



BSA / AML / OFAC

Training Material for FinTech Employees

Objectives

Your FinTech company may never actually “touch” the funds that your service manages or makes available to your customers and may subcontract its customer verification process to a vendor...
...BUT you are still responsible for implementing in large part the processes needed for BSA/AML and OFAC.

The objectives of this material are to:

- Give employees and managers of FinTechs enough understanding of BSA, AML and OFAC to be able to fulfil their obligations vis-à-vis their partner Bank or regulators.
- Provide “To Do” lists and suggest processes to fulfill obligations.

NOTE: this material is not a substitute for professional legal advice

What is the BSA? (Bank Secrecy Act)

- The Bank Secrecy Act (BSA) is a federal legislation passed in 1970 that requires financial institutions to collaborate with federal law enforcement agencies in cases of suspected money laundering, terrorist financing, or other financial crimes.
- The purpose of the BSA is to make financial crimes more difficult to propagate and make it more difficult for financial institutions to become unwitting participants in illegal activities.

What are its requirements?

- The covered financial institutions (Banks and Registered Money Service Businesses) must:
 - Perform **Customer Due Diligence**:
 - Identify and verify the identity of consumers for which they are creating and operating accounts (“**KYC**” = Know Your Customer)
 - identify and verify the identity of the beneficial owners of all legal entity customers (“**KYB**” = Know Your Business)
 - Have policies and procedures in place to handle **Suspicious Activities**
- There must be reporting and/or recordkeeping requirements for certain transactions relating to cash, monetary instruments and funds transfers.
- Any person working for a covered financial institution that has witnessed or has knowledge of suspicious activity must file a Suspicious Activity Report (SAR) with the Financial Crime Enforcement Network (FinCen) division of the US Treasury.

Significant additions made for customer identification as part of USA PATRIOT Act in 2001

FinTech Has 1st-Line Role



Customers

- Open accounts
- Initiate Transactions
- Request support



FinTech

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Bank*

* Unless FinTech is a state-licensed lender and does not use a partner bank

- Implement limits and safeguards 

- Customer Due Diligence 

- Operate 

- Handle disputes & complaints 

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