

Compliance Program

For

(business name)

**An Authorized Agent of
All Business Corporation
d/b/a
US Express Money Order**

**Bank Secrecy Act
Anti Money Laundering
OFAC
USAPATRIOT ACT**

As of 12/11/20
(date)

All employees are expected to accurately follow the policies and procedures outlined.

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Chapter 1. Overview

Section 1.1. All Business Corporation d/b/a US Express Money Order

All Business Corporation is a Georgia corporation licensed by the Georgia Department of Banking and Finance for the sale of checks. The company operates as a money services business as defined under the federal Bank Secrecy Act and has properly registered with the Financial Crimes Enforcement Network (FinCEN).

The company acts as a principal for the sale of checks that operates through an agent network. Each agent of the company is also a money services business and must comply with specific provisions of the Bank Secrecy Act pertaining to agents. Note that an agent may also be operating as a principal for other activities which would require it to implement additional policies, procedures and controls than identified herein.

Section 1.2. Purpose of this Guide

The purpose of this document is to help Agents and their employees: 1) detect and prevent money laundering and terrorist financing; 2) comply with the Bank Secrecy Act's (BSA) recordkeeping and reporting requirements; 3) identify and report suspicious activity; and, 4) comply with policies of All Business Corporation d/b/a US Express Money Order as pertains to the sale of money orders.

Section 1.3. Not legal advice; additional information

This manual contains legal and compliance information concerning the Bank Secrecy Act but is not intended to be legal advice. For legal advice, including interpretation and application of any law, you should consult with an attorney. Additional information on anti-money laundering compliance requirements for money services businesses can be found on the FinCEN website for MSBs (www.MSB.gov), within the Bank Secrecy Act at 31 CFR 103 et seq, and within the filing instructions for applicable forms.

Section 1.4. Basic Requirements

Agents of US Express are also money services businesses and must implement written, risk-based compliance program meeting the "4 Pillars" test and providing for appropriate record-keeping. The "4 Pillars" require that MSBs:

1. Adopt a written Bank Secrecy Act / Anti-Money Laundering Compliance Program tailored to their business' money service activities.
2. Designate a Compliance Officer to be responsible for managing compliance.
3. Train all employees, management and Board of Directors / owners at least annually.
4. Obtain appropriate documented independent review (typically annually) to ensure that the compliance program is effective and operating as it should be.

Record-keeping requirements include monetary instrument logs, currency transaction reports, and suspicious activity reports.

Section 1.5. Adoption of Compliance Program

By completing the Certification on this page, this Agent is formally adopting the materials in this manual as part of its Bank Secrecy Act / Anti-Money Laundering Compliance Program. This Agent should further tailor and supplement its compliance program with specific procedures of the business as well as with additional information provided by regulators, licensed MSBs, or other professionals, such as its attorney or accountant as deemed necessary.

The adoption of this program is simply one step this Agent will take to ensure that it maintains an effective BSA/AML program. Additional measures include employee training on this program, the designation of a Compliance Officer, and an independent review of the quality of this program.

**Certification of Adoption
of Compliance Program**

I, _____, (name) on behalf of _____ (name of business) certify that this entity has adopted an anti-money laundering compliance program, which includes the policies and procedures contained in the US Express Money Order Bank Secrecy Act / Anti-Money Laundering Compliance Manual. Furthermore, this Agent will comply with all of the reporting and recordkeeping requirements imposed by the Bank Secrecy Act, the USA PATRIOT Act and any other applicable anti-money laundering laws or regulations.

Date: _____

Name: _____

Title: _____

Company: _____

Section 1.6. Designation of a Compliance Officer

This Agent agrees to formally designate a competent individual to serve as its Compliance Officer. The person may be an employee of the Agent who is in a position of responsibility capable of implementing an effective Anti-Money Laundering compliance program.

The Compliance Officer's duties will include: ensuring appropriate training of all staff involved in MSB activities each year and documenting such training; proper recordkeeping and reporting as mandated by the Bank Secrecy Act; updating the Compliance Program as necessary due to changes in laws or regulations; maintaining compliance with licensing laws and OFAC requirements; and ensuring adherence to any related compliance laws and regulations. The Compliance Officer will also see that a periodic independent review is conducted on the quality of the compliance program and is documented.

