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Dear Members and Potential Members,

It was great to attend the MTRA conference in Denver this week. The wide variety of perspectives enriched us all. It was an unprecedented opportunity to meet many transmitters, regulators, bankers and other professionals in one place, and to hear matters of vital interest addressed by the very sources of regulation. As if that weren't enough, we also had a chance to respond and ask questions in a collegial, town hall atmosphere. Kudos and sincere thanks to all those at the MTRA who worked so hard to make the conference such a resounding success, and to the MTRA itself for its enlightened, inclusive approach.

The title of the conference, *A Cooperative Approach to State Regulation*, refers not only to cooperation among regulators, but also between regulators and the industry. We are a community of people concerned with the challenges facing this vital, complex and sensitive sector. No party can win without the other; together, everybody wins. This week, we took Ben Franklin's advice and hung together.

The challenges ahead for the NMTA include helping regulators and lawmakers to frame practical and fair guidelines, and helping licensed money transmitters to live up to those principles in the conduct of our affairs. Over time, we will be dealing with many emerging topics.

But in general, let us try to move away from speaking of the *formal* (vs. *informal*) money transmission industry. Instead, let us speak of *licensed* and *unlicensed* money transmitters. That is all there is. In a developed country like the United States *licensed* is good, *unlicensed*, bad. Adherence to that simple fact is the only consistent approach. Licensed money transmission is not only permissible and beneficial, it is altogether necessary and irreplaceable. It is to be regulated and monitored, but also encouraged and protected. The alternative will drive the underground economy further underground. Beware of unintended consequences.

We domestic transmitters who have to do much more than register as an MSB in 40-something states, the District of Columbia, and Puerto Rico (and perhaps Guam and the Northern Mariana Islands), understandably resent being routinely classed with those others, who range from the ignorant but innocent, to the willfully sinister, and everything in between. To add injury to this insult, this opprobrium results in the denial of vitally-needed bank accounts to us and our agents, and a general atmosphere of mistrust that negatively impacts us in so many ways. It seems every week we hear of another major bank closing licensed transmitter accounts, and those that didn't deny those accounts before, are merging with those that do. This situation is ironic all the more because, after all, the "other" major purpose of regulation is to instill public confidence. Again, beware of unintended consequences.

Speaking of public confidence, our members are concerned with the fallout from the recent Cashpoint debacle. The regulatory aftermath has predictably been to crack down on us ethnic licensed money transmitters. Even though we are essentially a different industry, we are being tarred with the same brush (again). We believe safety and soundness in each industry and each modality must be evaluated in context.

In the developing world, let us stop demonizing parallel markets, even as we bring those operators into compliance. As we saw illustrated in Somalia, sometimes that is all there is. You cannot arrest people for

trying to feed their children and protect their children's future. Change in developing countries does not happen overnight, and there must be a path to normalization.

We are also concerned with the torpor surrounding regulation of Stored Value (card-based) and Cyber-Value (miscellaneous ones-and-zeroes, usually over the Internet) at any level, state or federal. Some of these operators do not have any visible address or identity at all. But, if they do it in the US, it should be against the law, and those who help them should be sanctioned. How can we regulate this on the federal level? Simple:

A transmitter who is licensed in any state should be allowed to accept (not chase) orders over the web, if it is a low amount relative to their total volume, regardless of where the customer is physically located, without having to get a license in that state. The prime criteria should be that you have a license in at least one state and you do not actively and specifically target consumers in other "no-license-where-license-is-required" states.

Assuming there were no inappropriate physical or agent location, or targeted outreach in that state, it is analogous to taking an occasional mail order customer from a consumer who resides in another state. It is below the radar and should be. To deny service to the residents of that other state, assuming we did not seek them out, would hurt them more than us. If on the other hand, a licensee starts taking substantial orders from another state, even if they did not target that state, they should get a license in that state, with perhaps a volume in excess of \$250,000 a year in that state an appropriate working threshold. Anyone who does not follow these guidelines should be subject to sanctions.

Finally, we need to address the enforcement issue uniformly, in a gradual manner, across state lines. A patchwork response will be neither fair nor effective. True story: my kindergarten teacher once wrote on my report card, "David sometimes misbehaves in class, but when another child is unruly, he says 'do something to him'." Well, you know what? I was right. We're being good. Now do something to them. Don't kill them. Just do *something*. Unlicensed activity should be a federal crime. Wait a minute: it has been a federal crime since 1986. What went wrong? Funding for enforcement would be nice, but unlicensed activity must become 'sexy' to prosecute? It is already the Marilyn Monroe of money laundering offenses. If you want to be tough on terrorism you start with that, not with those already licensed.

