



Dear Readers,

### Treasury

Treasury has long spoken about how important the remittance business is to world economic stability and why remittances are an important public policy issue, but has seldom made mention of licensed money transmitters in this connection. We are like the 3,000-pound gorilla in the room that no one will acknowledge or, dare I write, like the poor relation our customers have always been treated as.

In this issue, there is a recent quote from Mr. Mark Sobel of Treasury: "Reported global remittance flows last year were almost \$100 billion and some estimates put unrecorded remittance flows at ½ that level." Undersecretary Taylor said something similar in Atlanta on October 8<sup>th</sup>.

A recent bill introduced in the Senate (see below) calls for more research into the statistical question because no one really knows the figures. They are just guessing. But one thing is for sure: the bulk of those flows is not going through banks nor through Western Union. Just as small business collectively accounts for most of our economy and most economic growth, so do we "small" transmitters, collectively, account for the bulk of 'recorded' international migrant worker family remittances.

That leaves us, the *licensed* money transmitter industry, as the last channel with any hope of vetting those 'unrecorded' customers, or preventing their number from growing. Any other scenario is unrealistic and naive.

The banks, and even Western Union, have only recently 'discovered' our markets. Previously, service through those channels was poor and expensive, or non-existent. Anyone who is truly interested in keeping costs down for the remitting consumer, anyone who cares about containing money laundering, should be a big booster of our industry.

Yet our industry is under mortal threat due to lack of banking facilities, unfair competition, and ironically, *lack* of regulation and enforcement in some respects, and *over*-regulation in others.

### Legislation

We need a National Money Transmitters Act that will properly define what money transmission is and the role of banks in new, emerging products. We need to eliminate gaps and unevenness in state regulation. In short, we need to unify the regulation of AML, safety and soundness, consumer protection and privacy, under one, state-federal plan. The term 'consumer' should include businesses. Anyone who makes money on moving or storing money, at any point along the chain, should have to get a license.

And no Transmitter legislation will be as effective as it could be, until we get sane policies on taxpayer ID numbers for immigrants, and a voluntary national ID card. National standards on state-issued ID cards (driver's licenses) wouldn't hurt, in the meantime.

Mostly by amending the Electronic Fund Transfer Act, the International Remittance Consumer Protection Act of 2004 was introduced in the Senate on September 30, 2004 by Senator Sarbanes and was referred to the Committee on Banking, Housing, and Urban Affairs. Now the markup period begins. Your comments and suggestions in the form of letters to committee members, are urgently needed.

Firstly, S2868 mandates that Treasury publish an undefined list of exchange rates, against which our 'profits' must be compared and the 'difference' disclosed to the customer as a "fee." Every day.

Implementation will be fraught with difficulties; the logistical problems and costs need to be studied. But if this is to be implemented at all, terms like “comparable” and “effective exchange rate” need to be added, in the interest of fairness and truth. Only feasible, in-country exchange rate alternatives, actually available to the consumer, should be compared.

Helping consumers in this way is unique enough to our industry, but such hypothetical differences would never be called a “fee” in any other business, why should they be in ours? They are perhaps economic costs, but certainly not dollar-costs. We ourselves do not know, in advance, how much f/x profit we will book at the end of the month.

But the part of S2868 of most interest to us, is Section 5, which starts:

“(a) PROVISION OF GUIDELINES TO INSTITUTIONS- Each of the Federal banking agencies (as defined in section 3 of the Federal Deposit Insurance Act) and the National Credit Union Administration shall provide guidelines to financial institutions under the jurisdiction of the agency regarding the offering of low-cost remittance transfers and no-cost or low-cost basic consumer accounts, *as well as agency services to remittance transfer providers.* (Italics added.)

(b) CONTENT OF GUIDELINES- Guidelines provided to financial institutions under this section shall include--

- (1) information as to the methods of providing remittance transfer services;
- (2) the potential economic opportunities in providing low-cost remittance transfers; and
- (3) the potential value to financial institutions of broadening their financial bases to include persons that use remittance transfers.”

So, in the same paragraph (a), while encouraging banks to go into competition with us, the bill says the FFIEC, OCC and company, are supposed to give banks guidelines regarding the “...offering of...agency services to remittance transfer providers.” Talk about mixed messages....

The law does not go further and say those guidelines must be fair and viable for remittance transfer providers. The tone of the bill is well-intentioned and sympathetic, but ultimately encourages the myth that banks are really the preferred way to send money, from a public policy perspective.