Designation of Bank Secrecy Act / Anti-Money Laundering

Compliance Officer

_____ (name of person) is hereby designated as the BSA/AML Compliance Officer for _____ (name of business). The Compliance Officer, as well as senior management, is responsible for ensuring the ongoing compliance of this Agent with all state and federal anti-money laundering laws, and for ensuring that all employees are trained on BSA/AML requirements before conducting any Money Services Business (MSB) activity.

Date: _____

Name: _____

Title: _____

Company: _____

Section 1.7. Employee Training

One of the “4 Pillars” of an effective compliance program is employee training. The Bank Secrecy Act requires that each employee involved in provision of money services be provided with appropriate training each year. This training must be documented to prove that it occurred.

At a minimum, training should include having employees review all of the information in this Manual and sign a copy of the Acknowledgment form to be retained in their personnel file or the business’s BSA/AML files.

Acknowledgment of Employee Training

I have read the materials in this Manual and have been trained and understand the Bank Secrecy Act / Anti-Money Laundering Compliance Program requirements. In addition, prior to conducting any Money Services Business (MSB) transactions for this entity, I have been instructed on the BSA reporting and recordkeeping requirements, including the reporting of suspicious activity on the SAR-MSB form.

Employee’s Name: _____

Employee’s Signature: _____

Date: _____

Section 1.8. Independent Review

Every Money Services Business is required to have conducted a periodic independent review of its compliance program; typically this is annually. A senior level employee of the MSB or some other knowledgeable outside qualified party may conduct the review; however, the MSB's designated Compliance Officer may not conduct the review.

The independent review should be documented. The reviewer should write a report or memo outlining the procedures performed, samples tested and any findings.

Chapter 2. BSA / AML Program

Section 2.1. Policy Statement

By adopting the policies contained within this BSA / AML Compliance Program, the US Express Money Order agent, the MSB, seeks to comply with these laws and regulations and acknowledges the serious purposes involved.

It is the policy of the company to comply with all anti-money laundering laws and regulations, and to guard against the use of the company's products and services for money laundering or other illegal activity. Compliance is the responsibility of each Team Member, as directed by the Board of Directors, implemented by the Bank Secrecy Act Officer and part of the Team Member's job responsibilities.

Money services businesses may unknowingly be used to launder money derived from criminal activity. The intention behind these types of transactions is to hide ownership of the funds and associated activities from the government. Our company will make every effort to resist being associated with money laundering or any other type of criminal activity. Any Director, officer or employee who knowingly and willfully launders money, or attempts or assists someone in laundering money, is subject to substantial fines or imprisonment or both. Also, in accordance with the Bank Secrecy Act (BSA), any Director, officer or employee who willfully structures a transaction, or attempts or assists someone in structuring a transaction, to avoid the currency reporting requirements of BSA is subject to substantial fines or imprisonment or both.

Our company's Directors, officers and employees are prohibited from engaging in money laundering and/or transaction structuring. All Directors, officers and employees are required to report immediately all attempts to launder money, structure a transaction and/or all suspicious activities.

Each Team Member is required to adhere to the policies within this compliance document.

Section 2.2. Introduction

The Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970 (31 U.S.C 5311 et seq.) is referred to as The Bank Secrecy Act (BSA). The Bank Secrecy Act imposes a duty on financial institutions, which includes this business as an MSB, to identify and report potential money-laundering activities, terrorist financing, illegal activities, and certain other suspicious transactions conducted by or through the business, and also to make and retain certain records regarding customers, transactions and accounts.

Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) are the primary means used by financial institutions to satisfy the requirements of the BSA. The BSA also requires records be maintained sufficient to enable transactions and activity in customer accounts to be reconstructed if necessary; such records are very useful in any subsequent criminal, tax or regulatory investigations or proceedings.

