



BSA Federal Regulations for MSBs

Presented by:

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Mission

To counter money laundering by partnering with internal and external stakeholders through education / outreach programs.

- **Bank Secrecy Act Specialists:**
 - Partner with internal / external stakeholders
 - Build new stakeholder relationships
 - Educate stakeholders about the AML laws

Objectives

Discuss:

- MSB registration requirements
- Currency Transaction Report requirements
- Suspicious Activity Report requirements
- AML Compliance Program requirements
- Recordkeeping requirements
- Common examination mistakes
- Benefits of BSA e-filing

A MSB is a business that offers one or more of the following services:

- Money orders
- Check cashing
- Currency dealing or exchange
- Traveler's checks
- Stored value

AND

The business conducts more than **\$1,000** in money services business activity with the same person (in one type of activity) on the same day

OR

- The business provides money transfer services in any amount

MSB Registration Requirements

31 CFR 1022.380(a)

- A business that meets the definition of an MSB must register with FinCEN and disclose number of branch offices and agents.
- Must maintain a list of its agents (if any)
- Requirement applies regardless of whether MSB has or needs any state license

MSB Registration Requirements

31 CFR 1022.380(a)

MSBs exempt from registration:

- United States Postal Service
- Other government agencies (federal, state and local)
- Issuers, sellers or redeemers of stored value
- Branch offices of an MSB



MSB Registration Requirements

31 CFR 1022.380(a)

- FinCEN Form 107
- Initial registration: Later of Dec. 31, 2001, or 180 days following the day business began engaging in MSB activities
- Re-registration (One year after initial registration)
- Renewal: Each two calendar-year period following initial registration
- Registration renewal calculator (www.fincen.gov)

Other MSB Requirements

- Suspicious Activity Report –SAR FinCEN Form 109
- Anti-Money Laundering Compliance Programs
- Potential penalties for noncompliance
- www.fincen.gov



Anti-Money Laundering Compliance Program



AML Program Requirements

31 CFR 1022.210(a) – (e)

- Develop an effective AML Program
- Program must be in writing
- Program should be risk-based
- Must be implemented

AML Program Requirements

31 CFR 1022.210(a) – (e)

AML Program must include:

- Policies, procedures and internal controls
- Designation of a Compliance Officer
- Training
- Independent review

Currency Transaction Reporting

31 CFR 1010.311

- An MSB must report any transaction involving more than \$10,000 in currency
- U.S. or foreign currency counts
- Currency in or currency out triggers reporting requirement
- Report on FinCEN Form 104

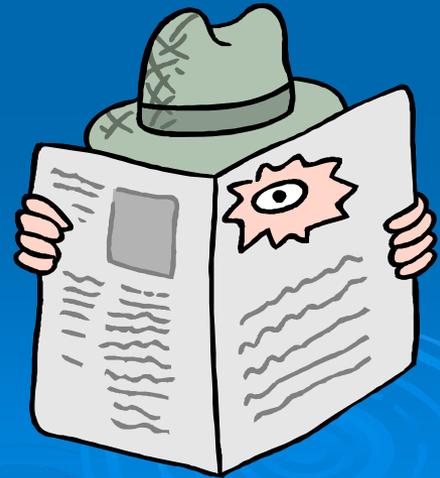
Currency Transaction Reporting

31 CFR 1010.313(a) - (b)

Reporting aggregated transactions:

- Multiple currency transactions must be treated as a single transaction if:
 - Knowledge of related transactions exists
 - Cash in or cash out of more than \$10,000 during any one business day

Suspicious Activity Reports



Suspicious Activity Reporting

31 CFR 1022.320(a)

Report when you know, suspect, or have reason to suspect transaction:

- Involves funds derived from an illegal activity
- Is designed to evade BSA requirements
- Serves no business or apparent lawful purpose
- Involves use of MSB to facilitate criminal activity

Suspicious Activity Reporting

31 CFR 1022.320(a)

Transaction thresholds:

- An MSB must report any suspicious transaction if it involves \$2,000 or more
- \$5,000 if discovered in its review of clearance records for money orders or traveler's checks

SAR Red Flags - Customers

Customer red flags include:

- Providing insufficient and/or suspicious information to an MSB
- Engaging in activity inconsistent with normal business practices
- Engaging in activity that seems unusual or illogical for any reason, business or not
- Changing normal business habits



SAR Red Flags - Employees

Identify any employee
or other individual or entity
(for example, agent)
suspected of improper involvement
in the transaction(s).



Suspicious Activity Reporting

31 CFR 1022.320(b)

How to report:

- FinCEN Form 109 – Suspicious Activity Report by Money Services Business
- Collect supporting documentation
- Retain supporting documentation for at least five years
- SAR – MSB must be filed within 30 days of detection of suspicious activity

SAR Quality - Narrative

Each narrative must:

- Describe what is unusual, irregular or suspicious
- Describe conduct that raised suspicion
- Explain if transaction was attempted or completed
- Explain who benefited from transaction

SAR Quality – Narrative Continued

- Describe/retain explanation provided by subject
- Describe the subject
- Describe and retain any evidence
- Not include any attachments