What we really need is a declarative statement that no financial institution shall refuse to consider, nor unreasonably deny, account facilities to another class of lawful business, as is happening right now to the licensed money transmitter (LMT) industry.

Without such a provision in the law, regulators will always be averse to “telling” a bank they “must” accept LMTs. It is nothing of the sort. All we are asking for is a fair chance to serve. Lack of banking facilities in itself, has become a monumental threat to the LMT industry, even before mentioning the anti-competitive aspects of banks competing for our markets, while denying us accounts and credit card processing facilities. Surely the bill is not meant to foster and further reinforce what may well become a de facto monopoly.

Now, when we are about to see the first attempt at legislation, our fate, our bank accounts, are to be put in the hands of the Federal agencies, the same agencies whose guidelines over the years have inadvertently scared the daylights out of the banks, so much that they (the banks) won’t even speak to us any more.

The Federal agencies have long had the power to write neutral guidelines, had they been so inclined. But they have been forced to see their job differently, and they may be right. After all, FinCEN treats us as high-risk, so the OCC does. The OCC treats us as high-risk, so the banks do. No one has to say anything explicit for this to snowball, especially in today’s political climate.

Regulators should not be asked to legislate. Otherwise, banks will continue to shun us as a pure business decision because we are too risky.

Risky? Much to the contrary, no adverse regulatory action that I know of has ever befallen a bank because of an LMT account, once a state money transfer license was requested by the bank and produced by the candidate. If the respect afforded the state money transfer license needs to be upgraded, perhaps federalized, then let us look at that. But all that should be necessary is proof of licensure and some affordable monitoring.

We and banks need a roadmap to an affordable due diligence process and the message needs to go forth that it is OK to have LMTs as customers, and that no discrimination shall be tolerated. The only message that has reached the banking community so far is that LMT accounts are to be feared as risky and expensive to maintain.

The small and mid-sized licensed money transmitters of the United States have always been better at compliance and more responsive to the market, than banks. Our efficient functioning is vital to national security. That makes it both an injustice *and* bad public policy to allow us to go under.

Regards,

-David

### Industry and Government News and Trends

S2868 introduced 9-30-04. You must do a number search on S2868 at the following site:  
[http://www.senate.gov/pagelayout/legislative/g\\_three\\_sections\\_with\\_teasers/floor\\_actions\\_5back.htm](http://www.senate.gov/pagelayout/legislative/g_three_sections_with_teasers/floor_actions_5back.htm)

**Also see:** International Remittance Consumer Protection Act Introduced Into .....Hardbeatnews.com - Jackson Heights,NY,USA... that will adequately protect Caribbean and other immigrant New York families against unscrupulous exchange rate conversions and money transfer scams was ...  
<http://www.hardbeatnews.com/details2261.htm>

GAO Testimony June 2004 before Senate Housing Banking and Urban Affairs Committee:  
<http://www.gao.gov/atext/d04833t.txt>

Make sure you read this. Treasury's "Global Remittance Strategy" is mentioned.... -ed.  
Mark Sobel, Deputy Assistant Secretary, International Monetary Policy International Affairs, Department of Treasury Remarks to Central America in the United States Conference Held At the Department Of State. This Department of Treasury press release may be viewed at:  
<http://www.treas.gov/press/releases/js1995.htm>

**Also see:** Treasury Under Secretary John Taylor says, in Remarks Presented at the Payments in the Americas Conference, at the Federal Reserve Bank of Atlanta, October 8, 2004....  
[http://usinfo.state.gov/usinfo/Archive/washfile\\_feature3.html](http://usinfo.state.gov/usinfo/Archive/washfile_feature3.html)

And here's an oldie from...February 26, 2002. -ed.  
Remarks by the Honorable Sheila C. Bair Assistant Secretary for Financial Institutions before Multilateral Investment/Inter-American Development Bank Second Regional Conference on Impact Of Remittances As a Development Tool <http://www.treas.gov/press/releases/po1045.htm>

Six year wait for justice. -ed.  
US High Court Ruling A Win For Consumers...Forbes - USA... playing field. Hochschild said Discover will go after the credit, debit, stored value and business card markets. The bank where ...  
[http://www.forbes.com/2004/10/04/cx\\_sr\\_1004creditcards.html](http://www.forbes.com/2004/10/04/cx_sr_1004creditcards.html)

Some illegal immigrants find American dream turned upside down...Kansas City Star (subscription) - Kansas City,MO,United States... ranges from \$3,000 to \$6,000 or more, depending on the services

requested and ... It's all part of the "remittance" economy that is Mexico's second-largest source ...  
<http://www.kansascity.com/mld/kansascity/news/world/9884856.htm>