Mr. Ezra Levine asked if it was not time for a federal overlay to state MT regulation. For so many reasons and in so many ways, we feel it is overdue. National problems call for national measures and AML compliance is already preemptive, anyway. But the battlefield is not only AML compliance. Safety and soundness is becoming a national issue as well, especially as the Internet grows. Cashpoint was a multi-state affair, but regulatory responsibility stayed at the state level, always a formula for disaster (remember the last blackout?)

It becomes even more urgent now, since the hottest growth in the billpaying industry is taking place on the Internet, with a proliferation of players in many roles. The states cannot and should not have to handle that alone. Imagine what kind of CashPoint could happen next. Basically, if you handle consumer money in a fiduciary capacity at any point along its route to anywhere, via any modality, you should be licensed *and* MSB-registered, for safety and soundness reasons. Same if you aggregate orders or interface with the public, for AML reasons.

And "value" that is not going anywhere is called a deposit. Period. If you are not a bank, you do not get to do it. In granting this power to banks, we assume they will take responsibility for those they knowingly authorize to trade on, and trade in, their name. Sort of like utilities that "authorize" billpaying services to collect money from the trusting public. It's not fair to evade responsibility when something goes wrong, and just chalk it up to fraud.

In closing, let us remember that Benjamin Franklin also said, "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety." Such is the choice we face today: too

repressive and we kill the goose and lose our freedoms, too permissive and we get blown up. Let us be far-sighted in our response, for neither outcome is acceptable.

Regards,

-David

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Industry News and Trends

Attention New York Licensees: On September 24, 2004 at 11 a.m. the New York State Assembly will hold a public hearing on the Cashpoint debacle in Manhattan at 250 Broadway, Rm. 1923. We urge all members to attend, I was told no reservation was necessary just to attend. I have the Notice Of Public Hearing; if you would like to speak, you must apply. Let me know if you need it.

When money laundering is a good thing. —ed. AFRICAN nations cleanup filthy money....CNN International - USA... transmittable only by prolonged skin contact and not by money transactions, Maria... be airborne," Cheng said of the filthy-lucre theory of disease transmission....

<http://edition.cnn.com/2004/WORLD/africa/09/14/africa.dirty.money.ap/>

MergerTalk: New Hispanic affluence draws investors...Reuters...September 10, 2004 NEW YORK, Sept 2 (Reuters) - Once relegated to the lower rungs of the U.S. economic ladder, Hispanics are emerging into a new era of affluence, and bankers and investors are taking notice. Hispanics, some 40 million U.S. residents of Latin...of the largest money transfer firms, DoEx Dollar Express,...

<http://www.rsicopyright.com/redirect.html?article=http%3A%2F%2Fwww.reuters.com%2FnewsArticle.jhtml%3Ftype%3DtopNews%26amp%3BstoryID%3D6138183&pid=5398>

PINOCHET and "The Most Important Bank"...Press Action - Arlington,VA,USA... The USA Patriot Act, signed into law by President Bush in October 2001, expanded the civil asset forfeiture power of the federal government by allowing the...

http://www.pressaction.com/news/weblog/full_article/hand09152004/

Also see: Spain wants U.S. to charge Riggs Bank...Spanish judge says U.S. bank and its officers hid accounts held by former Chilean dictator Pinochet....09/16/04 10:10 AM, EDT...A Spanish judge issued an order Thursday requesting authorities in the United States file criminal charges against the Riggs Bank of Washington, D.C. and its officers for concealing millions of dollars belonging to former Chilean dictator Augusto Pinochet, according to an attorney for the alleged victims of Pinochet's regime.

http://money.cnn.com/2004/09/16/news/international/spain_riggs/index.htm

MIGRANT deaths hard to prove...Washington Times - Washington,DC,USA...SAN PABLO ANICANO, Mexico — A paycheck stub, a phone record, a money-transfer receipt — all they needed was some piece of paper to prove their loved one... <http://washingtontimes.com/world/20040913-101002-6987r.htm>

Holding All the Cards...Beverage Aisle...September 10, 2004 As a concept, prepaid phone cards are not new. Retailers have been selling long-distance cards for years, and even prepaid wireless has been around for a while. But recently, the popularity of this new payment option has taken flight. Last year,

payments...cards, wireless access, money transfer, money-order purchasing, prepaid telecommunications...

http://www.rscopyright.com/redirect.html?article=http%3A%2F%2Fwww.csnews.com%2Fcsnews%2Fcopyright_display.jsp%3Fvnu_content_id%3D1000517569&pid=5643

AS cash-advance industry grows, so do calls for rules...CBS MarketWatch - USA... The niche that includes check cashers, payday lenders and money-transfer services is now a \$6.56 billion industry, according to the only researcher to tally...

