

Important Notice for Prepaid Card Program Providers and Sellers

Summary: The Financial Crimes Enforcement Network (“FinCEN”) recently issued a final rule affecting prepaid card program providers and sellers

Call to Action: The final rule establishes increased regulatory requirements for closed loop prepaid cards

Distribution: Business owners, financial and accounting areas

The Financial Crimes Enforcement Network (“FinCEN”) recently issued a final rule that affects prepaid card program providers and sellers. The final rule amends the Bank Secrecy Act Regulations – Definitions and Other Regulations Relating to Prepaid Access, money services businesses (MSB) rules, and establishes increased regulatory requirements for closed loop prepaid cards.

Important changes:

- Providers of prepaid access are required to register with FinCEN (effective January 29, 2012)
- Providers of prepaid access are required to maintain an anti-money laundering program (effective September 27, 2011)
- Sellers of prepaid access are required to maintain an anti-money laundering program (effective September 27, 2011) if they offer a prepaid access product:
 - That can be used before verification of customer identification or
 - That allows for the sale of prepaid access amount of \$10,000 or greater to any person during any one day

If applicable to the Seller based on either of the two criteria above, the Seller must:

- Develop and implement an effective AML program
- Report suspicious activity
- Comply with recordkeeping requirements related to customer identifying information and transactional data

Exemptions under the final rule:

- Prepaid access products of \$1,000 or less and payroll products if they
 - Cannot be used internationally
 - Do not permit transfers among users
 - Cannot be reloaded from a non-depository source
- Closed loop prepaid access products sold in amounts of \$2,000 or less
- Excludes government funded and pre-tax flexible spending for health and dependent care funded prepaid access programs

Bank of America Merchant Services is continuing to evaluate the final rules and will provide additional information in the coming weeks. This communication should not be construed as legal advice. Please consult with your legal counsel to further understand the impacts of these changes to your business, products and services.

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