Fitch Affirms First Data's 'F1'; Assigned Sr Notes 'A+'....Business Wire (press release) - San Francisco, CA, USA.....“Concerns center on increased regulation and state investigations into First Data's compliance ....., strong competition for the payment services segment (Western Union) from stronger and better capitalized international banks, as well as smaller, geographically concentrated niche players.....”  
[http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news\\_view&newsId=20041007005413&newsLang=en](http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20041007005413&newsLang=en)

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<http://www.rsicopyright.com/redirect.html?article=http%3A%2F%2Fwww.reuters.com%2FnewsArticle.jhtm%3Ftype%3DtopNews%26amp%3BstoryID%3D6432345&pid=5398>

Severing the Web of Terrorist Financing...Center For American Progress - Washington, D.C., USA... policies to disrupt the network and track it back to specific terrorist cells and ... that al Qaeda received about \$30 million per year in funding before the 2001 ...  
<http://www.americanprogress.org/atf/cf/{E9245FE4-9A2B-43C7-A521-5D6FF2E06E03}/TerrorinShadows-Wolosky.pdf>

### Commentary

The Worst Way to Fight Terror....Antiwar.com - Redwood City, CA, United States... on innocent Americans. This is what happened with "suspicious activity reports" required by the Bank Secrecy Act (BSA). Thanks to ... <http://antiwar.com/paul/?articleid=3752>

**Also see:** Border Security: Consular Identification Cards Accepted within United States, but Consistent Federal Guidance Needed....GAO-04-881, August 24, 2004 (50 pages).  
<http://www.gao.gov/docdb/lite/details.php?rptno=GAO-04-881>

HSBC Bank opening branch in nation's capital...Buffalo News -Buffalo, NY, USA... The bank in May agreed to pay \$25 million in fines for violating the US Bank Secrecy Act in its dealings with the embassies of Saudi Arabia and Equatorial ... <http://www.buffalonews.com/editorial/20041008/1061833.asp>

### Crime and Cases

Ciudad del Este....Paraguayan border town called key site for terrorist funding...Boston Globe - Boston, MA, USA... and US officials' description of the area where Paraguay, Brazil, and Argentina meet as a key South American point for Islamic terrorist fund-raising to the ...  
[http://www.boston.com/news/world/latinamerica/articles/2004/10/05/paraguayan\\_border\\_town\\_called\\_key\\_site\\_for\\_terrorist\\_funding/](http://www.boston.com/news/world/latinamerica/articles/2004/10/05/paraguayan_border_town_called_key_site_for_terrorist_funding/)

Standard Chartered to toughen anti-money laundering....Investor's Business Daily (subscription) – USA....WASHINGTON (CBS.MW) - The New York office of UK bank Standard Chartered plc said Friday it's agreed to implement several anti-money laundering provisions after ...  
<http://www.investors.com/breakingnews.asp?journalid=23446282&brk=1>

Accokeek postal worker pleads guilty to bribery, money laundering...Business Gazette - Gaithersburg, MD, USA...by David Anderson. Following a joint investigation by the FBI, US postal inspectors and the US Postal Service's Office of the Inspector ...  
<http://www.gazette.net/200441/princegeorgescty/updates/239792-1.html>

### Other Fields

United States: European Union Threatens to Surpass The United States in Regulation of Internet Commerce From Holland & Knight LLP ... [http://www.mondaq.com/article\\_preview.asp?a=28769&e=on](http://www.mondaq.com/article_preview.asp?a=28769&e=on)

WorldPay hit by web attack Web User – UK...Online payment service WorldPay came under attack from hackers at the weekend, leaving thousands of websites unable to accept transactions from customers. ... <http://www.webuser.co.uk/news/news.php?id=58529>

Brokerage facing fine of \$2 million...Toronto Star ...Toronto, Ontario,Canada... whereby the brokerage will pay the \$2 million penalty, \$100,000 in other costs and hire an independent consultant to clean up its compliance and supervisory ... [http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article\\_Type1&c=Article&cid=1097273432296&call\\_pageid=968350072197&col=969048863851](http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_Type1&c=Article&cid=1097273432296&call_pageid=968350072197&col=969048863851)