<http://cbs.marketwatch.com/news/story.asp?guid=%7B2D0BC906-1412-4067-A0ED-F62E71319D0D%7D&siteid=google&dist=google>

Featured Website

Free "as space is available" upcoming meet at the Waldorf September 30th "Payments Roundtable" by otherwise pricey research/technology company: -ed. <http://www.celent.com/research.htm>

Treasury

Make sure your SDN list is updated: -ed. TREASURY DESIGNATES FINANCIAL WEB OF COLOMBIAN DRUG LORDS This Department of Treasury press release may be viewed at:

<http://www.treas.gov/press/releases/js1915.htm>

IRS-CI deploys pattern analysis software...GCN.com – USA...of Poolesville, Md., to boost investigations of financial crimes, such as money laundering, tax evasion, narcotics trafficking and terrorist funding....

http://gcn.com/vol1_no1/daily-updates/27315-1.html

US closing Oregon Islamic charity it calls terror link...Oregonian - Portland,OR,USA... that they were being more restrained in taking such actions to avoid "designations that have little or no practical effect in interdicting terrorist funding."....

http://www.oregonlive.com/news/oregonian/index.ssf?/base/front_page/109481816654490.xml

The Honorable John W. Snow Statement Following Meeting With Members Of The Financial Services Information Sharing And Analysis Center (Fs-Isac) New York, Ny September 15, 2004. This Department of Treasury press release may be viewed at: <http://www.treas.gov/press/releases/js1921.htm>

Statement By U.S. Treasury Secretary John Snow On The Departure Of R. Richard Newcomb, Director Of The Office Of Foreign Assets Control.... This Department of Treasury press release may be viewed at:

<http://www.treas.gov/press/releases/js1907.htm>

Happened back in March, but still a useful reminder that FinCEN and OFAC are now under one roof. - ed....Treasury counterterror office...Office Of Terrorism And Financial Intelligence.....

<http://www.ohio.com/mld/ohio/business/9637354.htm>">TREASURY

Article on newly appointed Under Secretary of the Treasury for Enforcement Stuart Levey, takes a little for the free registration. –ed.

Firestone graduate on trail of terrorists...Akron Beacon Journal (subscription) - Akron,OH,USA... In addition, the decentralized nature of the Internet and the creation of legitimate online payment systems such as PayPal present challenges to the...

<http://www.ohio.com/mld/beaconjournal/business/9637353.htm>

Crime & Cases

HCSO receiving complaints of internet fraud...Access North Georgia...Gainesville, GA,USA... that claims to be from a business or organization that you deal with - for example, your Internet service provider (ISP), bank, online payment service, or even...

<http://www.accessnorthga.com/news/hall/newfullstory.asp?ID=84355>

PAYPAL to Fine Users Who Violate Acceptable Use Policy...KXTV - Sacramento, CA,USA...The PayPal online payment service will soon put some teeth into its acceptable use policy, fining violators up to \$500 for each incidence of rule-breaking.... http://www.enquirer.com/editions/2004/09/14/biz_biz2z.html

GOOGLE Search Reveals Credit-Card Numbers...CRM Daily - Woodland Hills,CA,USA... In the future, it may be wiser to limit your exposure by using a stored-value card, like those issued by Visa, American Express and other companies.... http://crm-daily.newsfactor.com/story.xhtml?story_title=Google-Search-Reveals-Credit-Card-Numbers&story_id=26967&category=custdata

SCIENTISTS discover computer worm that hits money transfers:...New Kerala - Ernakulam,Kerala,India... used to transfer money via the web. According to New scientist, the worm filters traffic for patterns of data that normally precede the transmission of a... <http://athens-olympics-2004.newkerala.com/?action=fullnews&id=31335>

FORENSIC auditor tracks money....Victorville Daily Press - Victorville,CA,USA... Sousa asked. Sousa volunteers as a forensic auditor who's assigned to investigate asset forfeiture matters in narcotics cases. <http://www.vvdailypress.com/cgi-bin/newspro2004/viewnews.cgi?newsid1095166211,11827>,

GUILTY plea to money laundering in missile plot...Newsday - Long Island,NY,USA... in London, pleaded guilty in federal court to a single count of money laundering... that between October 2002 and March 2003, Raja aided in the transfer of \$86,500... http://www.newsday.com/news/local/wire/ny-bc-nj--missileplot0910sep10_0,1769687.story?coll=ny-ap-regional-wire

