

# Credit and Prepaid Cards



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## Learning Objectives:

**TLO 12. Describe the process involved in Credit Cards, Prepaid Access Cards, and information that will support financial investigations**

ELO 12.1 Describe the credit card bank identification number

ELO 12.2 Describe the open loop and closed loop processes

ELO 12.3 Describe the participants in the prepaid process and MSB requirements



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# Credit Cards

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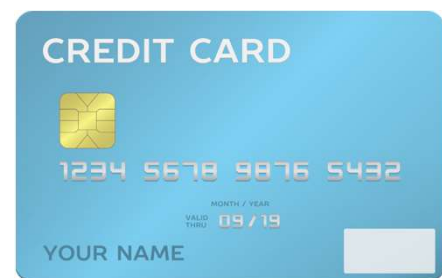
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## Credit/Debit Cards vs Prepaid/Gift Cards

- The issuers require user identity verification, such as government ID number, name, DOB, etc. for credit and some debit cards.
- Prepaid cards typically have much lower limits than regular credit cards, so it's unlikely that they would be used for major purchases.
- Prepaid cards are purchased at stores and/or loaded with funds and work just about anywhere a credit card does.
- Below thresholds, prepaid cards typically won't have any user identification requirements and are commonly used by fraudsters to spend illicit funds



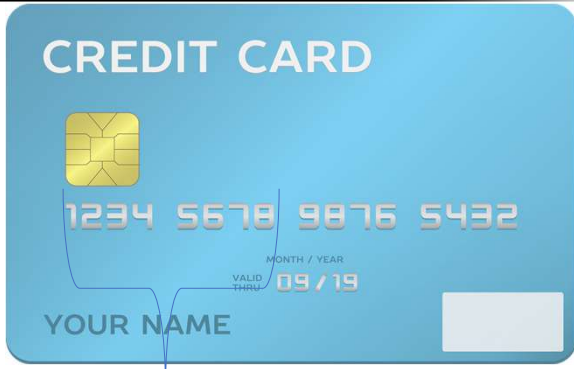
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# Bank Identification Number



Issuer Identification Number

BINLIST.NET

4571 7360

Enter the first digits of a card number (BIN/IIN)

SCHEME / NETWORK

Visa

BRAND

Visa/Dankort

CARD NUMBER

LENGTH

16

LINK

Yes / No

TYPE

Debit / Credit

PREPAID

Yes / No

COUNTRY

Denmark

(latitude: 56, longitude: 10)

BANK

Jyske Bank, Hjørring

[www.jyskebank.dk](http://www.jyskebank.dk)

+459893300

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# Prepaid Access

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## Prepaid Access Elements Defined - FFEIC

- **Access** to funds or the value of funds
- Paid **in advance** and can be retrieved or transferred at some point in the future
- Uses an electronic device or vehicle such as a card, code, electronic serial number, mobile identification number or personal identification number



The Global Prepaid Card Market size was valued at USD 2.01 trillion in 2019 and is predicted to reach USD 18.47 trillion by 2030.

North America is currently the region with the highest market share, but Asia Pacific is expected to grow the most *(knowyourcustomer.com)*

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## Prepaid Access Cards

**Prepaid Access Cards provide a compact and transportable way to maintain and access funds**

- Purchasing products, making transfers to other cardholders within the prepaid program, and paying bills
- **Alternate method of cross-border funds transmittal**
  - Some prepaid card programs may **issue multiple cards per account** so that persons in another country or jurisdiction can access the funds loaded by the original cardholder via ATM withdrawals of cash or merchant purchases
- Both **electronic** and **physical prepaid products** to access funds held by banks in pooled accounts that are linked to sub-accounts

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## Open Loop

- Used for purchases at any merchant that accepts cards issued for use on the payment network associated with the card and to access cash at any automated teller machine (ATM) that connects to the affiliated ATM network
- Include payroll cards, general purpose reloadable (GPR) cards, and certain gift cards
- **Some prepaid cards may be reloaded** - allowed to add value
- Low-value (\$1,000 or less) open loop prepaid access are regulated - if it can be:
  - (1) used internationally,
  - (2) transferred between or among other persons within the prepaid program, or
  - (3) reloaded by a non-depository (nonbank) source.