The BSA was originally intended to aid in the investigation of criminal investigations, e.g. income tax evasion and money laundering. A number of acts and regulations have been added over the years to expand and strengthen the scope and enforcement of the BSA, implement more stringent anti-money laundering (AML) measures, and counter terrorism. Such acts include:

- Money Laundering Control Act of 1986

- Anti-Drug Abuse Act of 1988
- Annuzio-Wylie Anti-Money Laundering Act of 1992
- Money Laundering Suppression Act of 1994
- Money Laundering and Financial Crimes Strategy Act of 1998
- The USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act)

These acts place responsibilities upon the business such as:

- Performing specific Customer Identification Procedures and Office of Foreign Assets Control (OFAC) list checks prior to completing transactions;
- Identifying customers and evaluating the risk of performing transactions for them;
- Being alert for suspicious, unusual or unexpected activity, investigating such activity and filing SAR-MSBs with the United States Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) when appropriate.
- Filing reports of large currency transactions (CTRs) with the Internal Revenue Service (IRS).

All financial institutions subject to these regulations are required to implement and closely adhere to written BSA/AML policies and procedures approved by their Board of Directors.

Section 2.3. BSA Officer

The company will name a BSA/AML Compliance Officer and has done so as identified in the beginning of this document. This individual is responsible for the administration of the MSB's BSA/AML Compliance Program. The BSA Officer shall also ensure that all employees, officers, and directors are provided appropriate training concerning BSA requirements. The BSA Officer is responsible for ensuring all new employees, officers and directors receive initial BSA training, and the BSA Officer will arrange or conduct BSA training for all employees, officers and directors on a periodic basis, tailored in each case to the individual's position and responsibilities within the business.

Section 2.4. Written Compliance Program

The Bank Secrecy Act requires every money services business to establish a written risk-based anti money-laundering program reasonably designed to prevent the business from being used to facilitate criminal activity; this compliance document has been written to meet that requirement. As an agent of US Express Money Order, this company is at low risk due to the transaction limits and controls imposed on it for sale of money orders.

Section 2.5. BSA / AML Training

All MSBs are required to have an ongoing employee-training program reasonably designed to ensure the business meets its responsibilities under the Bank Secrecy Act. At a minimum, the MSB's training program must provide training of all new personnel whose duties may require knowledge of the BSA. Training of employees should be appropriate to their roles and responsibilities, conducted regularly, and clearly documented.

Depending on the MSB's needs, training materials can be purchased from industry associations, trade groups or outside vendors, or the business can develop them. Copies of the training materials are to be retained and made available in the business for review by examiners upon request.

At our company, the BSA Officer is responsible for developing and implementing an appropriate, comprehensive company wide training program to ensure that all staff receives BSA and AML training appropriate to their position.

Employees are expected to read this BSA/AML Compliance Program and then discuss any questions with management; this is the primary means of the company providing basic, front line training to all employees. In addition, the business may obtain and use for periodic review training materials from FinCEN obtained through www.MSB.gov or materials purchased from outside vendors such as MSB Compliance Inc. (www.MoneyServicesBusiness.com).

Newly hired employees should receive appropriate compliance training upon hire prior to performing any transactions for MSB related activities. All training should be documented and copies of the training materials retained; training documentation will be made retained in the businesses files for review by examiners such as the IRS or FinCEN upon request.

Section 2.6. Annual Independent Review

An independent and comprehensive review of the MSB's BSA compliance will be performed approximately every 12 months.

Someone other than the BSA/AML Compliance Officer or a person reporting thereto who is knowledgeable in BSA compliance will conduct the review. Promptly following the review, the person(s) performing the independent review will submit a written report to the Board. The written report will summarize the scope and findings of this review, the auditor's recommendations, and the steps that company's management has committed to take to address any deficiencies, weaknesses or recommendations. The report also shall address steps taken to remedy any deficiencies previously cited in regulatory examinations.

The BSA Officer is responsible for promptly addressing any compliance deficiencies, documenting the corrective actions taken, and reporting to the Board that corrective actions have been taken.

Copies of the Independent Review and of the BSA Officer's response to any findings may be shared with the BSA Officer of the bank(s) used by the business.