DEFENDANTS in Hamas money laundering case released on \$4 million...WAVY-TV - Portsmouth,VA,USA...CHICAGO Two men accused of laundering (M) millions of dollars to finance terrorist activities by the Palestinian militant group Hamas were ordered released on... <http://www.wavy.com/Global/story.asp?S=2306801>

International

Excellent article for enhanced due diligence on Pakistan. –ed. CBR can help curb hawala transactions, says ECAP official...Daily Times – Pakistan..... Money transmitters are those who are licenced by respective governments to collect money and transfer it to the country of origin of expatriates.... http://www.dailytimes.com.pk/default.asp?page=story_16-9-2004_pg5_15

US links investment pact with Pak's clampdown on money laundering...Times of India – India...ISLAMABAD: Pakistan will have to enforce the protection of intellectual property rights, introduce an effective anti-money laundering law and a conducive... <http://timesofindia.indiatimes.com/articleshow/850721.cms>

`DOWNLOAD' link in remittance chain...Business Line - Chennai,India The company was in the business of offering, for a commission received in the UAE, remittance services to transfer amounts from the UAE to various places in... <http://www.thehindubusinessline.com/ew/2004/09/13/stories/2004091300310400.htm>

RUKUTANA hails Western Union...New Vision - Kampala,Uganda... country, said according to figures supplied by Celent's 2002 Global Money Transfer Report, the market share of non-official money transmitters had declined... <http://www.newvision.co.ug/D/8/220/386200>

NBP assets to rise to Rs 550b...Daily Times - Pakistan... The NBP chief claimed that his bank's deal with the Western Union Money Transfer had capped the hawala and hundi system by 25 to 30 percent and entrance of... http://www.dailytimes.com.pk/default.asp?page=story_16-9-2004_pg5_9

PAKISTAN bank concerned at bulk money transfer to UAE...MENAFN - Middle East... of Pakistan has been expressing its concern over the transfer of foreign... Sources said the regularisation of money

changers' business through their conversion...
http://www.menafn.com/qn_news_story_s.asp?StoryId=63245

700 MILLION MONEY LAUNDERING SCAM...Deccan Herald - Bangalore,India... "The banks, in turn, would provide loans by relying on Allied Deals' accounts receivables (the money that was due from purported customers) and hoped that... <http://67.18.142.206/deccanherald/sep112004/i4.asp>

RBZ Decision Gave Birth to Homelink...AllAfrica.com – Africa...IT was the decision by the Reserve Bank of Zimbabwe to put in place a money transfer system to enable Zimbabweans living abroad to send money home safely... <http://allafrica.com/stories/200409160276.html>

Cocaine Dollars Go for Cheap in Colombia...Reuters...September 14, 2004 BOGOTA, Colombia (Reuters) - Here's a good way to make a buck if you're in Colombia. Take some pesos to a money changer and swap them for dollars. Then jump on a...suggesting it facilitated money laundering by accepting dollars deposited...with concern over money laundering. It said managing the...
<http://www.rsicopyright.com/redirect.html?article=http%3A%2F%2Fwww.reuters.com%2FnewsArticle.jhtml%3Ftype%3DtopNews%26amp%3BstoryID%3D6230359&pid=5398>

AFRICA acts slowly on money laundering: study...Xinhua - China... countries are acting more vigorously to prevent and combat terrorism, but still slowly in the fight against organized crimes such as money laundering, a study... http://news.xinhuanet.com/english/2004-09/14/content_1982085.htm

FIRMS warned of terror money laundering...The Age - Melbourne,Victoria,Australia... Keelty said. "Through these businesses, they are laundering money and transferring funds between jurisdictions. "It is important... <http://www.theage.com.au/articles/2004/09/13/1094927500876.html?oneclick=true>

Philippine Muslims Feel Squeeze in War on Terror...Reuters...September 12, 2004 GENERAL SANTOS CITY, Philippines (Reuters) - Muslim communities in the southern Philippines are starting to feel the brunt of Washington's war on terrorism as fund support from the Middle East to build and operate mosques and schools had either slowed down...terror financing or money laundering activities. He said they...
<http://www.rsicopyright.com/redirect.html?article=http%3A%2F%2Fwww.reuters.com%2FnewsArticle.jhtml%3Ftype%3DtopNews%26amp%3BstoryID%3D6204567&pid=5398>

This PDF may take a while to download, but stick with it. –ed. 32 August 2004 FINANCIAL WORLD..... supplied by research and consulting firm Celent's 2002 report, Global Money Transfer, suggest that the market share of non-official money transmitters has... www.financialworld.co.uk/mag.pdf/aug04/p32-36.pdf

