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NMTA Bulletin — Volume 19 — Wednesday, August 24, 2005

Dear Readers,

The Big One

As they have been doing in 3 or 4 waves ever since last October, Bank of America is once again 'adjusting' their portfolio of MSB customers, in line with their corporate goals and in line with the risk / return profile of the MSB customer.

In other words, this is another wholesale closing of accounts. The anecdotal evidence is strong and all we will ever have is anecdotal evidence, unless B of A would like to tell us how many accounts they have closed and how many they have left, and what their criteria are.

One doesn't assume the largest money transfer companies will be losing their accounts. Those are generally thought to be safe or, at least, to present a low risk of regulatory criticism, and are thought to be somewhat worth the risk anyway, financially. Check cashers, apparently, will be unaffected. I am glad for them.

This is the big one. This will be even worse than the JPMorganChase / North Fork closures, if such a thing is possible.

We no longer blame the banks, and haven't for a long time. They are weighing the regulatory risks and have no wish to walk into a buzz saw. The regulators thought they could continue with an open-ended, 'risk-based' guidance, which basically said that banks needed to take 'appropriate' action, based on their assessment of the risks of banking any particular customer. Without cool-headed definitions and maximum requirements attached, this whole idea translated to the watchword of the day: "Shut 'em down!"

If any part of the MSB's compliance program was thought to be lacking, shut 'em down. If, even in spite of a perfect compliance program, the transmitter was thought to be high-risk due to the 'nature' of its business or the market it served, shut 'em down.

I have written to Secretary Snow (see our website under 'Vital Issues') urgently requesting an immediate exception from the high-risk category, for state-licensed money transmitters. Or, we need a Federal law passed in the shortest possible time, so that with a Federal Money Transmitter license, banks will finally no longer be held responsible for the acts or failings of their licensed transmitter customers, as they are now, despite the vigorous, repeated denials from highly-placed government officials.

The effects of such a law will not be felt for a while; it will take time for the license process to get going. That means we need emergency relief – an immediate exception from the Secretary, published in the shortest possible time.

FinCEN can do it alone, if they choose to. A Binding Industry Guidance would tell banks and their regulators that they will be held harmless from any adverse action by any regulator or prosecutor, for giving us an account, as long as they have done de minimus due diligence in good faith, and verified the existence of a state license.

The alternative, which is already happening, is that our nation's whole anti-money laundering regime that has been built around the Bank Secrecy Act since 1970, will become a bad joke, ineffectual and useless. One doesn't get reports of any kind from the underground economy.

The OCC and their ilk do not give a hoot about the nation's anti-money laundering strategy. If they did, they would have made sure that honest, licensed companies did not lose their bank accounts. Instead, they have done exactly the opposite.

The Federal functional regulators only care about covering themselves and their banks against criticism and liability. They are neither responsible nor accountable for the non-bank sector, and they do not have overall responsibility for protecting our nation against terrorist funding.

And they act like it.

Meanwhile, my best advice to transmitters is to thank the Creator the Food and Drug Administration is not responsible for money laundering prevention, otherwise we would find ourselves unable to buy food at the supermarket or medicine at the pharmacy. Sounds absurd? Not at all: exactly the same reasoning is being applied to our bank accounts.

Regards,

-David

Industry News and Trends

Suspicion Training. The Banking Industry is Still Coming to Grips with its Secrecy Responsibilities

August 19, 2005...By Dave Raiford...Nashville Business Journal

The banking business is no stranger to rules and regulations, but covering all of the Bank Secrecy Act bases is forcing the industry to take a closer look at training.