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## Open Loop Exemptions vs. Non-Exemptions

**Exempt** products have *all* of the following product attributes:

- Does not allow more than **\$1,000** to be initially or subsequently loaded on the card, used or withdrawn in one day
- Prepaid access to employment benefits, incentives, wages or salaries
- Only in the U.S.
- Single load
- Does not allow transfers among accountholders within prepaid program

**Non-Exempt** prepaid access products have *any* of the following product attributes:

- Allows more than \$1,000 to be initially or subsequently loaded, used or withdrawn in one day
- Welcome outside the U.S.
- Re-loadable
- Allows transfers among accountholders within a prepaid program

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## Exemption in Closed Loop Payment System

- **Closed-loop prepaid access products with reload, including phone cards, content cards, and third party merchant cards, are EXEMPT from the Prepaid Access Rule if the maximum daily load or reload is under \$2,000 per product.**
- Generally, does not allow cash access, but are often be resold through third-party websites in exchange for other closed loop cards or payment
- Considered low-risk closed-loop cards, specifically cards which do not allow reloads or withdrawals, are not considered in KYC programs

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## Selling Closed Loop Cards Online



Search Gift Cards

Sell Gift Cards

Buy Gift Cards

Login



"Get the highest offer for your unwanted card with a really fast payout" - Peter Imbimbo

### Sell your unwanted gift cards

1

Select Offer

2

Submit Your Cards

3

Get Verified & Paid

Store name...

Balance...

Get offer

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- Retailers who sell non-exempt forms of prepaid access are regulated if the prepaid access can be used before the customer's identity has been verified
- Persons who sell \$10,000 or more of prepaid access per person per day (including bulk sales of prepaid closed loop cards) are either regulated or required to have policies and procedures in place to prevent such sales
- Providers and Sellers of prepaid access are required to collect and store personally identifying information about customers on an increased range of prepaid products.

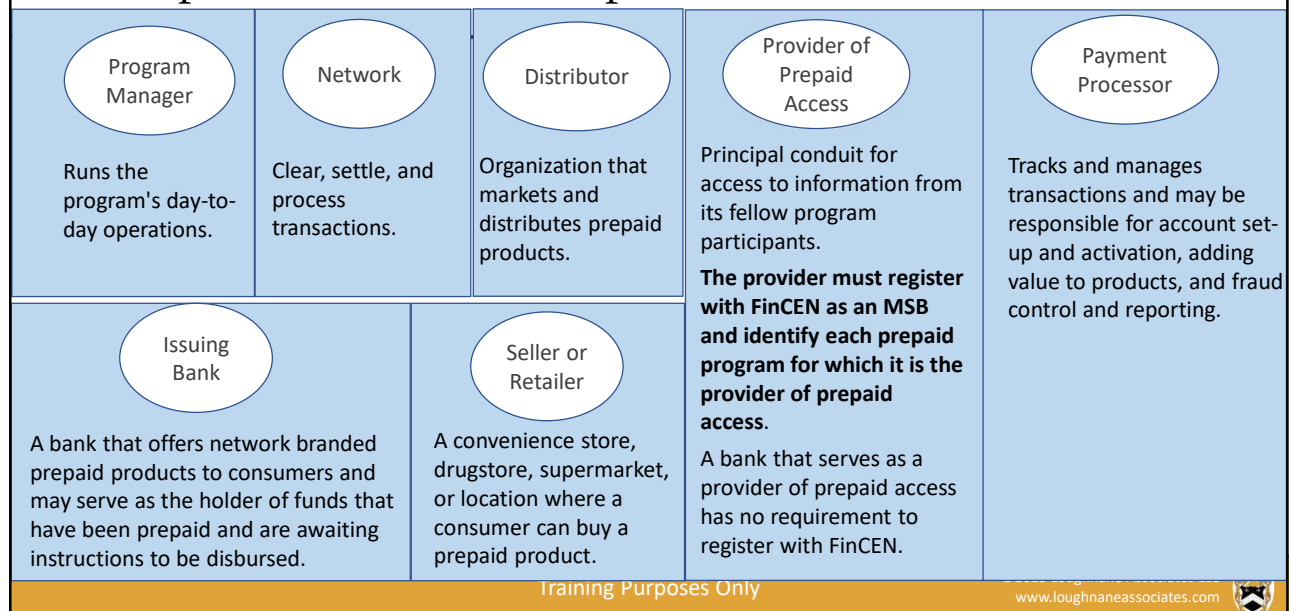
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## Prepaid Access – Participants And Third Parties



