

Money Business

How the Bank Secrecy Act Impacts CPAs and Their Clients

BY NEIL H. FISHMAN, CPA, CFE

With new federal filing requirements imposed on money service business activities, it is more important than ever that CPAs understand MSB definitions and requirements, and educate their clients accordingly.

I recently participated in a panel discussion on *Tax Talk Today*, a monthly online broadcast co-sponsored by the IRS, which focused on the registration, filing and reporting requirements for MSBs as specified in the Bank Secrecy Act.

MSBs DEFINED

An MSB is any business that offers money orders, traveler's checks, stored value, check cashing or currency dealing; conducts more than \$1,000 in money services business activity with the same person, in one type of activity, on the same day; or provides money transfer services in any amount.

A business is classified as an MSB even if the MSB activity is ancillary to the primary business activity. A travel agent selling traveler's checks, a grocery store offering check cashing and a convenience store selling money orders, for example, would be considered MSBs.

WHERE THE CPA COMES IN

CPAs need to be on the lookout for MSB activity when dealing with existing or new clients. For existing clients, examine the addition of services or revenue streams to determine whether MSB requirements will play a role in how the client integrates the new activity into the business.

For new clients, thoroughly discuss the type of business to identify MSB activity, and advise the client accordingly.

If MSB activities are identified, CPAs must inform their clients of federal requirements for registration, reporting and compliance programs.

REGISTRATION

All MSBs are required to register with the Financial Crimes Enforcement Network, with the exception of government agencies; the U.S. Postal Service; an issuer, seller or redeemer of stored value; an agent of an MSB; and a branch office of an MSB.

In addition, MSBs are required to keep a copy of the FinCEN registration and supporting documentation for five years.

REPORTING

Reports required of MSBs usually fall into two categories: currency transaction reports and suspicious activity reports.

Currency Transaction Reports: A currency transaction report is required for currency-in or currency-out transactions in excess of \$10,000. But MSBs should not view the \$10,000 threshold

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myopically—multiple same-day individual transactions well below the \$10,000 reporting threshold can easily add up to the reportable amount.

Suspicious Activity Reports: These reports are the responsibility of any MSB that knows, suspects or has reason to suspect that a transaction (or pattern of transactions) is suspicious, and involves a certain dollar amount.

This is where MSBs need to be mindful of customers that may be using MSBs to circumvent the system. In most cases, SARs must be filed no later than 30 calendar days after the date that the suspicious activity occurred.


COMPLIANCE PROGRAMS

Every MSB is required to develop and implement an anti-money laundering compliance program designed to ensure that the business meets the Bank Secrecy Act guidelines for documentation, reporting of certain transactions, and policies and procedures to prevent use of the business to launder money.

IRS and tax experts agree that the key components of an anti-money laundering compliance program include:

- Policies and procedures that create an anti-money laundering program;
- A compliance officer responsible for enforcing policies and procedures, educating employees and maintaining day-to-day BSA compliance;

- A training program designed to educate all employees about BSA requirements and MSB transactions of any size; and
- Regular, independent audits of the anti-money laundering program.

Registration forms, guidance on SARs and MSB compliance program and other related resources can be found at www.FinCEN.gov. 

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