



BSA/AML COMPLIANCE POLICIES AND PROCEDURES

AGENT MANUAL

**Trans-Fast Remittance LLC u/a/n
New York Bay Remittance**

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Compliance Dept.

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POLICY STATEMENT

Trans-Fast Remittance LLC (“**Trans-Fast**”) u/a/n New York Bay Remittance (“**NYBR**”) has created this Compliance Manual in order to assist all its duly authorized agents (“**Agents**”) in complying with the law, rules and regulations of the Bank Secrecy Act (“**BSA**”). This manual, along with internal controls, independent testing of compliance and other appropriate training, are the key segments of NYBR’s anti-money laundering and BSA Compliance Program.

BACKGROUND

The greatest risk of loss to NYBR is in the broad area of money laundering. This includes the cash and other reporting requirements of the Bank Secrecy Act and the actual U.S. money laundering laws. Failure to comply with the government’s rules and requirements can lead to civil fines and penalties, the seizure and forfeiture of bank accounts and other assets, and criminal prosecution. These legal actions can be applied to NYBR and/or responsible officers and employees and/or any duly authorized agents. Also critically important is the ability of NYBR to maintain sound banking relationships that are an absolute requisite for staying in business.

The events of September 11, 2001 elevated sensitivity to money laundering issues to a substantially higher level. The USA Patriot Act passed in October 2001 changed the language in criminal statutes and BSA regulations that impact directly on the remittance industry. FinCEN enacted SAR filing requirements and registration requirements on the money services businesses that include money remitters. Many states followed with enhanced rules, laws and requirements on the money services industry.

One of the principal ways to protect NYBR from involvement in money laundering and/or BSA investigations is to know and understand your obligations under the applicable laws and regulations. This manual will clearly set forth and explain NYBR’s Bank Secrecy Act Compliance and anti-money laundering policies and procedures, your obligations under the laws and regulations, and your requirements under manual.

The United States and many of the countries where NYBR does business has made combating money laundering a high regulatory and law enforcement priority. The BSA compliance rules, laws and regulations of the United States affect our business in very important ways and underscore the reason we insist on scrupulous compliance with all anti-money laundering and related laws and regulations.

Generally, money laundering is the process of conducting financial transactions with the proceeds of criminal activity in such a manner as to conceal the source, illicit origin, or true ownership of the asset. The transactions may also include assisting or facilitating the criminal activity. The legal definition is broad and covers transactions involving money from most U.S. and many foreign crimes.

There are actually four laws that make up the family of “money laundering laws”. The cornerstone of the money laundering laws is the Bank Secrecy Act or “**BSA**”. The law itself is Title 31 of the United States Code Sections 5311 – 5330. This law is actually implemented and governed by a set of formal regulations known as the BSA Regulations and found in Title 31 of the Code of Federal Regulation or “**CFR**”.

In general terms, the BSA is a reporting of information statute. The BSA defines what financial institutions are and who is included in that definition. The BSA Regulations provide for a variety of reporting forms and requirements including:

- FINCEN Form 104 (Formerly IRS Form 4789) or Currency Transaction Report (CTR)
- FINCEN Form 105 or Currency and Monetary Instrument Report (CMIR)
- Form 90-33.5 or Foreign Bank Account Report (FBAR)
- Suspicious Activity Reports FINCEN Form 109 (Formerly Form TD F 90-22.56)
 - For Banks and other financial institutions
 - Specifically for Money Services Businesses
- Form 8362 – CTR for Casinos
- FINCEN Form 107 – Registration of Money Services Business
- FINCEN Form 8300 for non-financial trades and businesses

The BSA also establishes the rules on how these forms must be filed, the timing of filing each report and the how long you must keep records relating to each of these transactions. Your specific reporting requirements under the BSA will be discussed later in this manual.

The BSA is implemented under the jurisdiction of the Financial Crimes Enforcement Network, FinCEN. FinCEN is a separate federal agency in the U.S. Treasury Department and oversees regulatory changes and the application of certain civil penalties under the BSA.

Money laundering is essential to the development, growth, expansion and overall success of criminal activity. Crime is generally committed for profit. That profit must be made available for the benefit of the criminal groups in such as manner as to defeat law enforcement actions.

The events of September 11th also demonstrate that money earned from legitimate sources but used to support criminal activity also flows through the financial systems.

The greatest vulnerability to the funds transmitting industry involves the movement of funds generated from the sale of drugs in the U.S.

Drugs are sold for cash dollars. Drug traffickers need to move this money to locations beyond the reach of U.S. enforcement efforts. Historically, they have taken advantage of the transmitting industry to send the proceeds of drug sales to criminal groups and beneficiaries in Latin American and Caribbean Basin countries.

