

MSB BSA / AML Risk Assessment

If you own or operate a Money Services Business (MSB), a documented Bank Secrecy Act anti-money laundering risk assessment (BSA / AML Risk Assessment) may help you avoid IRS examiners. Your BSA / AML Risk Assessment should focus on a minimum of 4 areas: product risk, customer risk, geographic risk, and operational risk. A good MSB BSA / AML Risk assessment will help you avoid trouble with the IRS examiners, save you time, and save you money. To learn more, contact us at +1 646 435 0668.

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If you own or operate a Money Services Business (MSB), a documented Bank Secrecy Act anti-money laundering risk assessment (BSA/AML Risk Assessment) will help you avoid IRS examiners. By avoiding a FinCEN BSA/AML examination, or minimizing the intensity and consequences of any such examination, you avoid trouble, save time, and save money.

Immediately perform an MSB BSA / AML Risk Assessment if you provide more than \$1,000 in the following products or services to any person, on any day, in one or more transactions:

- Check cashing;
- Currency dealing or exchanging;
- Selling or redeeming travelers checks, money orders, or stored value;
- Issuing travelers checks, money orders, or stored value; or
- Funds transfers.*

* Money transmitters are not protected by the \$1,000 safe harbor and funds transfers in any amount result in potential BSA and USA PATRIOT Act liability.

Your MSB BSA / AML risk assessment should be approved by your board of directors and memorialized in your corporate minutes book.

The need for an MSB BSA / AML Risk Assessment

The BSA requires that every MSB implement a BSA/AML compliance program. Failure to implement a BSA/AML compliance program, or implementation of a deficient anti-money laundering compliance program, can result in significant penalties. In 2008, Sigue Corporation, a California MSB, was assessed a \$12 million fine due to its failure to implement an effective MSB BSA / AML compliance program.

Pursuant to applicable regulations, your BSA/AML compliance program must be “commensurate with the risks posed by the location and size of, and the nature and volume of the financial services provided by, [your] money services business.” This means that your BSA anti-money laundering policies, procedures and internal controls must address the risks revealed by your risk assessment. To save time, and to have a clear basis for your MSBs policies and procedures, your MSB BSA / AML risk assessment should be documented in a form that is easily reviewable by IRS BSA examiners.

Your BSA / AML Risk Assessment should focus on a minimum of 4 areas:

- Product Risk – identify the products/services that offer customers more anonymity, provide high volumes of currency or currency equivalent transactions, and/or may be more susceptible to manipulation to avoid recordkeeping or reporting requirements;

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- Customer Risk – attempt to identify customers or groups of customers that pose a heightened risk due to transaction activity, particular occupation or business, or volume;
- Geographic Risk – evaluate the risk associated with particular geographic locations (e.g. OFAC list, HDTAs, HIFCAs, etc.), whether domestic or international, and the impact any such risk might have on customers and/or transactions; and
- Operational Risk – determine the likelihood that human error or internal processes and procedures will fail to detect money laundering or terrorist financing.

Written documentation of your MSB risk assessment provides you with a clear basis for your BSA/AML policies and procedures.

Three key Benefits of a MSB BSA / AML Risk Assessment

A good MSB BSA / AML Risk assessment will help you avoid trouble with the IRS examiners, save you time, and save you money.

Avoiding Trouble. Every MSB is subject to the Bank Secrecy Act (BSA), and the BSA requires that every MSB “develop, implement, and maintain an effective anti-money laundering program.” Each MSB’s AML compliance program must be custom made so that it is “commensurate with the risks posed by the location and size of, and the nature and volume of the financial services provided...” This is where your BSA / AML risk assessment is critical. If your MSB is examined, the examiner will be looking to determine whether you have addressed all risk-related issues, including introduction of new products or services, customers, agent relationships, other operational risks, geographic risks, etc. To identify those risks, the examiner will ask for your MSB BSA / AML Risk Assessment. If you do not have one, or your risk assessment is inadequate, the examiner will do a deep probe and come up with its own risk assessment. Avoid the deep probe.

Saving Time. If your MSB is examined and you do not have an up-to-date, documented MSB BSA / AML Risk Assessment, the IRS examiner will need to conduct more in-depth interviews in order to determine your MSB’s risk profile. In-depth interviews are a serious loss of time. Avoid losing time.

Saving Money. Your MSB BSA / AML risk assessment will give you a better understanding of your risk profile. You can then develop and implement appropriate policies, procedures, and processes to mitigate your risks. A good risk assessment is likely to reduce the scope of any examination, or help avoid a painful examination. Defending an examination costs money. Avoid losing money.

Your MSB BSA / AML Risk Assessment

Your best defense is a good offense. We help you beef up your offense. First, we thoroughly examine your MSB and identify risks unique to your business. We then rank and weight those risks within the four categories identified above. Next, we analyze the risks by category, rank and weight, using benchmarks applied by the examiners. We then review your MSB’s policies, procedures and internal controls and, where necessary, suggest revisions that result in good risk mitigation and coverage. The entire process is documented for board approval. To learn more, contact us at +1 646 435 0668.

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