



## *Regulatory Alert*

To: EFTA Board of Directors  
Legislative & Regulatory Council

From: Kurt Helwig, President & CEO

Date: May 4, 2007

Subject: 2007 National Money Laundering Strategy

On May 3<sup>rd</sup>, the U.S. Department of Treasury, Justice, and Homeland Security issued the 2007 National Money Laundering Strategy (<http://www.treas.gov/press/releases/docs/nmls.pdf>) a report detailing continued efforts to dismantle money laundering and terrorist financing networks.

The 2007 Strategy addresses the priority threats and vulnerabilities identified by the Money Laundering Threat Assessment released in 2006, the product of an investigation into current and emerging trends and techniques used by criminals to raise, move, and launder proceeds.

Online payment systems and money service businesses including **prepaid cards** were specifically identified as areas of vulnerability to money laundering schemes. Prepaid cards are addressed on page 35 in Appendix A. Federal law enforcement agencies report that both open and closed loop systems are used as alternatives to smuggling physical cash. They acknowledge that MasterCard and Visa have suggested AML guidelines for card issuers including account limits and requirements to verify information. However, they go on to say that web sites for prepaid programs that promote cardholder anonymity and flaunt a lack of AML policies suggest that such guidance may not be consistently enforced.

On page 43 of Appendix A the report specifically addresses threats posed by online payment systems. The report also states that U.S.

federal law enforcement agencies have found that some online payment services are ill equipped to verify customer identification and that some openly promote anonymous payments. The report concludes that unregulated online payment systems do not have consistent or reliable AML policies or procedures.

EFTA will continue to work with the appropriate agencies to ensure members are not disadvantaged through the implementation of controls and standards to combat money laundering and terrorist financing. We plan to discuss these findings with the appropriate agencies at our meeting early this summer.