Chapter 3. Money Laundering and Terrorist Financing

The Bank Secrecy Act is intended to safeguard the U.S. financial system and the financial institutions that make up that system from the abuses of financial crime, including money laundering, terrorist financing, and other illicit financial transactions. Money laundering and terrorist financing are financial crimes with potentially devastating social and financial effects. Criminal proceeds have the power to corrupt and ultimately destabilize communities or entire economies. Terrorist networks are able to facilitate their activities if they have financial means and access to the financial system. In both money laundering and terrorist financing, criminals can exploit loopholes or other weaknesses in the legitimate financial system to launder criminal proceeds, otherwise support terrorism, and, ultimately, hide the actual purpose of their activity.

It is critical that the Company's BSA/AML Compliance Program be sound and assist in the prevention of these types of activities.

Section 3.1. Money Laundering

Money laundering is the criminal practice of processing ill-gotten gains, or "dirty" money, through a series of transactions; in this way the funds are "cleaned" so that they appear to be proceeds from legal activities. Money laundering generally does not involve currency at every stage of the laundering process. Although money laundering is a diverse and often complex process, it basically involves three independent steps that can occur simultaneously:

- **Placement**

The first and most vulnerable stage of laundering money is placement. The goal is to introduce the unlawful proceeds into the financial system without attracting the attention of financial institutions or law enforcement. Placement techniques include structuring currency deposits in amounts to evade reporting requirements or commingling currency deposits of legal and illegal enterprises. An example may include: dividing large amounts of currency into less-conspicuous smaller sums that are deposited directly into a bank account, depositing a refund check from a canceled vacation package or insurance policy, or purchasing a series of monetary instruments (e.g., cashier's checks or money orders) that are then collected and deposited into accounts at another location or financial institution.

- **Layering**

The second stage of the money laundering process is layering; this is the process of separating the proceeds of illegal activities from their origins through the use of layers of financial transactions. This process involves moving funds around the financial system, often in a complex series of transactions to create confusion and complicate the paper trail. Examples of layering include exchanging monetary instruments for larger or smaller amounts, or wiring or transferring funds to and through numerous accounts in one or more financial institutions.

- **Integration**

The ultimate goal of the money laundering process is integration. Once the funds are in the financial system and insulated through the layering stage, the integration stage is used

to create the appearance of legality through additional transactions. These transactions further shield the criminal from a recorded connection to the funds by providing a plausible explanation for the source of the funds. Examples include the purchase and resale of real estate; investment securities; foreign trusts; sham loans or forged or false import/export documents; or other assets.

Section 3.2. Terrorist Financing

The motivation behind terrorist financing is ideological as opposed to profit-seeking, which is generally the motivation for most crimes associated with money laundering. Terrorism is intended to intimidate a population or to compel a government or an international organization to do or abstain from doing any specific act through the threat of violence. An effective financial infrastructure is critical to terrorist operations. Terrorist groups develop sources of funding that are relatively mobile to ensure that funds can be used to obtain material and other logistical items needed to commit terrorist acts. Thus, money laundering is often a vital component of terrorist financing.

Terrorist generally finance their activities through both unlawful and legitimate sources. Legitimate sources may include the improper use of charitable or relief funds, foreign government sponsors, business ownership, and personal employment. These legitimate funding sources are a key difference between terrorist financiers and traditional criminal organizations.

Although the motivation differs between traditional money launderers and terrorist financiers, the actual methods used to fund terrorist operations can be the same as or similar to those methods used by other criminals that launder funds.

Section 3.3. Suspicious Transactions and Conduct

The following are examples of potentially suspicious activities, or “red flags” for both money laundering and terrorist financing. Although these lists are not all-inclusive, they may help Money Services Businesses recognize possible money laundering and terrorist financing schemes. The Company’s primary focus should be on reporting suspicious activities, rather than on determining whether the transactions are in fact linked to money laundering, terrorist financing, or a particular crime.

The following examples are red flags that, when encountered, may warrant additional scrutiny. The mere presence of a red flag is not by itself evidence of criminal activity. Closer scrutiny should help to determine whether the activity is suspicious or one for which there does not appear to be a reasonable business or legal purpose.

While the business may determine after further investigation and scrutiny that it is not necessary to file a suspicious activity report (SAR) in the particular instance, any employee observing any of the following activities or conduct must initiate a SAR Referral.

