Fintec and Your Bank – Risks and Integration

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The views and opinions expressed here are those of the speakers. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.
Moderator: Will Voorhees, Senior Vice President – Financial Intelligence Unit Manager, BB&T
Panelist: Andrew Ittleman, Partner, Fuerst Ittleman David & Joseph
Panelist: Brian Stoeckert, Managing Partner, Stratis Advisory
Panelist: Amanda Tucker, Chief Risk Officer, Old Dominion National Bank
Panel Objectives

At the end of this webinar, participants will be able to:
1. Understand the term “Fintec” and how it is applied.
2. Know the difference between a traditional MSB and a Fintec firm.
3. Understand the AML risks of banking Fintec.
Q1. What is the actual definition of “Fintec” and how do MSBs, Money Transmitters, and TPPPs fit in? - Brian
Q2. Are the AML requirements for Fintec companies any different than what was already established for MSBs? Describe the AML obligations of Fintec Companies. Andrew & Amanda
Q3. If you are a Fintec company, does that automatically make you an MSB? How can they be different? – Brian & Andrew
Q4. How can a financial institution begin to bank a Fintec company? What kinds of transactions might banks see? What if the firm doesn’t typically bank MSBs? -Amanda
VW2 transactions vs. partnering
Voorhees, William, 5/23/2017
Partnering with Fintec: Understanding your FI’s risk profile

Does your FI bank TPPP? MSBs? Does the FI lean towards emerging technologies?

Will the infrastructure support internal processes to mitigate risk?
AML Risk & Fintec: On Boarding

CDD
- Identify the entity structure & principal(s)
- Understand the entity’s geography and client/prospect base

EDD
- Is the entity required to be licensed as an MSB?
- Does the entity have a written AML Program?
- Does the entity engage an independent audit? Timeframe?

Trust but Verify
- On-site Visitation(s)
- Negative News Sources
- Statement Review (to understand transaction flow)
- Review of Sanctions Screening Process.

www.bsacoalition.org
AML Risk Beyond CDD: eChannel Services

- Mobile Payments i.e. Mobile capture, credit/debit processing & P2P
- eWire: Domestic vs. International
- ACH: Volume, Amount, Geographies
Q5. What is the US model for Fintec regulation? How can a bank determine that a Fintec company is adequately regulated? - Andrew
Q6. How would one handle a brand new start up that really doesn’t know what it will be and when it will be active? -Brian
Takeaways

• Banking Fintec like any new and emerging industry requires a risk assessment and appropriate policies and procedures
• Startups maintain unique risks that usually do not fit into traditional boxes
Takeaways – cont’d

• Understand where the startup is in the funding lifecycle

• Priorities of a startup may not be aligned with the bank’s priorities. It’s up to you to bring them together.
Questions?