<http://www.bizjournals.com/nashville/stories/2005/08/22/focus1.html>

We encourage banks to enter the money transfer business, as long as they play fair, just as we trust the Federal government will. -ed. (*Story starts after a short intro and 2:20 into the program*)

Banks and International Remittances

8/22/05, 6:50 a.m. Marketplace, American Public Media... Latino workers in this country send \$30 billion home to families in Central and South America. It has cost them a bit to do the wire transfers — but now it doesn't have to. HSBC bank has launched a free money transfer service. Ashley Milne-Tyte reports in the 6:50am newscast.

http://www.publicradio.org/tools/media/player/marketplace/morning_report/2005/08/22_mktmorn0550.ram

Reducing Regulatory Burden: Regulations FDIC Enforces

Too many regulations are interpreted, expanded or revised so that they have a larger impact than was originally intended. Or, regulations continue even where the problem doesn't turn out to be as bad as was originally thought. The "rescission process" is an example of something that banks have to deal although they didn't cause the problem. All regulations should be reviewed periodically, and, ideally, have sunset provisions so that they would disappear if not renewed.

<http://www.fdic.gov/regulations/resources/reducing/comments/regulations.html>

The Potential of the Remittance Market

August 20, 2005... By Alfredo G. Rosario... Manila Times - Manila, Philippines... Their action plan is designed to encourage cooperation between banks in developed countries offering remittance services to workers and the financial ...

<http://www.manilatimes.net/national/2005/aug/20/yehey/opinion/20050820opi4.html>

Intra-Latin America Money Transfers Scrutinized

August 19, 2005... CalTrade Report - Los Angeles, CA, USA... Washington, DC - The little-studied phenomenon of money transfers sent by migrants based in Latin America and the Caribbean has been documented in a new book commissioned by the Inter-American Development Bank (IDB).

<http://www.caltradereport.com/eWebPages/front-page-1124434980.html>

Also see: United Nations Expert Group Meeting on International Migration and Development

Population Division Department of Economic and Social Affairs United Nations Secretariat New York, 6-8 July 2005 Improving the Development Impact of Remittances Donald F. Terry / Steven Wilson / Pedro De Vasconcelos This paper is based on the upcoming article to be published in the next issue of Foreign Affairs Español.

http://www.un.org/esa/population/publications/ittmigdev2005/P10_DeVasconcelos.pdf

Money Remittance Expert Manuel Orozco to Present at Financial ...

August 16, 2005... Emediawire (press release) - Ferndale, WA, USA... the United States Foreign Service Institute will participate as a keynote speaker for the company's upcoming conference entitled Unbanked Financial Innovation ...

<http://www.emediawire.com/releases/2005/8/emw272803.htm>

Related Areas

Spitzer's Eyes Remain on Banks

August 24, 2005...By Shaheen Pasha...CNN - USA... turn over their data, and Spitzer responded earlier this month with a brief reinforcing his commitment to the investigation and accusing the OCC of trampling...

http://money.cnn.com/2005/08/19/news/economy/predatory_lending/

Brazil's Real May Fall Before Testimony by Ex-Aide to Palocci

August 24, 2005...Bloomberg - USA... Cabinet. ``Caution is the name of the game," said Helio Ozaki, head of currency trading at Banco Rendimento in Sao Paulo. ``Investor...

http://quote.bloomberg.com/apps/news?pid=10000086&sid=aqvAI.SFN.u4&refer=news_index#

Stored-Value as Money Transfer, now stored-value as savings account. FDIC Insured, but not a state regulator in sight. -ed.

Amscot's New Offer: Savings Accounts

August 24, 2005...By Jeff Harrington...St. Petersburg Times - St. Petersburg, FL, USA... financial services chain best known for cashing checks and dispensing payday advances, has a new product in its arsenal for the unbanked: savings accounts. ...

http://www.sptimes.com/2005/08/24/Business/Amscot_s_new_offer_s.shtml

Banks Beef Up Protection Against Spyware

August 23, 2005... Asahi Shimbun - Tokyo, Japan... The order of the PIN code will change every time a customer makes an online money transfer to reduce the risk of having the code number stolen, sources said. ...

<http://www.asahi.com/english/Herald-asahi/TKY200508230309.html>

AFL-CIO Opposes Wal-Mart Plan to Set Up Bank

August 19, 2005... By Josh Gerstein...New York Sun (subscription) - New York, NY, USA... especially the unbanked or those who are suspicious of banks," said a consumer watchdog, Linda Sherry, according to the MSN Money Web site.

