

CHEKLIST

THE INDEPENDENT MAGAZINE FOR NEIGHBORHOOD FINANCIAL SERVICES PROVIDERS



RECESSION
COMING

That can be a plus.

FALL 2019 | VOL 31, NO. 3 | CHEKLISTMAGAZINE.COM | \$10

Cheklis | PO Box 610 | Lady Lake, FL 32158
ADDRESS SERVICE REQUESTED

Compliance A Must for a Banking Relationship

By Mitchell Levy

Lately, I have been receiving many phone calls from money service business owners concerning the same situation. They all sound alike: “My current bank sent me a letter stating they will be closing my account in 30 days. I called my contact at the bank and they could not give me a reason why my account is being closed. They say the decisions are made from the back office and they do not inform the branch of the reasons.” The branch also informs the MSB owner that they are closing most of their other MSB customers’ accounts.

From talking to many MSB customers of this bank, it seems that the bank has never discussed Bank Secrecy Act/Anti-Money Laundering rules compliance or any of the requirements that needed to be met to keep the account open. Prior to receiving this discontinuance letter, the bank had not shared any formal AML documents, checklists, yearly requirements or discussions letting

the customers know what would be required of them on an ongoing basis to continue their MSB account relationship.

Sound familiar?

I am also seeing MSB customers receive letters asking for AML documents for the very first time. In many cases, the banking relationship is a long one, and nothing has ever been requested until now.

I recommend that you respond and get them exactly what they are asking for as soon as possible. The banks tell me that delays in customers responding and providing requested documentation is a red flag.

You ran your business as you knew best for many years. You have a successful business. Your bank was happy, and so were you. Until now!

MSB-FRIENDLY BANKS

If you received an account closing letter, the next logical step is to reach out and contact an MSB-friendly bank or two and try to open a new account. Or reach out to someone who is in the business of helping MSB owners secure a friendly banking relationship.

Contrary to what you might think, these MSB-friendly banks welcome new customers. They understand your business. But remember that these banks want financially sound, compliant MSB businesses. Once you contact them, they will have a list of required documents that you will need to provide to them as well as an in-depth application process.

The reason these banks are successful is due to their comprehensive on-boarding due diligence process. Banking with a real MSB-friendly bank will not only allow you to continue in the business, it will help you grow your business. Most MSB-friendly banks are your true partners and will help you succeed.

You most likely will encounter some changes to the current way that you run your business. This is another hurdle that I see owners struggling with. However, once owners make the changes and start the new processes, most tell me that it is actually easier, more efficient and helpful to their business. I often hear that they are sleeping better at night, too.

COMPLIANCE REHAB

Your next problem is producing the list of required documents that you need to provide to the bank. Many will be things that you have never seen or heard of before. That seems hard to believe, but I am encountering this situation many times over.

Your past bank never asked for any of these documents, so you kind of rode the wave. Not an acceptable excuse, but it is what it is at this point. It worked until now. Hopefully, you have some of the required documentation, just not all. That’s OK, too. Start now by getting your compliance in order. My team has been calling it the “compliance rehab.”

It is never too late to

CONTINUED ON PAGE 27

Mitchell Levy is a Certified Anti-Money Laundering Specialist and the founder of The Compliance Organization. Levy has been active in the MSB industry for more than 20 years as an owner/operator/compliance officer of a chain of Community Financial Service Centers. He now focuses on helping MSB owners achieve high standards of BSA/AML Compliance, including compliance programs and independent reviews and bank on-boarding. Contact Levy at thecomplianceorganization.com.mitchell@thecomplianceorganization.com, or (301) 793-8188.

embrace the culture of compliance, and now is the time. You cannot change the past, but you can change the future. In order to survive this new culture, you must acknowledge and accept your past deficiencies and embrace a plan to address them now and going forward.

Most bank requests that I have seen lately ask for:

- An AML compliance manual delineating policy and procedures (not a fill-in-the-blank version provided by one of your vendors).
- Documentation of your dedicated compliance officer, who has been trained and understands BSA/AML compliance and how it relates to your business.
- A current independent review conducted by a qualified third party (not conducted by your friend who owns a gas station down the street).
- A transaction-monitoring program and training, at a minimum.

Just because your past bank has never asked for these things is no excuse for not following the requirements. So start.

There is also no excuse for not filing appropriate currency transaction reports and suspicious activity reports. I have seen FINCEN recommend back filing CTRs for a period of five years. Yes, it is a hassle, but if you show that you will do whatever it takes moving forward, the new bank may give you a chance.

The banks will look at your past and really look at what you are doing going forward. If you hire a qualified consultant to help you and immediately commit to building your culture, enhancing your training, upgrading to industry-specific POS system, listening, learning and embracing your MSB requirements, they may give you a shot.

I am seeing banks request monthly

and/or quarterly oversight from qualified third parties for new accounts. This oversight is for a period of time to ensure your adherence to your new policy and procedures manual. They want to verify that you are doing what you say you will do.

I am also seeing some MSB locations operating without a POS system. Some of these locations are doing very large volumes and all record keeping is manual.

This is not good. It makes staying compliant very hard and very labor intensive, as well as serving as a red flag to your current and prospective new banks.

I highly recommend getting an industry specific POS now. Even before you have banking issues, being proactive with a POS will really benefit you going forward.

It is never too late to be compliant. You must start now or your business will be over soon. Saying that you did not understand compliance and that no one has taught you compliance is not acceptable. It is your responsibility as an MSB owner.

Continue your compliance upgrade journey, embrace and build the culture. You will need all this knowledge and documentation again in the future and forever.

Do what is expected of you. You might be surprised and get a bank acceptance letter. It happens every day!

If you think compliance is a burden and expensive, try non-compliance. Compliance should be a cultural value ingrained in all owners and employees. It is never too late to start.