The BSA imposes reporting requirements on certain types of transactions. Funds transmitters as well as banks must report these transactions. Failure to do so may be a criminal offense, can result in prosecution, criminal and civil financial penalties and fines. Criminals know these requirements exist. Criminal groups do not want to be identified. They will seek to conduct transactions in such a way as to defeat these reporting requirements. **This is money laundering.**

THE U.S. MONEY LAUNDERING STRATEGY

The United States Department of Justice and the United States Treasury Department draft a written strategy to combat money laundering each year. This written strategy is provided to the U.S. Congress and the federal agencies are required to direct their investigation and enforcement efforts along the written guidance of the current strategy.

One of the elements of the strategy for the year 2000 was to name four geographical areas as High Intensity Financial Crime Areas (HIFCA). These areas are:

- New York/New Jersey
- Los Angeles/Southern California
- The Southwest U.S. Border Region
- Puerto Rico

In addition, the strategy identified two specific methods of laundering drug money to be attacked. These are the *Black Market Peso or Foreign Exchange* and the *bulk smuggling of currency out of the U.S.*

The 2001 Strategy added Chicago and San Francisco to the list of designated High Intensity Financial Crime Areas. The 2001 Strategy maintained the *Black Market Peso Exchange* as a money laundering system to be the focal point of investigative efforts. It also designated terrorist assets and terrorist financing as primary targets in HIFCA areas.

Most of the financial transactions serviced by NYBR have direct ties to one or more of the six named geographical areas. Many of the financial transactions serviced by NYBR could involve black market foreign exchange in support of Colombian, Mexican and Dominican drug organizations. It has been documented that the terrorists involved in the attacks of September 11th used money remitters to transfer funds. These issues place our transactions under extraordinary scrutiny by the U.S. authorities and state regulatory agencies. This is why the way we handle funds transmittals must be in strict compliance with all laws, regulations, our internal policies and procedures and beyond reproach.

CURRENCY TRANSACTION REPORTING REQUIREMENTS and THE MONEY LAUNDERING LAWS

All NYBR agents must familiarize themselves with the key U.S. laws relating to Currency Reporting, other reporting requirements and the U.S. money laundering laws.

The cornerstone of the U.S. money laundering effort is the Bank Secrecy Act, which is also called Title 31 of the U.S. Code and was enacted in 1970. This law provides for the reporting of financial transactions and related information. The purpose of the law is to provide a paper trail of extraordinary financial activity that can be used for law enforcement, tax administration and regulatory purposes.

In 1986 the United States passed the first Money Laundering Laws. This set of laws is separate and distinct from the Bank Secrecy Act. The money laundering laws relate to financial transactions of any amount that involve the proceeds of crime or are intended to promote criminal activity.

The USA Patriot Act of 2001 amended the Federal statute of Title 18, US Code Section 1960 (failure to be properly registered is a criminal offense) commonly referred to as the money transmitter law. It is a violation of this criminal law to conduct an illegal money transmitting business. This includes, but is not limited to:

- conducting transfers if not properly licensed in a state requiring licensing;
- not being properly registered with the U.S. Treasury Department as a Money Services Business;
- Operating as an informal value transfer system; and
- Conducting any transfers knowing the funds come from illegal activity or are intended for illegal activity.

It is important to understand that an individual or a business can fully comply with the reporting requirements of the Bank Secrecy Act and still be investigated and prosecuted for violations of the money laundering laws.

Most law enforcement efforts apply the provisions and requirements of both the Bank Secrecy Act and the money laundering laws to investigate the crime of money laundering. Agents must understand the principal features of both laws.

THE U.S. MONEY LAUNDERING LAWS

Understand that the U.S. money laundering laws are a completely different set of laws when compared to the Bank Secrecy Act. Both laws are used to combat money laundering, but the money laundering laws are used substantially more often than the BSA when investigating and prosecuting money laundering activity.

What sets the money laundering laws apart from the BSA is the fact that the money or assets involved in a financial transaction must be from one or more of nearly 200 specifically named crimes or “represented” to be from one of those crimes by a law enforcement officer usually operating in an “undercover” role. The illegal activities named in the money laundering laws include drug trafficking, arms dealing, terrorism, corruption (to include foreign corruption) and similar criminal activities. The list also includes crimes such as dealing in counterfeit goods, alien smuggling, illegal gambling, prostitution, loan sharking and various fraud schemes.

Title 18, Sections 1956 and 1957 of the United States Code are the actual money laundering laws. These sections apply to financial transactions involving the proceeds of specific crimes as mentioned above. Section 1956 also provides for undercover “Sting” operations where law enforcement agents pose as criminals and represent money to be from the specified unlawful activities when in fact they are government undercover funds.

The BSA requires reports to be made on transactions at different financial thresholds. The money laundering laws have no such thresholds.

If a drug trafficker breaks \$15,000 from drug sales into 10 different transfers of \$1,500 each to send this money to Colombia or the Dominican Republic, he is committing a violation of the BSA by structuring the 10 transactions for the purpose of defeating the CTR reporting requirements. Since the money involves the proceeds of drug trafficking, he is also committing a money laundering violation by sending the illegally derived money out of the U.S. If the agent assists the customer, the agent can also be charged with both violations.

