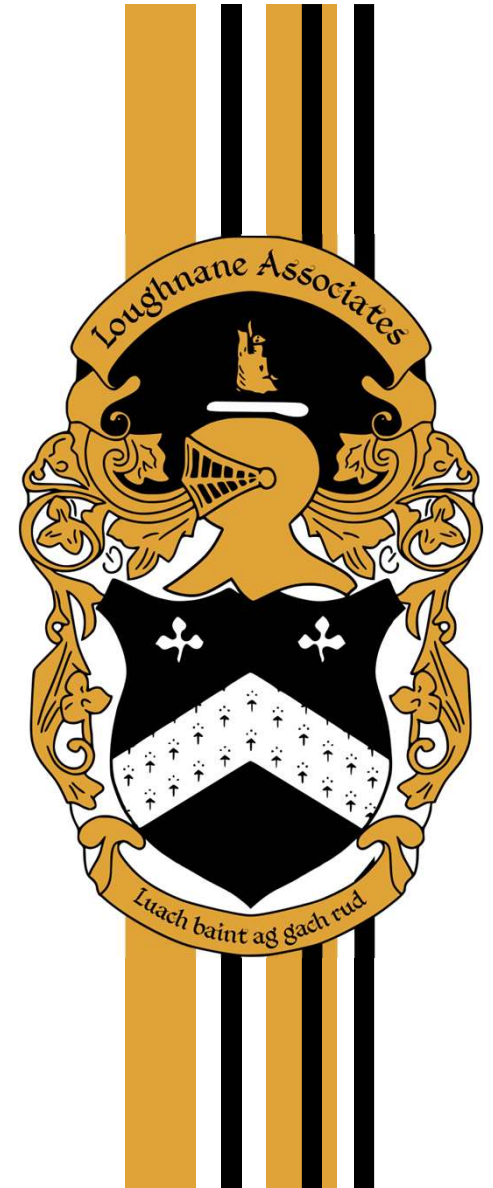


Prepaid Access Cards

Loughnane Associates LLC
Value Touches Everything



Huxley Orion



Learning Objectives:

TLO 6. Describe the process involved in Credit Cards Prepaid Access Cards and information that will support financial investigations

