

Banker's Academy BRIEFINGS

Compliance for Money Services Businesses (MSBs)

By Dr. Linda Eagle

Money Services Businesses (MSBs) have a unique challenge with legal and regulatory compliance and with providing training for their agents, however specialized eLearning programs are now available to assist them.

What Is an MSB?

MSBs are financial services organizations that serve the public in ways that many traditional banks or financial institutions do not. MSBs do not accept deposits or make loans – they provide an alternative, convenient way to pay bills, cash checks, exchange currency, wire funds, or buy and sell traveler's checks, money orders and stored value cards.

MSBs have also been referred to as Non-Bank Financial Institutions (NBFIs) or Non-Depository Providers of financial services (NDPs). Customers of MSBs often do not maintain formal relationships with banks or other depository institutions. MSBs are able to attract a large number of customers because they offer a variety of services, ranging from consumer financial services to travel-related services to postal and packaging services.¹

MSBs provide convenient access to financial services in many neighborhoods with few or no bank branches. Often, individuals who use the services provided by these businesses may be immigrants or from low-income households. As such, "MSBs may be the only means of access to cash, or the only avenue for sending funds to family members abroad. Billions of dollars in micropayments pass through these MSBs every year, and these payments make up a significant percentage of the gross national product in many developing countries."²

It is important to note that not all countries or regions call businesses that provide the services listed above "money services businesses." The following are some common names found worldwide to describe other entities that conduct these services:

- Money transmitter.
- Currency dealer.
- Issuer/seller/redeemer of traveler's cheques, money orders and stored value cards.

¹ National Conference of Commissioners on Uniform State Laws. "Uniform Money Services Act," [<http://ssl.csg.org/terrorism/umsa2001final.pdf>], March 19, 2008.

² Taylor, Diana. "Superintendent Taylor Testifies On the Bank Secrecy Act's Impact on Money Services Businesses," *Conference of State Bank Supervisors, Subcommittee on Financial Institutions and Consumer Credit, United States House of Representatives*, [<http://www.banking.state.ny.us/sp060621.htm>] June 21, 2006.

- Check casher.
- Bureaux de change.
- Non-Banking Financial Intermediaries (NBFIs).
- Licensed Remittance Companies (LRCs).
- Currency exchanger.
- Casa de cambios.
- Non-Bank Financial Companies (NBFCs).

MSBs and the Law

Due to the very nature of the services that MSBs provide to their customers, there is an increased risk of money laundering. Banks and Credit Unions are heavily monitored for this type of activity and must comply with a number of laws, including the Bank Secrecy Act (BSA), USA PATRIOT Act and other Anti Money Laundering (AML) regulations. Until recently, MSBs were not held to the same standards in reporting and monitoring suspicious activities as these traditional financial institutions, however this is rapidly changing.

Numerous laws and regulations have been enacted in the United States and around the world that require MSBs to train their employees and agents to recognize and report suspicious activity. Additionally, existing laws that have previously applied only to banks and credit unions are being expanded to cover MSBs as well. Banks are also becoming involved as they are increasingly being held liable for the practices of the MSBs that are their customers.

The Uniform Money Services Act (UMSA) is a safety and soundness law that places licensing conditions on MSBs. The UMSA addresses the need for state-specific legislation for MSBs – previously, state regulation of these businesses was extremely varied. Furthermore, the UMSA creates a framework, connecting all types of MSBs, in such a way that will assist regulators and attorneys general with law enforcement efforts pertaining to the prevention and detection of money laundering. The UMSA will also help the MSB industry, by creating a uniformity of reporting and recordkeeping requirements.³

A Solution to a Problem

With these changes in the law, it is vital for MSBs to be sure that everyone providing their service receives the proper training necessary to comply with the new legislation. For larger MSBs, this is a huge problem because in addition to their own employees, they are responsible for compliance by each individual at their external agencies as well. However, many of the larger organizations cannot account for each and every agent or employee. Many MSBs today have locations in many different countries around the world. It is quite a task to even begin to identify the agents providing their service, much less be able to provide auditors and regulators with evidence of their training. This becomes a serious problem as government agencies are holding more and more organizations accountable for their actions, especially when linked to transactions that could be in violation of BSA or AML procedures.

³ National Conference of Commissioners on Uniform State Laws. "Uniform Money Services Act," [<http://ssl.csg.org/terrorism/umsa2001final.pdf>], March 19, 2008.

The Edcomm Group Banker's Academy addresses this problem by providing its MSB clients with *Focus on Compliance for MSBs*, an eLearning program that includes a self-registration portal which allows agents to sign up and log on to take their training, and then provides tracking of student results and reporting that can be provided to auditors and examiners. With this program, MSBs are able to educate their employees on key regulatory compliance and to provide auditable records of this training to regulators.



Dr. Linda Eagle is Founder & President of The Edcomm Group Banker's Academy—a 23-year-old education and consulting firm dedicated to serving Banks, Credit Unions, Money Services Businesses (MSBs) and all areas of the Global Financial Community with thousands of generic and customized training programs in areas such as BSA/AML, Regulatory Compliance, Teller Training, Systems Training, Sales and Service Training, and many more.

The Edcomm Group Banker's Academy is headquartered in New York, NY. For more information, email linda.eagle@edcomm.com or call +1.212.631.9400.