If a laborer working in an agricultural area accumulates \$15,000 through hard work and breaks this down to ten \$1,500 transfers because he does not want the CTR to be filed and report him for a \$15,000 transaction, he is violating the BSA because he is structuring his transactions. However, he is not guilty of a money laundering violation because the money came from a legal activity.

Undercover Sting operations are a popular tool of law enforcement. They could come to a money transmitter and try to get the transmitter to send \$15,000 in cash and not file a CTR. They may tell the transmitter the money comes from drug trafficking or other illegal activity. If the agent helps the undercover law enforcement official transfer the funds in small amounts to avoid detection, the agent is subject to arrest, prosecution and agent bank accounts may be seized and forfeited.

Knowingly filing reports with false identifying information is illegal. If the money comes from criminal activity or if an undercover official tells the agent it came from illegal activity, the agent can be charged with a money laundering offense.

Title 18, Section 1960 of the United States Code is a criminal law section often called the “Money Transmitter Law”. It relates to any company or individual operating an illegal funds transmitting company defined as in the business of transmitting funds without a license in a state where a license is required, operating without being properly registered with the U.S. Treasury Department or transmitting funds knowingly involved in or supporting illegal activity.

Most states now require licensing. Some of the state language is very tricky and includes individuals carrying money through that state (i.e. Florida) who are required to have a license as a “money courier”. Failure to be adequately licensed or operating under an expired license or no license at all opens the door for prosecution under this law, 18 USC 1960.

THE BANK SECRECY ACT

As explained earlier in this manual, the BSA is a law requiring the reporting of certain financial transactions. For entities involved in the remittance industry, the principal features of the BSA that impact on the business are:

- Filing Currency Transaction Reports, Form 104;
- Filing Suspicious Activity Reports – for Money Services Businesses’
- Registration;
- Maintaining an anti-money laundering (AML) program with the following minimum elements:
 - Written Policies and Procedures;
 - Designated Compliance Officer;
 - Program of ongoing training; and
 - Independent audit or examination of AML Program;
- Maintaining proper state licensing, where required;
- Maintaining a detailed list of all agents; and
- Maintain records for a period of five years.

PENALTIES

The penalties for violating the BSA or the money laundering laws or both are extremely serious. Historically, the courts have applied the penalties to very high levels. Penalties include prison terms of up to 20 years, fines of up to \$500,000, the forfeiture of assets associated with the criminal activity and other civil liability risks.

For the company, where an agent is named in a money laundering investigation, the highly sensitive banking relationships and reputation of the company are immediately placed in serious jeopardy.

Even if criminal violations did not take place, but required reports were either not filed or filed falsely, civil penalties can be assessed by the Treasury Department. In the recent past, numerous bank and non-bank financial institutions, including money remittance companies, have been convicted and fined hundreds of thousands of dollars for non-compliance with the BSA filing requirements.

The money laundering law carries a civil penalty provision that allows the government to bring a civil law suit against the company for the amount of money laundered through the institution (18 USC 1956(b)).

TRANS-FAST / NYBR COMPLIANCE DEPARTMENT

Trans-Fast / NYBR has established a Compliance Department with extensive duties and responsibilities, having a designated Compliance Officer who enforces legal compliance of Anti-Money Laundering issues by providing accurate legal training, support to the agents, performs careful review of all the transactions to increase the control over money laundering, completing reports required by compliance regulators, therefore maintaining the good name of NYBR. The Compliance Officer maintains all licenses of operations in every state; updates and prepares quarterly and annually reports for the Department of Banking of every state; also assists on external audits, Banking Examinations and agent visits.

Any and all questions the agent may have on any aspect of this manual, or compliance duties and responsibilities must be directed to the Compliance Officer.

COMPLIANCE PRINCIPLES

In keeping with our commitment to customer service and in order to assure compliance with all applicable laws and regulations, maintain a spirit of cooperation with law enforcement agencies, and to prevent the crime of money laundering or BSA violations at our facilities, NYBR's agents shall:

- Take reasonable steps to guard against misuse of facilities by those engaged in questionable or illegal transactions;
- Strictly observe all applicable state and federal laws, rules and regulations and refuse to aid those who attempt to evade them;
- Identify and record NYBR customers' true identities involving transactions defined in this agent manual;
- Under legal supervision, cooperate with law enforcement agencies conducting money laundering investigations;
- Assure that all agent employees have the necessary training to contribute to the successful implementation of these policies.
- Maintain and secure for at least five years all currency transaction reports (CTRs), suspicious activity reports (SARs), identification of all persons and entities sending or receiving payment orders, compliance training, OFAC results and independent examinations.

