

*Risk Management for Money Services
Businesses (MSB)- Are You Managing Your Risk?*

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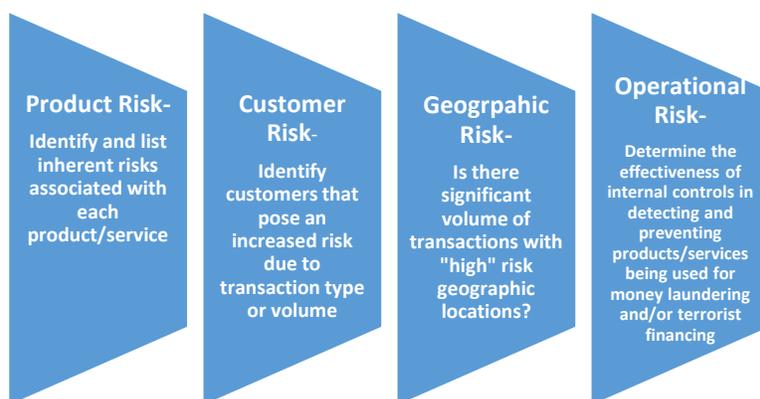
Introduction-

The Bank Secrecy Act (“BSA”) requires that every Money Services Businesses (“MSB”) implement a BSA/Anti-Money Laundering (“AML”) Compliance Program. Risk assessments provide a clear view as to the organization’s policies and procedures. Failure to implement a comprehensive BSA/AML Compliance Program may result in significant fines and/or penalties by state and federal regulators. So, what does this have to do with risk management? Having a risk assessment allows the company to establish a comprehensive Anti-Money Laundering (AML) Compliance Program.

Regulations state that a company’s BSA/AML Compliance Program must be commensurate with the risks posed. This means that a comprehensive risk assessment must effectively evaluate the adequacy of policies, procedures, and internal controls that have been developed to mitigate the company’s risk.

What should be included in the risk assessment?

While there is no “one size fits all” approach when creating a risk assessment, it should encompass all key areas of the company. There are many formats and templates that can be used in creating a risk assessment. The method used should be based upon the company’s risk profile and should be easy to understand. It is recommended that the risk assessment contain the following four risk categories:



These four risk categories can then be given risk ratings. It is important to consider all areas of the company when creating a risk assessment. When creating a comprehensive risk assessment, the following should also be considered:

- Identify specific products, services, customers and entities
- Evaluate the company’s Know Your Customer (KYC) program, if available
- Provide an understanding of where offices are located geographically. The company should document any offices or branch locations that are located in High Intensity Drug Trafficking Areas (HIDTA) or High Intensity Financial Crimes Areas (HIFCA) as identified by FinCEN.

Are You Properly Managing Your Risk?

The first step in knowing if you are properly managing your risk is by reviewing the risk assessment on a regular basis to determine if the risks of the company are still adequately assessed.

So, how do you manage your risk? The key is to understand the company's risk exposure and develop the necessary policies, procedures, and internal controls to mitigate the risk. Regulators expect MSBs to conduct an in-depth review of all areas of the organization as part of their risk management. To understand your risk and know if you are properly managing it, you should be able to answer the following questions:

- Does your risk assessment encompass all areas of the company?
- When creating the risk assessment, were all products and services offered by the company properly evaluated and assigned a risk rating?
- Did you review a list of all geographic locations where products and services are being offered? Are any of these locations in a high risk area?
- Have you incorporated any material changes such as new products/services, expansion into new geographic areas into your risk assessment?
- Was supporting data used to substantiate the risk assessed?
- Has the Risk Assessment along with the Compliance Program been presented to and approved by the Board of Directors?
- Does the Compliance Program address Customer Due Diligence ("CDD") & Enhanced Due Diligence ("EDD")?
- Are FinCEN license registration(s) properly filed and renewed?
- Does the company have policies and procedures in place for transaction monitoring to identify and report suspicious activity?
- Does the company have policies and procedures in place for transaction monitoring for Currency Transaction Reporting ("CTR")?
- Does the company have adequate policies and procedures to mitigate the company's overall risk?
- Does the AML/Compliance designate a Board approved AML/BSA Compliance Officer?
- Does the company identify products and/or services that pose a higher risk of money laundering?

Is the risk too high?

Some products and services may pose a higher risk of money laundering and/or terrorist financing by not requiring identifying information or by involving high volumes of cash transactions such as money transmission and the sale of pre-paid access cards

- Does the company have a separate OFAC Risk Assessment?

Summary-

The BSA/AML Risk Assessment will allow you to have a better understanding of your overall risk. The risk assessment should be comprehensive and well documented. When complete, an effective risk assessment should enable the MSB to establish policies, procedures, and internal controls to develop the company's BSA/AML Compliance Program.