ELO 3.1 Describe the credit card bank identification number

ELO 3.2 Describe the open loop and closed loops processes

ELO 3.3 Describe the participants in the Prepaid process and MSB requirements

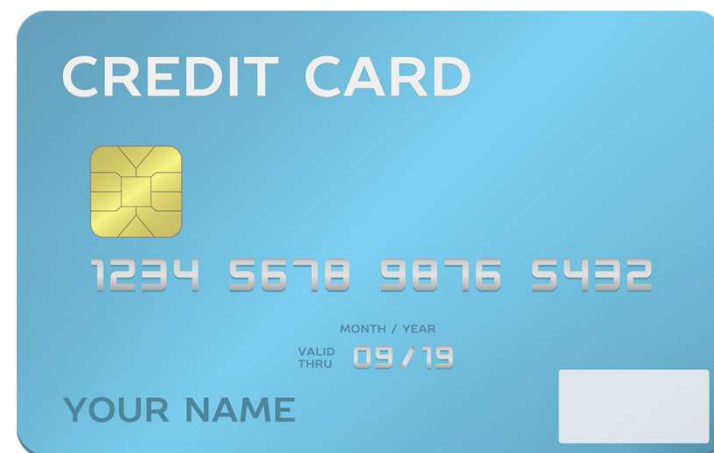


Credit Cards

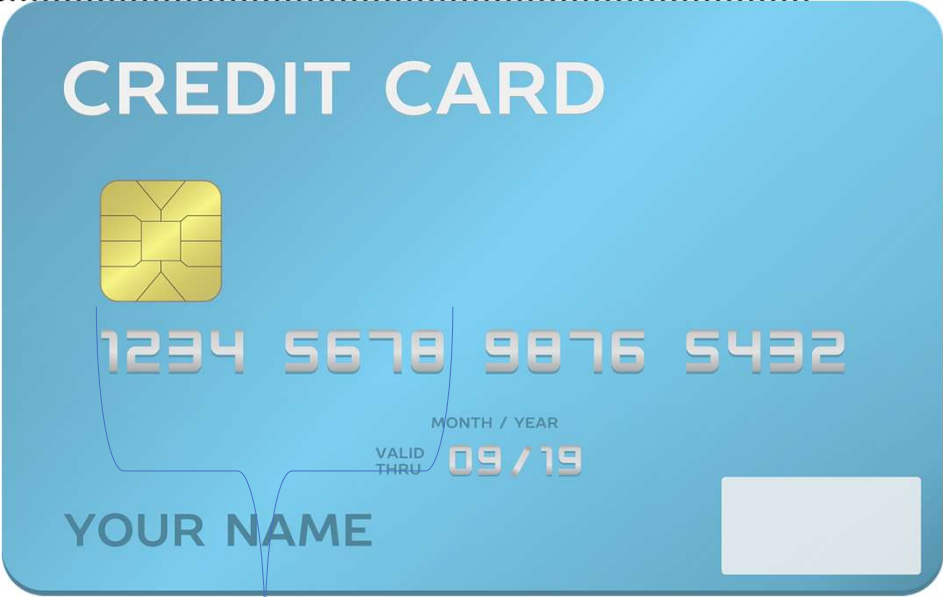


Credit/Debit Cards vs Gift Cards

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



Bank Identification Number



Issuer Identification Number

BINLIST.NET

4571 7360

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

SCHEME / NETWORK
Visa

TYPE
Debit / Credit

BANK
Jyske Bank, Hjørring
www.jyskebank.dk
+4589893300

BRAND
Visa/Dankort

PREPAID
Yes / No

CARD NUMBER
LENGTH LUHN
16 Yes / No

COUNTRY
Denmark
(latitude: 56, longitude: 10)

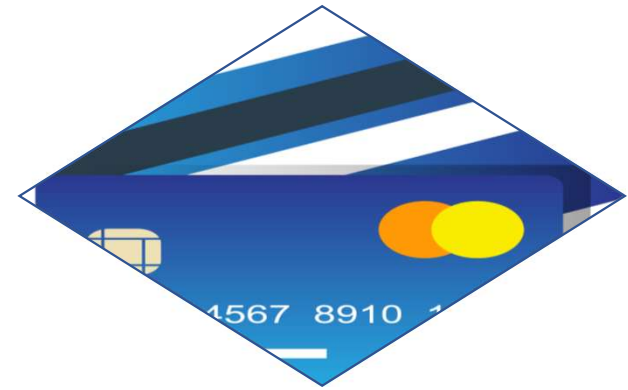


Prepaid Access



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
- Through 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)



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
 - 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 are used to access funds held by banks in pooled accounts that are linked to sub-accounts



Open Loop

- Used for purchases at any merchant that accepts cards issued for use on the payment network associated with the card
- Used 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 cards are regulated, if the card can be:
 - (1) used internationally,
 - (2) transferred between or among other persons within the prepaid program,
 - (3) reloaded by a non-depository (nonbank) source.



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 usable in the U.S.
 - Single load (non-reloadable)
 - Does not allow transfers among accountholders within prepaid program
- **Non-exempt** 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
 - Is welcome outside the U.S.
 - Is re-loadable
 - Allows transfers among accountholders within a prepaid program



Exemption in Closed Loop Payment System

- Closed-loop prepaid access products, 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 do not allow cash access, but are often resold through third-party websites in exchange for other closed loop cards or payment
- Low-risk closed-loop cards, specifically cards which do not allow reloads or withdrawals, are not considered in KYC programs



Selling closed loop cards online

The screenshot displays the CardCash website interface. At the top left is the CardCash logo. To its right is a search bar labeled "Search Gift Cards". Further right are links for "Sell Gift Cards", "Buy Gift Cards", and "Login", along with a shopping cart icon. A dark blue banner contains a testimonial: "Get the highest offer for your unwanted card with a really fast payout" - Peter Imbimbo. Below this is the main heading "Sell your unwanted gift cards" and a three-step process: 1. Select Offer, 2. Submit Your Cards, and 3. Get Verified & Paid. The main content area features a search bar for "Store name...", a field for "Balance...", and a "Get offer" button.



Regulation

- 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.



Prepaid Access – Participants and Third Parties

<p>Program Manager</p> <p>Runs the program's day-to-day operations.</p>	<p>Network</p> <p>Clear, settle, and process transactions.</p>	<p>Distributor</p> <p>Organization that markets and distributes prepaid products.</p>	<p>Provider of Prepaid Access</p> <p>Principal conduit for access to information from its fellow program participants.</p> <p>The provider must register with FinCEN as an MSB and identify each prepaid program for which it is the provider of prepaid access.</p> <p>A bank that serves as a provider of prepaid access has no requirement to register with FinCEN.</p>	<p>Payment Processor</p> <p>Tracks and manages transactions and may be responsible for account set-up and activation, adding value to products, and fraud control and reporting.</p>
<p>Issuing Bank</p> <p>A bank that offers network branded prepaid products to consumers and may serve as the holder of funds that have been prepaid and are awaiting instructions to be disbursed.</p>	<p>Seller or Retailer</p> <p>A convenience store, drugstore, supermarket, or location where a consumer can buy a prepaid product.</p>			



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 and transactions?