To help agents achieve these compliance principles and policies, NYBR has developed specific procedures and guidelines that are presented in this manual and in other training materials. **All agents must become familiar with NYBR's established Compliance Program.**

KNOW YOUR CUSTOMER and IDENTIFICATION REQUIREMENTS CORPORATE POLICY

The BSA has a built in a “Know Your Customer” requirement. In the BSA regulations on suspicious activity reporting, money services businesses are instructed to report transactions that do not make business sense for the specific customer. In order to know what makes sense, the agent needs to know something about its customer.

To maintain practical policies concerning the need to “Know Your Customer” the following principles must be incorporated into the agent location business practice:

- Agents shall make a reasonable effort to determine the true identity of all customers.
- Valid photo identification must be obtained from all customers conducting a transaction of an amount set forth on the NYBR Compliance Form.
- Evidence of identity should be obtained from customers seeking to conduct several transactions regardless of the dollar amount of any single transaction.
- Agents should be aware of any unusual transaction activity or activities that are disproportionate to the customer’s known business and financial ability.

NYBR requires identification at different levels according to beneficiary country. Customer ID is set forth on the NYBR Compliance Form.

If a customer refuses to provide requested identification or requested information, the transaction should not be completed. The agent should report all such activity directly to the NYBR Compliance Officer as unusual or suspicious activity.

IDENTIFICATION REQUIREMENTS

NYBR and its agents are engaged in a community service which enables working class people and others to send money throughout the U.S. and internationally in a secure, efficient, quick and inexpensive manner.

It is NYBR’s policy to strictly adhere to the legal reporting requirements regarding currency transactions. NYBR’s general requirements include:

- Identification (ID # and expiry date) from any remitter that sends **\$2,000 USD** and above (including fees) in one day (single or multiple transactions);
- Identification (ID # and expiry date) from any remitter that sends \$3,000 USD (including fees) and above within 10 days;
- For the Philippines, the requirement is identification (ID # and expiry date) from any remitter that sends \$3,000 USD (including fees) and above within 5 days accumulation period for full requirements.
- NYBR has established the maximum amount of \$6,000 USD in cash for one single transaction to be sent to any country in one day or the accumulation of \$10,000 in cash for thirty (30) days. The maximum amount for a single or multiple transactions in cash in one day to the Philippines in cash is \$8,000 USD. Any amount exceeding \$8,000 USD must be paid either by wire transfer or cashier’s check.

For any transactions that meet or exceed the identification limits, the agent must complete and fax the Compliance Form to the Compliance Department with a copy of valid identification and additional information when required.

NYBR has different requirements specific to the following countries:

Brazil Identification Requirements:

- **Orders of \$2,000.00 USD** and above(including fees): complete the Compliance Form and provide a copy of effective identification of sender:
 - Residence card, driver's license, state identification issued by the Motor Vehicles Association (MVA), passport or work permit together with social security number or tax identification number (tax ID).
 - NYBR can accept passport of country of origin with a valid visa.
- **Orders of \$6,000.00 USD** and above (including fees): prior authorization from the Compliance Department should is required and complete the Compliance Form including employment information, 2 forms of identification plus the social security number. As source of funds a direct wire transfer to Trans Fast Remittance LLC account must be received and must be accompanied by a last detailed bank statement.

Colombia Identification Requirements:

- **Orders of \$1,900 USD** and more (including fees): complete the Compliance Form and provide a copy of effective identification of sender:
 - Residence card, driver's license, state identification issued by the MVA, passport, work permit, Cedula or Matricula Consular.
- **Orders of \$3,000 USD** and more (including fees): complete the Compliance Form and provide a copy of effective identification of sender:
 - Residence card, driver's license, state identification issued by the MVA, passport or work permit together with the social security number and or tax identification number (tax ID). NYBR can accept passport of country of origin with a valid visa.
- Documents that support the origin of funds, or resources of funds being sent, such as:
 - Employment income (employment letter stating time of employment, monthly salary, and/or 3 recent work pay stubs.);
 - Most recent bank certificates or statements that prove the sender is the principal of the account and that the transferred amount was in the account;
- Bank certificates for loans (letter from the bank in which the sender is informed of credit approval, value of the loan and date issued);
- Indemnifications proofs (resolution of legal entity that emitted the decision, copy of the check in favor of the sender), legal suits in favor of the sender (resolution of legal entity that emitted the decision, copy of the check in favor of the sender).

Philippines Identification Requirements:

- **Orders of \$2,000 USD** or more (including fees) within 1 day, single or multiple transactions:
 - Completed Compliance Form.
 - Provide a copy of their valid government issued ID. (SSN# not required).
- **Orders of \$3,000 USD** or more (including fees) within 5 days, single or multiple transactions:
 - Completed Compliance Form.
 - Provide a copy of their valid government issued ID.
 - **Must** provide their SS# when a US document (US Driver's License, US State ID, Green Card, Military ID, or US Passport) is presented.

