

CHEKLIST

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Time to Shine Up Your Business



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As Another Bank Exits...

A shiny culture of compliance will ease finding a new bank. By MITCHELL LEVY

AGAIN AND AGAIN, WE ALL hear the same old very scary story: “Our board of directors has decided that our bank will no longer service and bank MSB accounts. We will give ample time for all of our existing MSB accounts to exit and on-board to a new MSB-friendly banking relationship.”

That is definitely easier said than done, but it is 100 percent doable. Does anyone know what is the current banks’ definition of “ample time to exit”? I sure don’t. Every location and business is different and so is the time it will take the business to secure a new banking relationship. Some are distinctly more complex exits than others. Don’t wait. The longer you wait, the more difficult it is.

By now most of you know why I am writing about bank discontinuance. The announcement by Fifth Third Bank that it is exiting the business of banking MSBs was a jolt to many. After all, Fifth Third Bank was one of the largest MSB-friendly banks in our industry, banking hundreds of entities.

Yet some had seen it coming, especially after Fifth Third absorbed MB Financial’s vast MSB portfolio some months earlier.

Even if you were not a Fifth Third customer, this is a good time to remind yourself to plan for these events, because they are going to continue to happen. Do not get caught off-guard.

When walking down a steep hill, if I tell whomever is with me to plan on falling, they will then take more care with each step. Plan on bank discontinuance. You will then take more care in operating your business.

Always be ready to move banks if you have to.

EVERYONE’S NEXT STEP

If you are a Fifth Third customer,

obviously you must now find a new banking relationship as quickly as possible. Get ahead of the time it will take to make any change to your business.

If you are not currently a Fifth Third Bank customer and you have a healthy bank relationship, listen up.

When applying to a new bank, you will want to go in with your best foot forward. That means comprehensive, up-to-date compliance documents, including a robust Anti Money Laundering Manual: Policy and Procedures specifically designed for your business and based off your current risk assessment, as well as your most recent independent review conducted by a qualified third party, at a minimum.

Your business and existing bank relationship were probably working fine with the documents that you currently have, and you might not see the value in improving your program. Think about it this way: When you go to trade in or sell your car, you run it through a car wash -- or, if you’re like me, you hand-wax it so that your car is the shiniest that it can be.

A shiny car relates to how you cared for it. A comprehensive, robust set of current compliance documents will set the stage with the bank in relation to your culture of compliance and how you adhere to it. This will give the bank a peek at how well (or not!) you run your business.

If you are operating with stale compliance documentation, do you think the bank will view you as a good compliant candidate with minimal risk?

Bonus: If you have a strong culture of compliance and are always up to date with your documents and independent reviews, when it’s your turn to exit you will be surprised how

fast and easy it can be. It worked for me. By failing to prepare, you are preparing to fail.

THE RIGHT BANK FOR YOU

I have been getting many calls asking me, What bank is right for my business? How am I going to deal with all of this change? I have been operating the same way for the past eight years with my current bank.

To my current clients, I say not to worry, we will get you another bank that fits your business. You have great compliance and operate a well-run, well capitalized business — relax.

I cannot say that to everyone who calls.

Not every MSB-friendly bank is a good fit for every MSB. Banks are different in certain ways, just as your businesses are different. Same industry, same services, but different in many ways.

Is a large MSB bank the right fit for your small business? Is a small MSB bank the right fit for your large or very large business? Should I have multiple banks for my multiple stores? Will all banks ask for collateral? How much?

As much as you want to jump into the first bank that you think will approve you, this is a good time to analyze what bank would be the best fit for you and your business. All the while, understand that if you have a very good culture of compliance starting at the top and you are following and complying with the BSA/AML/FiNCEN requirements, you have a very strong chance of choosing the perfect bank for your business.

CASH CASH CASH

You should start by asking yourself these questions: How are your financials?

Is your business financially sound? Are you well-capitalized? If one big check gets returned, will it put you out of business or almost out of cash? Do you have a back-up plan if a cash shortfall happens?

The banks are looking at your financial stability with a magnifying glass. No matter how much dollar volume you are cashing, if you have weak financials you are a higher risk to many banks.

Do you have enough cash in your business, or are you working off the “float”?

The days when you could do that are long gone, and the bank can see right through the smoke. You must have more than ample cash in your business to be commensurate with your volume and their risk tolerance.

We all know this is a risky business. Prove to the bank that your business falls under the rating of “minimal risk” due to your financial well-being, strong compliance and just plain old running your business the right way.

Sounds like a lot of work! It is, but it will be well worth it.

DELIVERY CHANGES

How about armored-car cash delivery? Most MSBs today are already working with cash delivery. If you are not now, when it is required, you are going to be in for a major workflow change.

Some owners are lucky enough to still be banking with your local bank branch. If you are, cherish the moment. You are most likely picking up your cash from the local branch daily or a few times a week. The checks you deposit today are credited tomorrow morning and you pick up whatever cash you can.

With an armored car, you need to plan! And you need to account for the delay from the time you order your cash and the day you receive the cash.

Delivery is not the next day. There is usually a two-day lead time, and most banks require the cash to be in your bank the day you order it. You

have to account for all of these extra days. If you are running lean, you will have to put more cash into your business to account for change.

I have cautioned MSBs many times: If you have to make the change to cash delivery, it will have an effect on your cash flow. This change will feel much smaller if the other parts of your business are already running like a well-oiled machine and you can focus on this new process.

If you have to worry about the change in how you are getting money and get your compliance up to par at the same time, it will be very difficult. It isn't necessary if you are well prepared.

BE READY FOR ANYTHING

If you are aware of all the changes and challenges with on-boarding to a new bank relationship, then the transition will go smoothly and will be an easy one. If the wheels are well-oiled, and if they continually stay

well-oiled, they will roll smoothly.

Change is hard. Don't make it any harder by not staying up to date with compliance, financials and operations.

The right bank for you is just around the corner. Choose wisely.

A goal without a plan is just a wish. Good planning without good working is nothing.

You get the point!

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