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## Third Party Due Diligence

- What is the contract and/or agreement between bank and third party?
- Is the source of funds known and trusted (such as corporate or government loads vs. loads by individuals)?
- Who are the sellers and/or distributors of the prepaid cards? Was there due diligence conducted by the bank?
- What is the bank's relationship with third parties who are the source of funds in the prepaid access program? Is this third party a regular business partner or standing alone?
- Was any information collected to identify and verify the card holders' identity(s)? Was method of payment tracked? Was photograph taken?
- What is the ability to monitor and track loads, transactions?

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## Retailer Restrictions

- BSA prohibits the retailers from selling gift cards in an amount exceeding \$10,000 to any one person in any one day, unless the retailer has implemented reasonable policies and procedures to prevent such sales (including reloading) of \$10,000 by a single person in a single day.
- If a retailer fails to develop these policies and procedures, the retailer will have to:
  - (1) implement an AML program
  - (2) file SARs, and
  - (3) collect consumer identifying information whenever the retailer sells a gift card.

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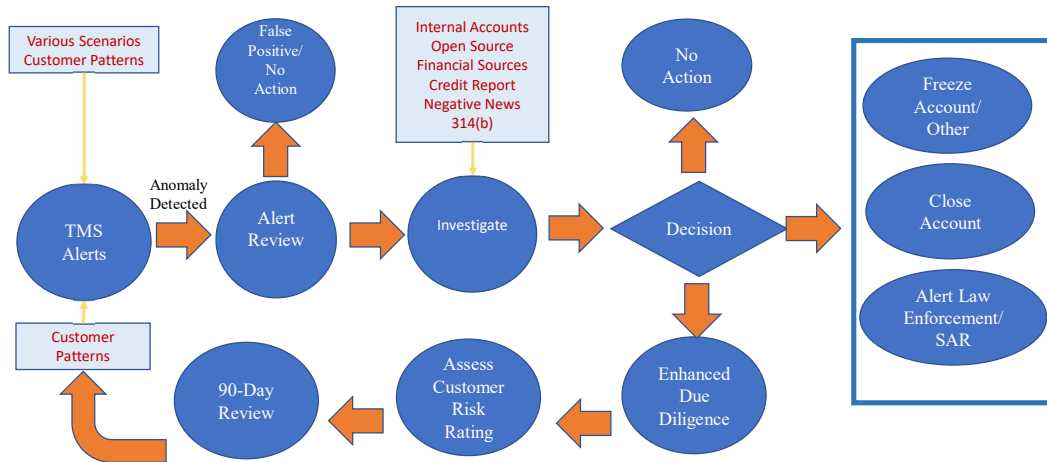


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# Credit Cards And Prepaid Cards Have TMS

## TRANSACTION MONITORING SYSTEM FLOWCHART



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# The Electronic Recovery And Access To Data

- Currently being used in 48 states and internationally
- Determine if suspicious cards -- bank credit and debit cards, retail gift cards, library cards, hotel keys, even magnetic-stripped metrorail cards -- are loaded with funds
- Capacity to freeze those funds to allow time to determine if the funds are from criminal activities



**ERADGROUP**  
Electronic Recovery and Access to Data

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## International Controls?

In the United States, it is currently legal for anyone to enter or leave the country with cards connecting to accounts. Unlike cash in high amounts, these cards do not have to be reported to customs or another government entity.

- **Currently no requirement to declare value coming into or exiting the United States**
  - Why?

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# Questions?

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