- **Orders of \$5,000 USD** and above (including fees) within 1 day, single or multiple transactions:
 - Completed Compliance Form.
 - Provide a copy of their valid government issued ID.
 - **Must** provide their SS# when a US document (US Driver's License, US State ID, Green Card, Military ID, or US Passport) is presented.
 - A photocopy of their **RECENT** Source of Funds and Utility Bill as proof of current address. Source of funds accepted are as follows:
 - Loan Documents.
 - Bank Statements (you can erase your account number if you wish).
 - 3 Consecutive recent Pay stubs (must show sender's name, address, and last 4 digits of remitter's SSN).
 - Insurance Proceeds.
 - Exact copy of Income Tax Return from the IRS 4506 (Request for Transcript of Tax Return) provided FREE by the IRS.
 - Proceeds from a Will.

- **Orders of \$8,000 USD** and above (including service fees) in a single or multiple transactions in one day, payment must not be accepted in the form of cash. Payments must be in the form of a **Cashier's Check, Wire, Debit Card, Personal Check** (subject to clearing period). Remitters must also submit the following:
 - Copy of the cashier's check, or proof of wire, or debit card transaction receipt, or copy of the personal check used for the transaction.
 - Completed Compliance Form.
 - Provide a copy of their valid government issued ID.
 - **Must** provide their SS# when a US document (US Driver's License, US State ID, Green Card, Military ID, or US Passport) is presented.
 - A photocopy of their **RECENT** Source of Funds and Utility Bill as proof of current address. Source of funds accepted are as follows:
 - Loan Documents.
 - Bank Statements (you can erase your account number if you wish).
 - 3 Consecutive recent Pay stubs (must show sender's name, address, and last 4 digits of remitter's SSN).
 - Insurance Proceeds.
 - Exact copy of Income Tax Return from the IRS 4506 (Request for Transcript of Tax Return) provided FREE by the IRS.
 - Proceeds from a Will.
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- **For Crew Members who wished to send \$8,000 or more**, we accept their payment in the form of **Cash**. Provided that they submit the following:
 - Completed Compliance Form.
 - Provide a copy of their crew ship ID and I-95. The crew member **must** provide his/her SS# when a US document (US Driver's License, US State ID, Green Card, Military ID, or US Passport) is presented.
 - 3 copies of their most recent consecutive Pay stubs and/or Gratuity slip.

If the total amount sent by the crew members reaches to \$10,000 USD or more, the agent and NYBR will have the responsibility to file a CTR (Currency Transaction Report) for all the people involved in the transaction.

Other Countries Identification Requirements:

- **Orders of \$2,000 USD or more:** complete the Compliance Form and provide a copy of effective identification of sender:
 - Passport, residence card, driver's license, state identification issued by the MVA or work permit and the social security number and or tax identification number (tax ID). NYBR can accept passport of country of origin with a valid visa.
- **Orders of \$5,000 USD or more:** complete the Compliance Form including:
 - Employer information;
 - Two forms of identification or one picture identification with social security number or tax identification number (tax ID); and
 - Origin of funds.

Oklahoma State Identification Requirements:

- **Orders between \$1,000 to \$2,999.99:** must complete the Compliance Form and provide a copy of effective identification of sender:
 - Residence card, driver's license, state identification issued by the Motor Vehicles Association (MVA), or passport; and
 - Social security number or tax identification number (tax ID).

Note: The social security number requirement applies for transactions equal to or above \$3,000 USD in one transaction or have an accumulation of 15 days period including fees when a USA document is presented.

Source of Funds

For all countries, the following will be accepted as source of funds:

- Employment income (employment letter stating time of employment, monthly salary, and/or 3 recent work pay stubs), last bank certificates or statements that prove the sender is the principal of the account and that the transferred amount was in the account.
- Certificates for Bank in which the sender is informed of credit approval, value of the loan and date issued).
- Indemnifications proofs (resolution of legal entity that emitted the decision, copy of the check in favor of the sender), legal suits in favor of the sender (resolution of legal entity that emitted the decision, copy of the check in favor of the sender).

Additional Requirements:

- Suspicious transactions will be promptly reported to the NYBR Compliance Officer.
- All financial transactions of \$10,000 or more in currency (including commissions) are reported to the IRS and all information necessary to complete the required Form 104, Currency Transaction Report, will be obtained. This requirement applies to both sending and receiving transactions.
- No agent of NYBR may counsel or instruct customers on "structuring" transactions to avoid or defeat a CTR filing requirement. Any agent who assists or willfully ignores customer efforts to avoid or defeat CTR filing requirements is violating criminal laws which may subject the agent and any involved agent employees to criminal and civil penalties. Such actions **will not be tolerated.** Any agent found to be in violation of this policy **will be subject to termination.**

CURRENCY TRANSACTION REPORTS (CTRs)

Currency transactions of more than \$10,000 must be reported to the IRS on FinCEN form 104 (Formerly IRS Form 4789). A copy of the form and filing instructions is included in this manual. This form is also called a CTR or Currency Transaction Report. It is not illegal to collect and transmit or receive legally generated funds to be used for legitimate purposes of more than \$10,000. If the transaction is in cash, the report must be completed and filed. Failure to file the required report or filing a false report is a criminal violation of the BSA.