<http://www.nysun.com/article/18873>

An update of OFAC's SDN List. -ed.

A Bulletin from the Office of Foreign Assets Control

August 18, 2005

<http://www.treas.gov/offices/enforcement/ofac/bulletin.txt>

Check out "What's New" on FinCEN's website. -ed

Fact's and Figures 314(a) Facts and Figures - (8/16/05)

FinCEN's regulations under Section 314(a) enables federal law enforcement agencies, through FinCEN, to reach out to 42,000 points of contact at more than 24,000 financial institutions to locate accounts and transactions of persons that may be involved in terrorism or money laundering.

<http://www.fincen.gov/314afactsheet.pdf>

Also see:

Joint Release - FinCEN and OCC Assess \$24 Million Penalty against Arab Bank Branch (8/17/05) (posted on August 18th)

<http://www.fincen.gov/pressrelease08172005.pdf>

Arab Bank Signs Consent Orders with FinCEN and OCC

August 17, 2005... Yahoo News (press release) - USA

17 /PRNewswire/ -- Arab Bank said today that it will pay a total civil money penalty of \$24 million to the Financial Crimes Enforcement Network (FinCEN) and...

<http://biz.yahoo.com/prnews/050817/dcw027.html?.v=21>

Bank Calumet Opens Home Ownership to Illegal Immigrants

August 17, 2005... by Keith Benman... Munster Times - Munster, IN, USA...

Those products include "Fast Funds" accounts for making money in savings accounts available to far-away relatives or friends in other countries through the use...

http://www.thetimesonline.com/articles/2005/08/17/news/top_news/977989ef163de411862570600009cb57.txt

NJ Bill - A2459 Update Reminder

NJ licensees need to watch the progress of this bill. I think we got most of the changes we requested, but agent bonding and geographic criteria are still a concern (I did not see them mentioned in the March 1st list of amendments and a revised version has not been printed.) We also need more statistical feedback from all those reports we make. There is still time. -ed.

http://www.njleg.state.nj.us/2004/Bills/A2500/2459_R1.PDF

International News

Tough Money Laundering Rules Proposed

August, 2005... Rob Hosking... sharechat - Rotorua, New Zealand... managers and major shareholders in the financial sector may have to meet new "fit and proper person" standards in proposed changes to money laundering rules...

<http://www.sharechat.co.nz/news/scnews/article.php/a2648263>

BaFin Expects More Money Laundering Probes at Banks, Focus Says

August 23, 2005...Bloomberg - USA... BaFin, Germany's financial-services regulator expects more probes at German banks to see whether control mechanisms against money laundering are in place...

<http://www.bloomberg.com/apps/news?pid=10000100&sid=a4q1phneRglA&refer=germany>

Russian Banks Suffer from US Anti-Money Laundering Efforts...

August 22, 2005... MOSNEWS - Russia

The authorities and banks of the United States have started a new wave of

persecution against Russian banks as part of the anti-money laundering program. ...

<http://www.mosnews.com/money/2005/08/22/moneylaundering.shtml>

Bermuda Launches Anti-Money Laundering Website

August 18, 2005... by Jason Gorringer... Tax-news.com (subscription) - Buckinghamshire, UK. Bermuda's National Anti-Money Laundering Committee has launched a website detailing the initiatives being taken by government to combat and reduce the...

http://www.tax-news.com/asp/story/story_open.asp?storyname=20852

Charges Laid in Niagara Money Laundering Investigation

August 16, 2005... Canada NewsWire (press release) - Canada... 16 /CNW/ - Today, the RCMP Integrated Proceeds of Crime Unit filed forty-four money-laundering and regulatory charges in the Ontario Court of Justice in St. ...

<http://www.newswire.ca/en/releases/archive/August2005/16/c0687.html>

Pakistan Receives \$73.6b Foreign Exchange

August 16, 2005...Pakistan Link - Inglewood, CA, USA... the corporate sector had raised a hefty amount of \$47.20 billion through exports while \$14.70 billion had been received in shape of remittances, \$3.73 billion...