Mutual funds must now have chief compliance officer...Omaha World Herald - Omaha,NE,USA ... dressed up new mutual fund regulations that take effect today by creating a position with a title that sounds very executive: chief compliance officer. ... [http://www.omaha.com/index.php?u\\_np=0&u\\_pg=46&u\\_sid=1221460](http://www.omaha.com/index.php?u_np=0&u_pg=46&u_sid=1221460)

Better regulatory compliance guides sought...Bizjournals.com – USA...The bill would require agencies to publish compliance guides on their Web sites as soon as possible after new regulations that affect small businesses are ... <http://www.bizjournals.com/extraedge/washingtonbureau/archive/2004/10/04/bureau3.html>

Firm to pay \$25 mln, undertake compliance reforms...CBS MarketWatch - USA... RS Investment Management, a San Francisco-based investment adviser to 10 mutual funds, agreed Wednesday to pay \$25 million and undertake compliance reforms to ... <http://cbs.marketwatch.com/news/story.asp?guid=%7BB4701543-8B0C-4B45-977C-3B3C79911BE0%7D&siteid=google&dist=google>

## **Company News**

New International Cash Transfer Tool Provides Speed, Savings, and .....Hispanic PR Wire (press release) - Miami,FL,USA... The WMO Global One card is a stored value card that offers the security of a PIN-based system. It can be purchased at retail outlets ... [http://www.hispanicprwire.com/news\\_in.php?id=3054&cha=14](http://www.hispanicprwire.com/news_in.php?id=3054&cha=14)

Peoples Trust Selects First Data for Card Processing Services Yahoo News (press release) - USA... Check processing and money transfer services are also offered through the company's TeleCheck® and Western Union® subsidiaries, respectively. ... [http://biz.yahoo.com/prnews/041007/lath055\\_1.html](http://biz.yahoo.com/prnews/041007/lath055_1.html)

Global Payments Announces New Cash Access Gaming Software Platform .....Yahoo News (press release) - USA... cards, gift cards, electronic check conversion and guarantee, verification and recovery, as well as terminal management, gaming and money transfer services. ... [http://biz.yahoo.com/prnews/041007/clth063\\_1.html](http://biz.yahoo.com/prnews/041007/clth063_1.html)

## **International**

China joins Eurasian anti-money laundering panel...People's Daily Online - Beijing,China...The Eurasian panel for anti-money laundering and anti-terror financing announced its establishment in Moscow on October 6. Li Ruogu, vice president of the ... [http://english.people.com.cn/200410/08/eng20041008\\_159349.html](http://english.people.com.cn/200410/08/eng20041008_159349.html)

Citigroup, ABJ conduct anti-money laundering training seminar...MENAFN - Middle East ... Touqan, Citigroup and the Association of Banks in Jordan (ABJ) on Wednesday conducted a one-day

comprehensive training seminar on anti money laundering (AML). ...  
[http://www.menafn.com/gn\\_news\\_story\\_s.asp?StoryId=65709](http://www.menafn.com/gn_news_story_s.asp?StoryId=65709)

Anti money-laundering law crucial for economy...IranMania News - Iran... Speaking at a seminar of Tehran province administrative and planning personnel, he added that initially the concept of money laundering was introduced in the ...  
<http://www.iranmania.com/News/ArticleView/Default.asp?NewsCode=25856&NewsKind=Business%20%26%20Economy>

Indonesia, RP sign anti-money laundering agreement...INQ7 Interactive, Inc. - Philippines... Indonesia's Financial Transaction Reports and Analysis Center (PPATK) said it has signed an agreement with the Philippines' Anti-Money Laundering Council (AMLC) ...  
[http://money.inq7.net/breakingnews/view\\_breakingnews.php?yyyy=2004&mon=10&dd=06&file=4](http://money.inq7.net/breakingnews/view_breakingnews.php?yyyy=2004&mon=10&dd=06&file=4)

Call For Comprehensive Approach To Fight Money Laundering...Bru Direct - Brunei Darussalam Bandar Seri Begawan -- The fight against money laundering and other related issues cannot be dealt with by a single jurisdiction but by a comprehensive and ...  
<http://www.bruirect.com/DailyInfo/News/Archive/Oct04/061004/nite07.htm>

\$242m Scam: 3 Banks Named in Money Laundering Deals...AllAfrica.com - Africa... Union Trust Building Society Limited, and an Indian company, Royal Crest Nig. Limited, were named in several money laundering deals. ... <http://allafrica.com/stories/200410050712.html>

Asmal to Head Anti-Terror Funding Body...AllAfrica.com - Africa... Asmal has been selected to serve as President of the Financial Action Task Force (FATF), which battles international money laundering and terrorist financing. ... <http://allafrica.com/stories/200410060621.html>

