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BULLETIN: 2019-KDCU-CUB-11
TO: Kansas Chartered Credit Unions
SUBJECT: Money Service Businesses

MONEY SERVICE BUSINESSES

In its December 2014 Letter to Credit Unions ([No. 14-CU-10](#)), the NCUA provided valuable information to credit unions who have members engaged in money service business (MSB) activity. The Financial Crimes Enforcement Network (FinCEN) has defined MSB's to include the U.S. Postal Service and six distinct types of financial services providers: (1) dealers in foreign exchange, (2) check cashers, (3) issuers and sellers of traveler's checks or money orders, (4) providers of prepaid access, (5) money transmitters and (6) sellers of prepaid access. 31 CFR §1010.100(ff).

Like any third party, this member activity can expose credit unions to certain risks and the NCUA expects credit unions to consider, monitor and mitigate those risks. As part of the initial due diligence process, credit unions are expected to (1) perform the required Member Identification program procedures, (2) confirm the MSB member is registered with FinCEN, (3) confirm the MSB member is in compliance with state/local license requirements, (4) confirm the MSB agent status and (5) conduct a BSA/AML risk assessment. Once the risk assessment has been completed, credit unions should look to the Supervisory Letter ([No. 14-05](#)) for more specific guidance on regulatory expectations.

One low risk indicator is an MSB that offers only one service, e.g. check cashing (no out-of-state and no third-party checks). High risk indicators include allowing members to conduct high dollar transactions with moderate to high frequency and cashing any third-party checks or commercial business checks. It is important for the credit union to know and understand its MSB member. Does the MSB provide services to another MSB? This adds a layer to the relationship between the credit union and the originator of the transaction.

Should the credit union determine that an MSB member fits the high-risk profile, enhanced due diligence measures will need to be implemented. Depending on the level of risk, the credit union may pursue some or all of the following actions as part of the enhanced due diligence review:

- Review the MSB's BSA/AML program
- Review results of the MSB's independent testing
- Review written procedures for the MSB's operation
- Conduct an on-site visit of the MSB
- Review the MSB's written employee screening practices.

The credit union's MSB member risk assessment, along with appropriately designed policies, procedures and controls, can effectively mitigate the risk posed by MSB's and can prevent money launderers and other criminals from accessing the financial system.

While it is important for the credit union to monitor MSB member risk and act appropriately, the credit union is not considered by the State, FinCEN or the NCUA to be an MSB regulator. Credit unions are not responsible for their members' compliance with state and federal laws and regulations.