

WHAT IS A MONEY SERVICES BUSINESS (MSB)?

Money Services Businesses (MSBs) are non-bank financial institutions that transmit or convert money. Like banks, they are subject to regulatory review by the Internal Revenue Service (IRS) and must be registered with the Financial Crimes Enforcement Network (FinCEN). They must also comply with the Bank Secrecy Act along with other various state and federal laws and regulations.

MSBs serve an important public service. This bears reason as to why strict compliance requirements are imposed. Failing to adhere to the compliance obligations of the business imposed by the Bank Secrecy Act can subject the business, its owners, and its employees to potential civil and criminal penalties as well as fines.

Money Services Businesses come in all shapes and sizes and serve to close the gaps that traditional banks leave open:

✓ Serving the “Unbanked”

These are individuals who cannot obtain or retain traditional bank accounts. MSBs aid these individuals through offering competitive rates on such services as prepaid cards, bill payment, and short term loans with minimal underwriting, also known as payday lending.

✓ Providing more affordable services than banks

Money transmitting, foreign currency exchange and payment processing are services offered by MSBs but at lower costs than traditional banking channels.

Online Marketplaces, businesses that hold consumer funds in settlement of purchase transactions in online B2C and B2B marketplaces, also fall under the MSB umbrella.

✓ Offering unique services unavailable at banks and emerging payments

MSBs may also offer virtual and cryptocurrencies, which are an alternative medium of electronic exchange. Crowdfunding and Microfinance may also be handled by MSBs, which offer alternative financing systems where traditional underwriting is difficult or impossible with traditional banks.

TRAINING IS KEY!

To prevent the possibility of money laundering or the finance of terrorism, the Bank Secrecy Act requires that all MSBs establish an anti-money laundering (AML) compliance program. Included as a required component of the program, is providing appropriate, annual training for employees to ensure they have sufficient knowledge to understand their responsibilities and accurately follow the business’s written compliance procedures.

MSBs are under continual scrutiny and regulation from the FinCEN and CFPB and businesses need to make sure there are prepared to show documentation of training if ever under an audit.

BankersEdge offers MSBs superior online training solutions designed to keep businesses educated and compliant. With flexible options, businesses can customize the training solution that is right for them.

**KNOWLEDGE IS POWER AND EDUCATION IS
INDISPENSABLE TO PROTECTING YOUR BUSINESS.**

Contact BankersEdge for more information:
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