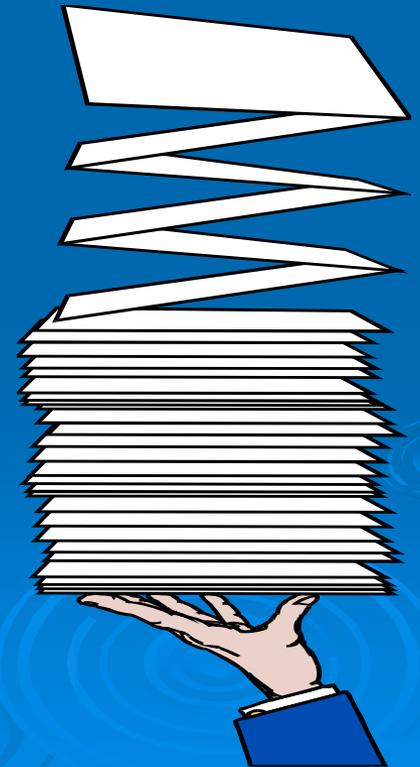
SAR Quality

To ensure a quality SAR, an MSB should:

- Always complete the entire report
- Complete critical items which have an asterisk (*)
- Indicate unknown or not applicable critical items (*) with XX
- Non-asterisk fields should be left blank if the information is unknown or not applicable

Recordkeeping Requirements

BSA Records
should be kept
for 5 years...



Recordkeeping – Check Cashers

A check casher's records may include:

- Daily cash reconciliation (log)
- Daily sales sheet
- Canceled money orders/traveler's checks
- Daily bank deposit slips
- Bank statements
- Transaction account detailing an individual's record of checks cashed, including copies of checks cashed

Recordkeeping – Money Orders and Traveler's Checks

31 CFR 1010.415

Issuance or sales between \$3,000 and \$10,000

- Purchaser's name and address
- Date of purchase
- Type of instruments purchased
- Serial numbers of instruments purchased
- Amount, in dollars, of each instrument purchased

Recordkeeping – Transmittals of Funds

31 CFR 1010.410

Established customer – \$3,000 or more:

- Sender's name and address
- Amount of transmittal order
- Execution date of the transmittal order
- Any payment instructions from sender
- Any information about the recipient

Recordkeeping for Transmittals of Funds

31 CFR 1010.410

Non-established customer - \$3,000 or more

- Verify sender's identity
- Sender's name and address
- Type and number of identification reviewed
- Sender's taxpayer identification number
- If not in person, a copy or record of payment

Recordkeeping – Currency Dealers or Exchangers

31 CFR 1022.410

Currency exchanges in excess of
\$1,000

- Name and address of customer
- Passport or TIN
- Date and amount of transaction
- Currency name, country and total amount of foreign currency

Common Compliance Mistakes



MSB Compliance Mistakes

- Failure to have a written/adequate AML compliance program
- Failure to implement the AML compliance program
- Lack of SAR reviews
- No independent review of AML compliance program

MSB Compliance Mistakes Continued

- Failure to renew registration
 - Filing CTRs for \$10,000 or less
 - No records of check-cashing activity
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BSA E-Filing

- What is it?
 - What forms can be electronically filed?
 - What's the cost?
 - How to get started
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What's New ...Hot Topics

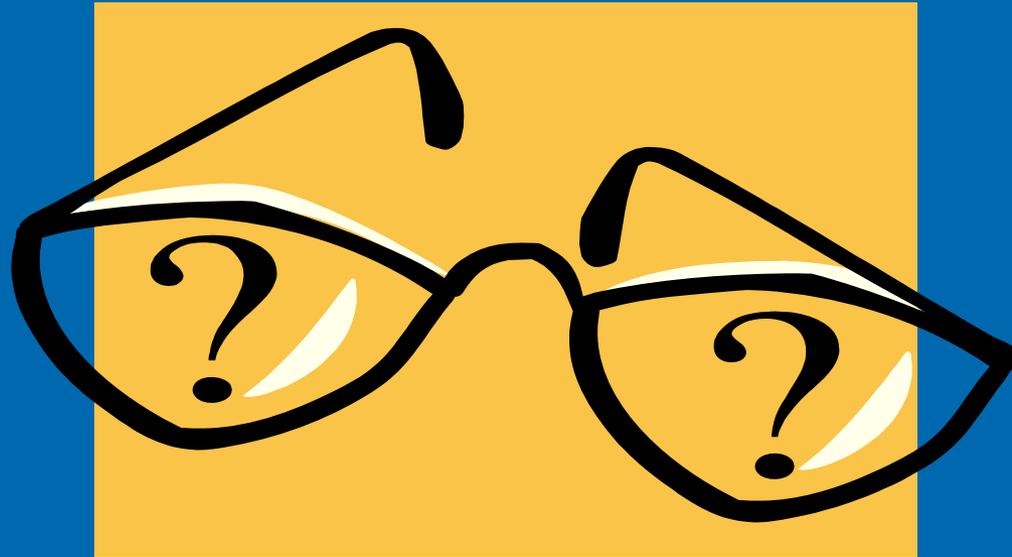
- BSA/AML Examination Manual for MSBs
 - MSB redefinition
 - SAR Activity Review
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Resources

- FinCEN Regulatory Helpline 800-949-2732
- ECC –Detroit Helpline 800-800-2877
- www.fincen.gov
- IRS.gov
- FBARquestions@irs.gov
- FinCEN Regulations 31 CFR Chapter X

Chapter X

- On **March 1, 2011**, FinCEN transferred its regulations from 31 CFR Part 103 to 31 CFR Chapter X as part of an ongoing effort to increase the efficiency and effectiveness of its regulatory oversight. 31 CFR Chapter X is organized by generally applicable regulations and by industry-specific regulations.



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