

Press Releases

April 27, 2005

OTS 05-14 - Guidance and Advisory Issued on Banking Services for Money Services Businesses Operating in the United States

Office of Thrift Supervision

FOR RELEASE at 10:00 A.M. EST

For further information

Tuesday, April 26, 2005

Contact: Chris Smith

OTS 05-14

202/906-6677

Joint Release

**Financial Crimes Enforcement Network
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision**

Guidance and Advisory Issued on Banking Services for Money Services Businesses Operating in the United States

WASHINGTON, D.C. - The Financial Crimes Enforcement Network (FinCEN), along with the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (collectively, the "Federal Banking Agencies"), today issued interpretive guidance designed to clarify the requirements for, and assist banking organizations in, appropriately assessing and minimizing risks posed by providing banking services to money services businesses.

FinCEN also has issued a concurrent advisory to money services businesses to emphasize their Bank Secrecy Act regulatory obligations and to notify them of the types of information that they will be expected to provide to a banking organization in the course of opening or maintaining account relationships.

While recognizing the importance and diversity of services provided by money services businesses, the guidance to banking organizations specifies that FinCEN and the Federal Banking Agencies expect banking organizations that open and maintain accounts for money services businesses to apply the requirements of the Bank Secrecy Act, as they do with all accountholders, on a risk-assessed basis. Registration with FinCEN, if required,

and compliance with any state licensing requirements represent the most basic of compliance obligations for money services businesses.

Based on existing Bank Secrecy Act requirements applicable to banking organizations, the minimum compliance expectations associated with opening and maintaining accounts for money services businesses are:

- ❑ Apply the banking organization's Customer Identification Program;
- ❑ Confirm FinCEN registration, if required;
- ❑ Confirm compliance with state or local licensing requirements, if applicable;
- ❑ Confirm agent status, if applicable; and
- ❑ Conduct basic risk assessment to determine the level of risk associated with the account.

Through the interpretive guidance, FinCEN and the Federal Banking Agencies confirm that banking organizations have the flexibility to provide banking services to a wide range of money services businesses while remaining in compliance with the Bank Secrecy Act. While banking organizations are expected to manage risk associated with all accounts, including money services business accounts, banking organizations are not required to ensure their customers' compliance with all applicable federal and state laws and regulations.

The guidance contains examples that may be indicative of lower and higher risk within money services business accounts to assist banking organizations in identifying the risks posed by a money services business customer and in reporting known or suspected violations of law or suspicious transactions relevant to possible violations of law or regulation.

In addition, the guidance addresses the recurring question of the obligation of a banking organization to file a suspicious activity report on a money services business that has failed to register with FinCEN, if required to do so, or failed to obtain a license under applicable state law, if required. The guidance states that a banking organization should file a suspicious activity report if it becomes aware that a customer is operating in violation of the registration or state licensing requirements. This approach is consistent with long-standing practices of FinCEN and the Federal Banking Agencies under which banking organizations file suspicious activity reports on known or suspected violations of law or regulation.

The concurrently issued FinCEN advisory to money services businesses emphasizes the importance of compliance with Bank Secrecy Act regulatory requirements by money services businesses. The advisory is designed to assist money services businesses by outlining the types of information that they should have and be prepared to provide to a banking organization in the course of opening or maintaining account relationships. The advisory also makes clear that money services businesses that fail to comply with the most basic requirements of the Bank Secrecy Act, such as registration with FinCEN if

required, will be subject to regulatory and law enforcement scrutiny, and that continued non-compliance will likely result in the loss of banking services.

Attachment - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2005-14a.pdf>

###

The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.