Homelink Can Be Used for Investment...AllAfrica.com - Africa... way many Zimbabweans living abroad could pay medical aid subscriptions for their parents or other family members, using a money transfer organisation partnered ... <http://allafrica.com/stories/200410070227.html>

IT to tackle the seedy world of money laundering...The Malaysia Star – Malaysia...WITH Bank Negara requiring local banks to adopt measures to prevent money laundering, there's been a growing interest in anti-money laundering software and ... <http://star-techcentral.com/tech/story.asp?file=/2004/10/5/corpit/9007690&sec=corpit>

EU to fund Russia's fighting money laundering...RosBusinessConsulting - Moscow,Russia... RBC, 05.10.2004, Moscow 12:24:21.The European Union has allocated EUR2.5m for the Moli-ru project, which stipulates fighting money laundering in Russia, Marc ...  
<http://www.rbcnews.com/free/20041005122421.shtml>

Russia to fight money laundering...Pravda - Moscow,Russia...Russia President Vladimir Putin supports consolidation of the world community for fighting money laundering and sponsoring of terrorism. ...  
[http://english.pravda.ru/main/18/88/350/14406\\_laundering.html](http://english.pravda.ru/main/18/88/350/14406_laundering.html)

Finance Minister on fighting money laundering...RosBusinessConsulting - Moscow, Russia ...RBC, 05.10.2004, Moscow 11:36:26.Russia proposed to establish a Eurasian group on countering money laundering within the framework of the Financial Action Task ...  
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Financial service to develop strategy to fight money laundering...Interfax - Moscow, Russia Oct 5 (Interfax) - The Federal Financial Oversight Service is to complete the development of a draft national strategy to fight the laundering of illegal ...  
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Financial entities must help combat money laundering - Mabusa...Republic of Botswana - Gaborone, Botswana...GABORONE - Money laundering can erode the integrity of the country's financial institutions if relevant institutions do not play a role in combating financial ... [http://www.gov.bw/cgi-bin/news.cgi?d=20041005&i=Financial\\_entities\\_must\\_help\\_combat\\_money\\_laundering\\_-\\_Mabusa](http://www.gov.bw/cgi-bin/news.cgi?d=20041005&i=Financial_entities_must_help_combat_money_laundering_-_Mabusa)

Myanmar steps up fight against money laundering - Xinhua - Beijing, China  
4 (Xinhuanet) -- Myanmar is stepping up the fight against money laundering, urging domestic financial institutions to help expose such cases, especially ... [http://news.xinhuanet.com/english/2004-10/04/content\\_2050554.htm](http://news.xinhuanet.com/english/2004-10/04/content_2050554.htm)

Responding to the diverse financial needs of the poor...MENAFN - Middle East... Competition among banks and money transfer agencies can help reduce the fees associated with remittances and put more working capital in the hands of rural ... [http://www.menafn.com/qn\\_news\\_story\\_s.asp?StoryId=65949](http://www.menafn.com/qn_news_story_s.asp?StoryId=65949)

Smart users exceed 17 million...Manila Bulletin - Manila, Philippines... 15,000 worth of R120 million since last month. There are already 70,000 to 80,000 money-transfer accounts opened in the Philippines. ... <http://www.mb.com.ph/INFO2004101020189.html>

POSTMAN TO COLLECT YOUR LETTERS, POS ON SUNDAY TOO...Star of Mysore - Mysore, India... Extended timings are offered for the Western Union Money Transfer service from which the Postal Department has earned a revenue of Rs. 102.53 crore in 2003-04. ... <http://www.starofmysore.com/main.asp?type=news&item=4176>

Scheme for electronic money transfer proposed...Times of India - India... proposal. EMOs is a proposed electronic money transfer service for transmitting money from one place to other in the country. This ... <http://timesofindia.indiatimes.com/articleshow/877944.cms>

Postal services going online in Kerala...Sun Network - Chennai, Tamil Nadu, India... E-post After its successful foray into money transfer business, the Department has taken up a new scheme called e-post for sending messages through computer ... <http://www.sunnetwork.org/news/regional/Kerala/kerala.asp?id=10460>

150th Year Of India Post - President Releases Set Of Commemorative ..... Press Information Bureau (press release) - India... In addition, the post office is diversifying into financial services such as international money transfer service, distribution of mutual funds and bonds ... <http://pib.nic.in/release/release.asp?relid=4200>