United Kingdom: Money Laundering – Part 2 From Barlow Lyde & Gilbert
http://www.mondaq.com/article.asp?articleid=28253&email_access=on

US JUSTICE DEPARTMENT PRAISES RUSSIAN EFFORTS AGAINST MONEY.....Putinru.com - Moscow,Russia...Russia has adopted effective measures to fight money laundering, said Terry Kinney, the permanent representative of the US Department of Justice in Russia....
<http://putinru.com/news/item/30187.html>

Compliance Industry

US organisation to offer anti-money laundering training in Mideast..MENAFN - Middle East...DUBAI - The Association of Certified Anti-Money Laundering Specialists (ACAMS) will be the first US organisation to offer training and certification in the UAE http://www.menafn.com/qn_news_story_s.asp?StoryId=63251

Other Fields

United States: Fiscal Year 2004-2005 Presents U.S. Immigration Challenges For Employers From McDermott Will & Emery http://www.mondaq.com/article.asp?articleid=28321&email_access=on

Company News

WIZZARD Software's Presence Felt At SpeechTEK 2004....Business Wire (press release) - San Francisco,CA,USA... the United States Postal Service, presented its award-winning software to comply with mandates issued by federal legislation known as the Bank Secrecy Act
http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20040915005496&newsLang=en

PAYPAL Program May Be No Pal To Overspenders...Hartford Courant (subscription) - Hartford,CT,USA... Not to be outdone, PayPal, the e-commerce payment service owned by online auction giant eBay Inc., has joined the game with its own version of special financing... <http://www.ctnow.com/business/hc-monththemoney0912.artsep12.1.3570285.story?coll=hc-headlines-business>

CHECKFREE Signs Multi-Year Extension With Wells Fargo for...Yahoo News (press release) - USA... to our continued partnership with the financial institution in delivering the convenience and control of electronic billing and payment services to more... http://biz.yahoo.com/prnews/040914/cltu011_1.html

FIRST Data Announces Letter-of-Intent With Bank of America...Yahoo News (press release) - USA... business. * Bank of America will extend its current contract with Primary Payment Systems (PPS), a part of the First Data family.... http://biz.yahoo.com/prnews/040915/law022_1.html

QUICK cash, for a price..Pittsburgh Tribune-Review - Pittsburgh,PA,USA... "It's convenient, and I know the bill will be paid within 30 minutes," she said. ACE is the nation's biggest check casher, with about 1,200 stores.... http://www.pittsburghlive.com/x/tribune-review/business/s_250123.html

SENVIA Money Services contribute to hurricane relief...CNW Telbec (Communiqués de presse) - Canada... to help in the rebuilding." Applicable transfer fees for contributions to these accounts will be waived as follows: - JAMAICA - money transfer fees normally
<http://www.cnw.ca/fr/releases/archive/September2004/14/c9495.html>

MONEYGRAM Reduces Fee For Sending Money To Three Hurricane-Damaged... Business Wire (press release) - San Francisco,CA,USA... retail customers. MoneyGram's money transfer services are available in 70,000 locations in more than 160 countries. For more information...
http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20040915005775&newsLang=en

Also see:

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20040914005904&newsLang=en

GLOBAL Axxess Completes \$2.25 Million Debt Financing....Yahoo News (press release) - USA... new ATM users with web-based solutions to provide financial services to the un-banked customer, such as payroll distribution products, money transfer and pre...
http://biz.yahoo.com/prnews/040915/nyw027_1.html

XOOM Forgoes Fees to Aid Hurricane Ivan's Victims; Money Transfer...Business Wire (press release) - San Francisco,CA,USA... 13, 2004--Xoom Corporation, online-to-offline money transfer service announced today will be offering no fee money transfers to Jamaica until September 21, 2004...
http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20040913006177&newsLang=en

WESTERN Union sets up flagship store in Beijing...Xinhua – China...BEIJING, Sept. 14 (Xinhuanet) -- Western Union, the world's largest money transfer service, set up a flagship store with China Post in Beijing on Tuesday.... http://news.xinhuanet.com/english/2004-09/15/content_1982948.htm

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http://www.primezone.com/newsroom/news_releases.mhtml?d=63896

MAGEX Acquires Open Payment Technologies; Magex to Add Stored...Business Wire (press release) - San Francisco,CA,USA... Using Magex's hosted payments platforms, Magex's customers are offering their consumers P2P and P2M payments, cross-border remittance services, mobile payments...

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20040913005733&newsLang=en