Risks to the remittance industry come from those individuals who are clearly aware of the \$10,000 reporting requirement and take steps to defeat this reporting requirement. They will break up a transaction of more than \$10,000 into several smaller transactions simply to avoid the filing of the CTR.

This process is called **structuring** and is a crime under the BSA. In other words, structuring is the process of conducting numerous transactions for the purpose of defeating the CTR reporting requirements.

Entities that transmit funds and sell money orders are most often confronted with potential structuring activity. Individuals attempt to make multiple transactions of small amounts that actually total more than \$10,000 by the end of the day. Assisting someone in a structuring activity is the same as structuring and is a felony violation of federal law (31 USC 5324).

The BSA requires the **aggregation** of transactions that take place in a single day to determine if the \$10,000 threshold has been met. For example, aggregation occurs if a single customer conducts multiple transactions in a single business day and none of them exceed \$10,000; but add the transactions together and they do exceed \$10,000, and then a CTR is required to be filed.

Who is responsible for filing the Currency Transaction Report, Form 104?

While NYBR Compliance will file CTRs on transactions that NYBR is aware, agents are also responsible for filing CTRs when they are aware of reportable transactions. For instance, if a customer conducts transactions that involve NYBR as well as other products offered by the agent and the transactions meet the reporting threshold, the agent must file a CTR on that activity.

For all reportable transactions taking place at agent locations, the NYBR Compliance Department and the agent will both be responsible to file CTRs and send to the IRS.

The CTR must be filed within 15 days of the transaction and sent to:

IRS Detroit Computer Center
ATTN: CTR
Post Office Box #33604
Detroit, MI 48232-5604

When a reportable transaction occurs, it is recommended the agent contact the NYBR Compliance Officer directly and immediately for guidance.

How do I get the information required for the CTR?

Ask the customer for the required information. As a matter of due course, the agent will secure one form of identification any time a transaction exceeds the levels set forth below in compliance with NYBR's internal guidelines. This identification is adequate for CTR purposes.

- Colombia - \$1,900 USD
- All other countries - \$2,000 USD

Do I have to tell the customer that NYBR's Compliance Department is filing a CTR?

No. There is no requirement to inform a customer that a CTR is being filed. NYBR recommends the agent not inform the customer. However, the agent may choose to do so. Keep in mind that once the customer is advised, they may want to reduce the transaction to an amount less than \$10,000. Conducting the transaction in this way is **structuring and an illegal transaction**. Contact the NYBR Compliance Department immediately.

What if the customer does not have a social security number?

The instructions for Form 104 instruct the filer to state "none" in the box for the social security number if the customer does not have one. In such cases, be sure to secure other identification such as a Passport or Alien Identification Card.

SUSPICIOUS ACTIVITY REPORTS (SARs)

As of January 1, 2002 NYBR and all other money remittance companies and other money services businesses **must** file Suspicious Activity Reports (SARs) on certain types of transactions.

31 CFR Section 103.20 (the BSA regulations) states that businesses such as NYBR ...shall file ... a report of suspicious transaction ... if it is conducted or attempted by, at or through a money services business, involving at least \$2,000 and the money services business **knows, suspects, or has reason to suspect** that the transaction:

- Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity (including the ownership, nature, source, location or control) as a part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation; or
- Is designed, whether through structuring or other means, to evade any requirements or any regulations of the BSA; or
- Serves no business or apparent lawful purpose, and the reporting money services business knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

What is the procedure for filing SARs?

The Trans-Fast / NYBR Compliance Department will make the decision on the filing of any Suspicious Activity Report. If one is to be filed, the Trans-Fast / NYBR compliance department will prepare the SAR, secure all of the backup documentation, ensure timely filing of the SAR and maintain a copy of the SAR and backup documentation as required by the BSA.

If any transaction that is unusual or suspicious occurs at an agent location, this information should immediately be forwarded to the Compliance Department for appropriate action.

While Trans-Fast / NYBR Compliance will file SARs on transactions that NYBR is aware of that appear to be suspicious, agents are also responsible for filing SARs when they are aware of reportable transactions. For instance, if a customer conducts transactions that involve NYBR as well as other products offered by the agent and the transactions are suspicious, the agent must file a SAR on that activity.

Is the customer notified if a SAR is filed?

No. Unlike the CTR, there is a legal requirement that **prohibits notifying** anyone who is involved in the transaction from being notified.

