



Financial Crimes Enforcement Network

A bureau of the U.S. Department of the Treasury

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FinCEN Proposed Rule Seeks Greater Transparency for Prepaid Access to Help Curb Money Laundering, Terrorist Financing Plan Seeks Balance of Innovation with Protection

VIENNA, Va. — In a Notice of Proposed Rulemaking (NPRM) entitled *Amendment to the Bank Secrecy Act Regulations – Definitions and Other Regulations Relating to Prepaid Access*, the Financial Crimes Enforcement Network (FinCEN) today proposed new rules that would establish a more comprehensive regulatory framework for non-bank prepaid access. The proposed rule, which focuses on prepaid programs that pose the greatest potential risks of money laundering and terrorist financing, was developed in close cooperation with law enforcement and regulatory authorities.

The proposal is mandated under the Credit Card Accountability, Responsibility and Disclosure Act of 2009, and covers prepaid devices such as plastic cards, mobile phones, electronic serial numbers, key fobs and/or other mechanisms that provide a portal to funds that have been paid for in advance and are retrievable and transferable.

“FinCEN believes this rule will address vulnerabilities in the current prepaid access environment while maintaining the flexibility to permit new developments in technology, markets, and consumer behavior,” said FinCEN Director James H. Freis, Jr. “Other facets of these complex products will continue to be explored as well.”

FinCEN has applied a limited regulatory framework since 1999 to certain prepaid products as part of the money services businesses regulations applicable to sellers, issuers, and redeemers of stored value. Under FinCEN’s proposal, non-bank providers of prepaid access would be subject to comprehensive Bank Secrecy Act (BSA) regulations similar to depository institutions. To make BSA reports and records valuable and meaningful, the proposed changes impose obligations on the party within any given prepaid access transaction chain with predominant

oversight and control, as well as others who might be in a position to provide meaningful information to regulators and law enforcement, such as prepaid access sellers.

The proposed changes are intended to address regulatory gaps that have resulted from the proliferation of prepaid innovations over the last 10 years and their increasing use as accepted payment methods. If these gaps are not addressed, there is increased potential for the abuse of prepaid access as a means for furthering money laundering, terrorist financing, and other illicit transactions through the financial system. For instance, the ease with which prepaid access can be obtained, combined with the potential for relatively high velocity of money through accounts involving prepaid access and anonymous use, may make it particularly attractive to illicit actors.

Among the major features of the proposal are:

- Renaming “stored value” as “prepaid access” without intending to broaden or narrow the term and defining the term to allow for future changes in technology and prepaid devices;
- Deleting the terms “issuer” and “redeemer” of stored value and adding the terms “provider” and “seller”;
- Placing registration requirements on providers of prepaid access and suspicious activity reporting, customer information recordkeeping, and new transactional recordkeeping requirements on both providers and sellers of prepaid access; and
- Exempting certain categories of prepaid access products and services posing lower risks of money laundering and terrorist financing from certain requirements.

The NPRM, as submitted to the *Federal Register*, is available [here](#). Written comments may be submitted within 30 days after publication in the *Federal Register*.

[UPDATE: The [NPRM](#) was published in the *Federal Register* on June 28, 2010.]

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