

Part 1: “Transparency” Use Your BSA Risk Assessment to Build Banking Relationships

*Fear: “A distressing emotion aroused by impending danger, whether *real or imagined...*”*

Money transmitters and other MSBs experience *real* fear of derisking while banks and credit unions experience what could be *imagined* fear of banking MSBs. We know money transmission can be higher risk from an anti-money laundering perspective, but with the right compliance culture and systems, depositories can profitably bank MSBs without unreasonable business or regulatory risk.

Why would a bank go “out on a limb” to enter a business relationship with a money transmitter?

There are two very good reasons.

1. The relationship can be profitable to the bank.
2. Money transmitters serve traditionally underbanked populations who would otherwise be subject to exorbitant fees and potential fraud going outside the traditional banking system.

How can a bank understand and limit its risk (a/k/a, be convinced that the risk is quantifiable and reasonable vs. the benefit of the relationship)?

The bank must be assured to the greatest reasonable extent that their MSB customer has *the willingness and the ability* to comply with BSA/AML regulations. This means (1) a best practice system of risk management (risk assessment, transaction monitoring, investigation practice, and audit/verification) much of which you are already doing and (2) TRANSPARENCY.

If you are a money transmitter willing and able to follow best AML practice, then *proving it* to a financial institution is critical to opening banking relationship doors.

“Proof,” we believe, is in systematic risk management that starts with *an up-to-date, compliant risk assessment that gives the bank transparency into your risk profile including where you do business, what business you do, who you do business with, and how you manage BSA compliance.*

Technology can help and in future installments of this series we’ll discuss best practice solutions for ongoing, compliant risk assessment and communication that will help you open and maintain banking relationships.

Note: This paper is republished from a series originally available at <http://amlservices.us>

About the Author:

Mark Stetler has 30 years of experience in the financial services industry and is co-founder and CEO of RegSmart. Supported by subject matter experts, RegSmart offers best-in-class automated BSA/AML risk assessment and risk management SaaS. Please visit us at www.beregsmart.com.