<http://www.pakistanlink.com/Headlines/Aug05/16/05.htm>

Anti-Money Laundering Legislation Delays Hitting Small Companies...

August 16, 2005... By Alameen Templeton... The Mercury (subscription) - Durban, South Africa. Johannesburg: Guy Fielding fears he may have to close down his engineering firm at the end of the month because anti-money laundering laws have frozen his bank...

<http://www.themercury.co.za/index.php?fSectionId=283&fArticleId=2838479>

Crimes and Cases

Ex-Nicaraguan President to be Tried for Money Laundering in Miami

August 24, 2005... Gainesville Sun - Gainesville, FL, USA

Ex-Nicaraguan President Arnoldo Aleman will be tried in the United States along with his wife and other family members on money-laundering charges, the US...

<http://www.gainesville.com/apps/pbcs.dll/article?AID=/20050824/APN/508240792>

Cruise Ship Employee Convicted in Illegal Business

August 20th 2005... By Fiona Stokes-Giffit... Virgin Islands Daily News - U.S. Virgin Islands... Croix - A former cruise ship employee was sentenced to 21 months in prison for operating an unlicensed money-transmitting business while the ship was docked in...

http://www.virginislandsdailynews.com/index.pl/article_home?id=7805740

Attorneys in Hamas Money Laundering Case Cite Doubts About...

August 18, 2005...WQAD - Moline, IL, USA... Chicago. A government informant involved in the investigation of a suburban Chicago man accused of laundering money to finance terrorism has been caught lying...

<http://www.wqad.com/Global/story.asp?S=3734031>

Money-Laundering Attempt Lost \$3m, Court Told...

August 18, 2005... By Les Kennedy... Sydney Morning Herald (subscription) - Sydney, New South Wales, Australia. More than \$3 million was lost at gambling tables on a casino-style cruise ship by one of six men accused of defrauding...

<http://www.smh.com.au/news/national/moneylaundering-attempt-lost-3m-court-told/2005/08/17/1123958129753.html?oneclick=true>

Head of Germany's Commerzbank Denies Wrongdoing in Money...

August 17, 2005... Canada.com - Canada... Commerzbank has denied wrongdoing after prosecutors said they were investigating him as part of a probe into alleged money laundering involving assets from the...

<http://www.canada.com/businesscentre/story.html?id=c2999d34-949e-4db4-bb5a-631fa2dcdb63>

Jailer Pleads Guilty to Money Laundering

August 16, 2005... WVLT - Knoxville, TN, USA... County (WVLT) - An East Tennessee jailer caught in a federal and state investigation of criminal activity in Cocke County has pleaded guilty to money laundering...

<http://www.volunteertv.com/Global/story.asp?S=3727780&nav=4QcHdNuY>

Commentary

Why Red Tape Should Not be Dismissed as a Company Killer

Morgen Witzel... The Financial Express - Bangladesh... advantage. At the most basic level, timely compliance, although expensive, is still cheaper than the penalties for non-compliance. ...

http://financialexpress-bd.com/index3.asp?cnd=8/21/2005§ion_id=9&newsid=11432&spcl=no

Company Announcements

Moneygram International, Inc. Announces New Board Member

August 22, 2005...Business Wire (press release) - San Francisco, CA, USA... (NYSE:MGI), a leading global payment services company, last week announced the unanimous election of Othon Ruiz-Montemayor to its board of directors. ...

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20050822005760&newsLang=en

Newcastle Building Society Fighting Fraud and Money Laundering

August 18, 2005... Security Park - Winkfield, UK ...management of £3.4

billion, has turned to identity authentication company GB Group to combat fraud and ensure its compliance with money laundering regulations...

<http://www.securitypark.co.uk/article.asp?articleid=24187&CategoryID=1>

RemitPro Enhances Functionality of USA PATRIOT Act Product

August 19, 2005...Securities Industry News (press release) - New York, NY, USA. Omaha, NE - RemitPro, a premier provider of risk management products for USA PATRIOT Act compliance, announced today new functionality has...

<http://www.securitiesindustry.com/article.cfm?articleid=16023&pg=ros>