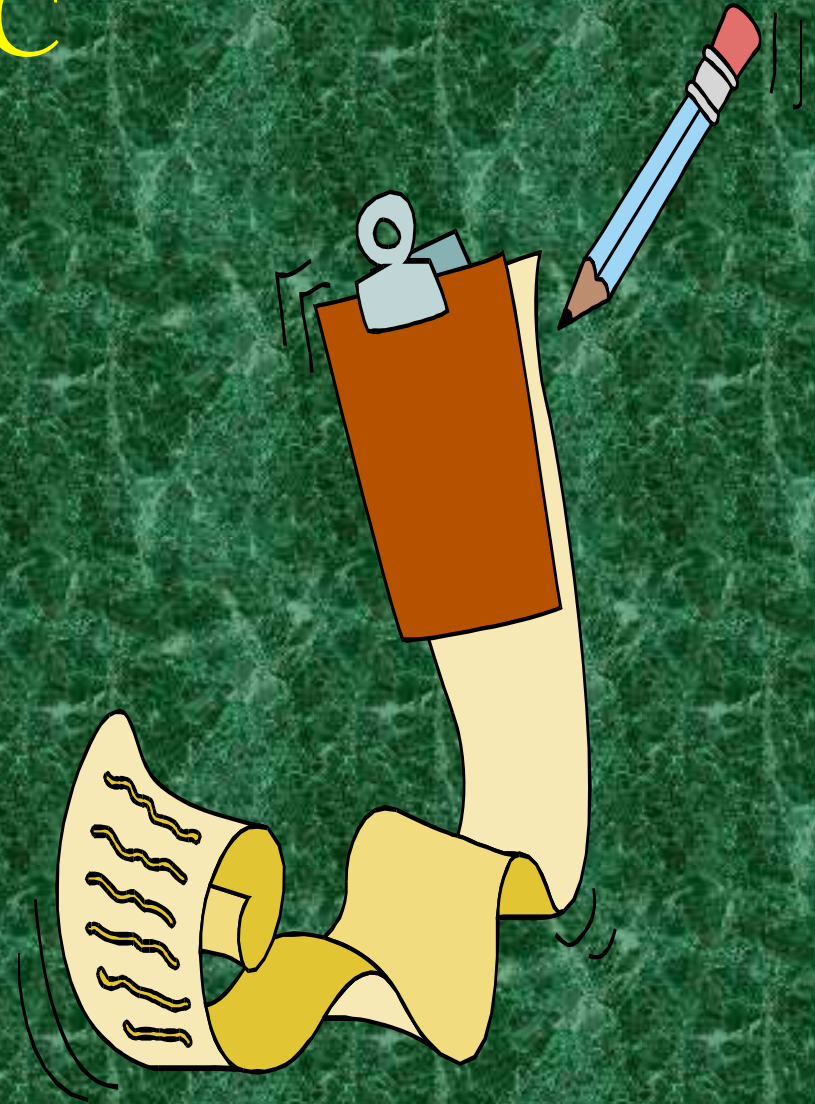


Office of Foreign Assets Control (OFAC)

- OFAC administers and enforces economic and trade sanctions based on US foreign policy and national security goals.
- OFAC targets foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.
- Some of the countries and groups currently targeted by OFAC include: Cuba, North Korea, Libya, Iraq, Iran, Syria, Sudan and the Taliban.

OFAC

- OFAC maintains a list of Specially Designated Nationals and Blocked entities (SDN list). This list identifies individuals and entities that have OFAC restrictions against them.
- Transactions involving individuals or entities on the SDN list are prohibited as blocked transactions.



OFAC

The range of regulations and business restrictions vary based on the particular OFAC economic sanctions program. Further information can be obtained from the OFAC web site at:

www.ustreas.gov/offices/eotffc/ofac

Resources Available

MEMO Website www.memoco.com

IRS Website www.irs.gov

MSB Website www.msb.gov