What, When and Where to file:

The SAR must be filed using the form SAR-MSB. The form is to be filed no later than 30 days following date of discovery of the suspicious activity. A copy of the current SAR-MSB form is included in this manual. The report must be filed with the IRS:

Detroit Computing Center
P.O. Box 33980
Detroit, MI 48232-0980

What do I need to keep?

The agent is required to keep a copy of the SAR along with the backup documentation that led to the decision to file the report. Also, keep copies of all identification provided by the subject of the report.

Who do I tell about the SAR?

The agent is prohibited by law from telling anyone involved in the transaction that an SAR was filed. It is a criminal violation to disclose the filing of an SAR.

Can I be sued by the named party for filing the SAR?

No. The agent is protected by the "Safe Harbor" provisions of the Bank Secrecy Act from any liability for filing a SAR. If sued, notify FinCEN and they will intervene with the court to protect the agent's interests and the suit will be dismissed.

What if the police or federal agents want to see the SAR?

Law enforcement has the right to visit the agent location and discuss the filing of the SAR. Under no circumstances should the agent provide a copy of the SAR; however, the agent may provide law enforcement the backup documentation. They DO NOT need a subpoena to see these records.

Reporting Suspicious or Unusual Activity

The Trans-Fast / NYBR Compliance Department is trained in the analysis of unusual activity, the requirements on if and when to file the Suspicious Activity Report and how to do so properly. For this reason, it is the policy of NYBR that its agents notify the Compliance Officer of any unusual or suspicious activity.

If it is determined that a SAR is necessary, the compliance department will prepare the report, file it with FinCEN and maintain all appropriate backup documents. The agent's responsibility is to maintain awareness over normal transactions, identify unusual or suspicious transactions, and provide the necessary information to the NYBR compliance department where it will be handled from there.

Diligent monitoring of suspicious or unusual activity and the reporting of financial transactions that make no apparent sense or appear to be for an unlawful purpose is sound practice for an anti-money laundering program.

The agent is required to set aside and maintain the information that relates to the SAR. The agent must maintain a copy of the SAR and the backup documentation for a period of 5 years. Law enforcement authorities can review the information retained that relates to a particular SAR upon request. A subpoena is not required.

Examples of unusual activity that should be reported immediately to the NYBR Compliance Department include, but are not limited to:

- Reluctance to provide valid identification;
- Increase in frequency and amount of transactions by one customer;
- Lack of legitimate explanation for the amount of money being sent;
- Structuring transactions to defeat identification requirements;

- Structuring transactions to defeat reporting requirements;
- Same person showing up with different ID;
- Groups of persons coming in to transfer small amounts to the same beneficiary; and
- Anyone engaging you in conversation about an illegal source to the money.

If the circumstances of any transaction cause concern about the legitimacy of the transaction, treat this as suspicious. Contact the Trans-Fast / NYBR Compliance Department immediately.

REGISTRATION OF MONEY SERVICES BUSINESSES

Section 103.41 of the Bank Secrecy Act Regulations, requires all money services businesses to register with the Treasury Department by December 31, 2001. NYBR complied with this requirement. Agents working for NYBR under our Agency Agreement, are covered by this registration and do not need to register independently. However, if the agent is conducting money services businesses beyond what the agent and NYBR have contracted to do together, the agent is required to register. That is, if the agent is conducting funds transmissions through NYBR under our license and agent agreement, the agent is covered. If the agent also is involved in conducting transfers outside of the NYBR agreement, that agent must register those activities with the Treasury Department or ensure they are properly covered by another agency agreement with a registered company.

OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

Money Services Businesses have always been required to comply with the requirements of OFAC. The Office of Foreign Assets Control is an agency of the U.S. Treasury Department. The events of September 11th enhanced that requirement.

NYBR uses in-house computer software to comply with OFAC requirements. All transactions are run through this database. The database is updated daily for OFAC filtering and compliance.

Any transaction involving a name on the OFAC list or any other blocked list is frozen until such time as it can be determined if it is the same entity that is actually named on the list or if it is a false positive.

Under the OFAC rules, NYBR is required to screen all transactions. If any transaction matches a name, one of the thousands of names on the OFAC list of known narcotics traffickers and/or terrorists and certain blocked countries like Cuba or Iraq, that transaction is frozen. If it is determined that the transaction involves one of the entities on the OFAC list, NYBR is required to turn those funds over to the OFAC. If it is determined that the name matches, but it is in fact not the same person, the funds can be released. This is why identifying date is so important on all transactions.

Orders detained by OFAC

- It is important that the names of the Sender and Beneficiary are complete (2 names 2 last names), to avoid inconveniences with homonyms, due to the fact that if the name coincides with OFAC's list the order will be detained until an Identification of the Sender is received; if it is the Beneficiary we need the complete name to make the correction; these requirements are obligatory regardless the amount of the order.