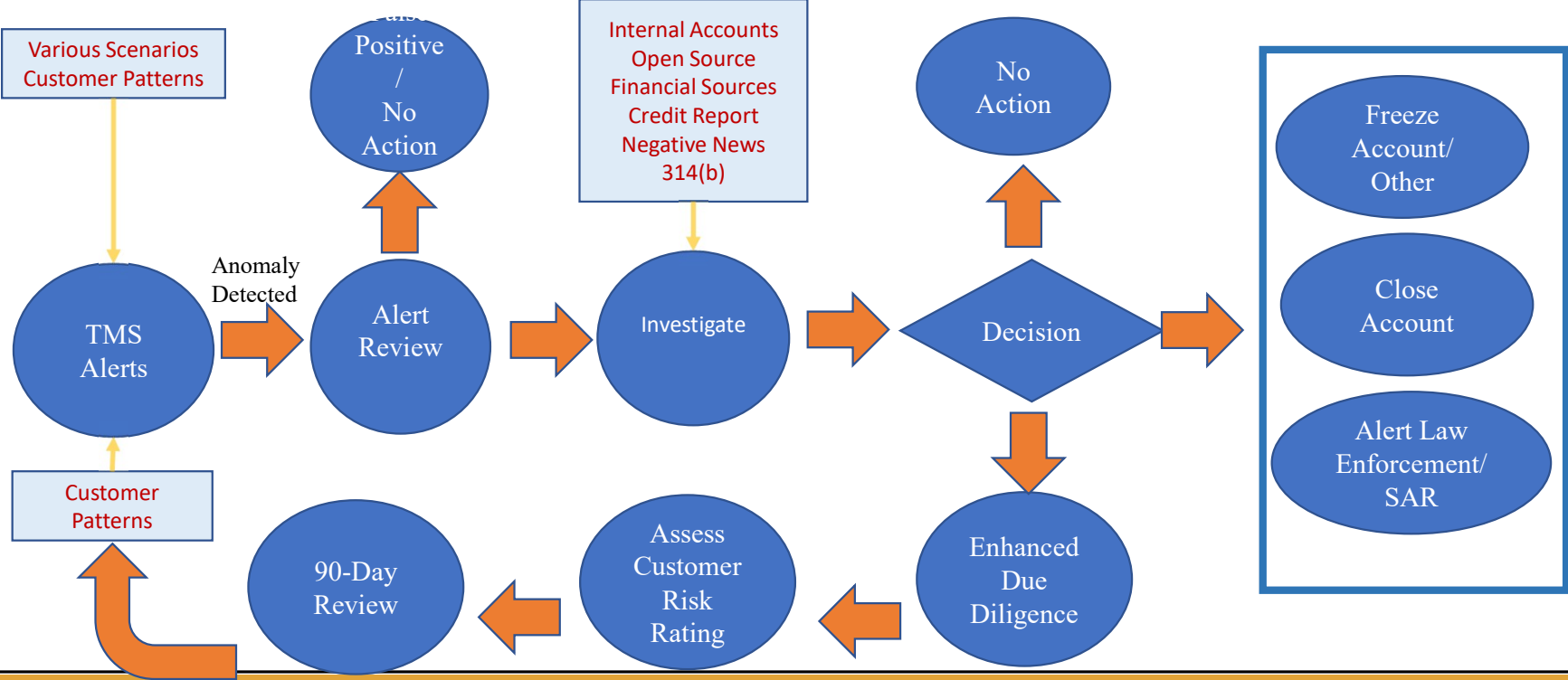
Retailer Restrictions

- BSA prohibits the retailers from selling gift cards in an amount exceeding \$10,000 (including reloading) to any one person in any one day, unless the retailer has implemented reasonable policies and procedures to prevent such sales.
- 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.



Credit Cards and Prepaid Cards have TMS as well

TRANSACTION MONITORING SYSTEM FLOWCHART



The Electronic Recovery and Access to Data (ERAD)

- 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.



International Controls?

- In the United States, it is currently legal for anyone to enter or leave the country with cards connecting to accounts and, unlike cash in high amounts, 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?