AGENT COMPLIANCE PROGRAM

Essential to NYBR's ability to comply with the rules and regulations of the BSA and to ensure that the company does not become involved in illicit activities is an effective internal compliance program, the agent compliance program includes:

- A system of internal controls to ensure ongoing compliance with the BSA and related federal, state and local laws, rules and regulations;
- Independent testing of compliance with established policies and procedures;
- A designated compliance officer responsible for coordination with agents, providing guidance and assistance, and monitoring of our compliance program;
- Training of agents' employees on BSA compliance, NYBR compliance guidelines and anti-money laundering policies and procedures.

These items are the basic elements of a sound compliance program. According with the USA Patriot Act, Section 352, all money services businesses, which includes NYBR and its authorized agents must have the same four-point AML program. In order to maintain money laundering controls, a program that ensures compliance on an ongoing basis and helps to prevent abuse of the institution by those who might wish to use the company for illegal purposes, several areas of operations and administration must be actively. Agents are required to maintain their own compliance program in writing and also designate a compliance officer.

AGENT TRAINING PROGRAM

As part of the training given to new agents, NYBR's field personnel will instruct agents in the following areas:

- NYBR's policies and procedures to include identification requirements for conducting funds transactions with NYBR;
- Requirement and expectation that each agent train its employees on the internal policies and procedures and the below listed elements;
- Federal law, particularly the BSA law and regulations and the money laundering laws;
- Applicable state laws and regulations;
- Obligations to report transactions, including:
 - Structuring;
 - What type of transactions must be reported; and
 - Detecting and reporting suspicious activities;
- Penalties for failure to report;
- Currency Transaction Reporting;
- Forms of acceptable identification;
- Know Your Customer policy;
- Record retention policies and requirements;
- The role of the compliance department of Trans-Fast / NYBR;

At a minimum, on an annual basis, the Compliance Department representatives shall discuss with agents their awareness of NYBR's compliance program, federal laws including applicable civil and criminal penalties, and NYBR's policies and procedures. All discussions related to compliance must be documented by NYBR and its agents. NYBR representatives shall make certain that each agent has a copy of the compliance manual in an updated and current form. The representative shall answer any questions regarding the compliance program and procedures, or refer them to the most appropriate person.

NYBR will maintain a record of agents receiving training, the subjects covered with each agent, the name of the trainer and the date(s) of training. Agents must complete the online training and test and receive a passing score of at least 75%. For agents who receive a score less than 75%, a follow-up test must be completed with a passing score of at least 75%.

AGENT COMPLIANCE VISITATIONS

Based on the risk assessment conducted by the Trans-Fast / NYBR Compliance Department, agents will be examined by NYBR to ensure agents are complying with all applicable state and federal laws, including the BSA, the USA PATRIOT Act and NYBR's compliance policies and procedures. The Compliance Department will notify the agent prior to the visit.

COMPLIANCE EXAMINATIONS BY THE IRS AND STATE BANKING DEPARTMENTS

The IRS and State Banking Departments are empowered by law to conduct spot checks and detailed examinations to determine whether licensed money services businesses are complying with the Bank Secrecy Act and related state laws. Attention is normally focused on transaction reporting and record keeping requirements. In fulfilling this requirement, IRS agents may come to any agency and ask to see relevant documents. **IRS agents are entitled to see all of these documents and NYBR agents are expected to cooperate with the examination process at all times.**

The Agent should ask for the IRS agent's identification, record the name and phone number of the IRS agent and notify the compliance officer immediately. If the IRS agent refuses to provide his identification, they should not be given access to any information. If the IRS agent is accompanied by anyone else who is not an IRS agent, that person is not to be given access to any information. No other federal agency other than the IRS has the authority to examine your records without a subpoena or summons. The IRS agent may make notes regarding any document and may remove copies, but should not remove any original documents from the premises.

No original documents are to be removed from the Agent location without a subpoena, summons or search warrant, unless permission has been secured from the Trans-Fast / NYBR Compliance Department.

If, during the course of the examination, the IRS agent seeks to see a document that is not at the agent location, the IRS official should be referred to the Trans-Fast / NYBR Compliance Officer and/or legal counsel.

CONCLUSION AND SUMMARY

It is the intent of NYBR to continue to operate in a legal and responsible manner. The company intends to comply with all federal, state and local laws, rules and regulations and the spirit of these laws as well as cooperate with enforcement and regulatory authorities, file reports timely and maintain records in accordance with NYBR's policies and procedures.

NYBR will not tolerate an Agent to jeopardize NYBR's healthy reputation and the sound business practices the company has developed and implemented.

NYBR expects every agent to do its part to ensure full compliance with all aspects of this manual, the letter and the spirit of our anti-money laundering policies and procedures and help NYBR continue to be a leader in the industry.

EXHIBITS

1. FinCEN Form 104 – Currency Transaction Report – CTR
(Formerly IRS Form 4789)
2. Suspicious Activity Report – SAR Form 109
(Formerly TDF 90-22-56)
3. NYBR's Compliance Form