Part 3.3.1. Potentially Suspicious Activity That May Indicate Money Laundering

Customers Who Provide Insufficient or Suspicious Information

- A customer or prospective agent uses unusual or suspicious identification documents that cannot be readily verified.
- A business is reluctant, when establishing a new agent relationship, to provide complete information about the nature and purpose of its business, anticipated account activity, prior banking relationships, the names of its officers and directors, or information on its business location(s).
- A customer's home or business telephone is disconnected.
- The customer's background differs from that which would be expected on the basis of his or her business activities.
- A customer makes frequent or large transactions and has no record of past or present employment experience.

Efforts to Avoid Reporting or Recordkeeping Requirement

- A customer or group tries to persuade an employee to not file required reports or to not maintain required records.
- A customer is reluctant to provide information needed to file a mandatory report, to have the report filed, or to proceed with a transaction after being informed that the report must be filed.
- A customer is reluctant to furnish identification when purchasing negotiable instruments in recordable amounts.
- A business or customer asks to be exempted from reporting or recordkeeping requirements.

Activity Inconsistent with Customer's Business

- The currency transaction patterns of a business show a sudden change inconsistent with normal activities.
- A large volume of cashier's checks, money orders, or funds transfers is deposited into, or purchased through, an account when the nature of the account holder's business would not appear to justify such activity.
- A retail business has dramatically different patterns of activity from similar businesses in the same general location.
- Unusual transfers of funds occur among related accounts or among accounts that involve the same or related principals.

Other Suspicious Customer Activity

- A customer purchases a number of cashier's checks, money orders, or traveler's checks for large amounts under a specified threshold.
- Currency is deposited or withdrawn in amounts just below identification or reporting thresholds.

Employees

- An employee has lavish lifestyle that cannot be supported by his or her salary.
- An employee fails to conform to recognized policies, procedures, and processes, particularly in private banking.

- An employee is reluctant to take a vacation.

Part 3.3.2. Potentially Suspicious Activity That May Indicate Terrorist Financing

The following examples of potentially suspicious activity that may indicate terrorist financing are primarily based on guidance provide by the FATF on April 24, 2002. FATF is an intergovernmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing.

Activity Inconsistent with the Customer's Business

- Funds are generated by a business owned by persons of the same origin or by a business that involves persons of the same origin from high-risk countries (e.g., countries designated by national authorities and FATF as non-cooperative countries and territories).
- The stated occupation of the customer is not commensurate with the type or level of activity.
- Persons involved in currency transactions share an address or phone number, particularly when the address is also a business location or does not seem to correspond to the stated occupation (e.g., student, unemployed, or self-employed).
- Regarding nonprofit or charitable organizations, financial transactions occur for which there appears to be no logical economic purpose or in which there appears to be no link between the stated activity of the organization and the other parties in the transaction.

Other Transactions Linked to Areas of Concern

- A customer obtains a credit instrument or engages in commercial financial transactions involving the movement of funds to or from high-risk locations when there appears to be no logical business reasons for dealing with those locations.
- Banks from high-risk locations open accounts.
- Funds are sent or received via international transfers from or to high-risk locations.

Section 3.4. Monitoring for Suspicious Activity

All employees are responsible for identifying potentially suspicious activity and referring it to the BSA Officer.

The BSA Officer will obtain a current SAR-MSB form from either US Express Money Order or from www.MSB.gov and complete a draft copy to the best of its ability. The completed form will then be submitted immediately to US Express Money Order who will review the form, ensure proper completion and make the appropriate filing with FinCEN if appropriate.

Chapter 4. Purchases of Monetary Instruments

Section 4.1. Background

In an effort to avoid detection of their activities, money launderers began circumventing the CTR reporting requirements by obtaining negotiable instruments such as cashier's and official checks, money orders and traveler's check in amounts under the CTR reporting threshold from multiple financial institutions. This method of laundering cash became known as "smurfing" and the launderers were nicknamed "smurfs".

Congress enacted the Anti-Drug Abuse Act of 1988 to address the growth of this money laundering technique. One provision of this act mandated that the Treasury Department prescribe regulations prohibiting banks from issuing or selling cashier's checks, bank checks and drafts, money orders and traveler's checks in amounts of \$3,000 to \$10,000 inclusive in currency unless the financial institution verified and recorded the identity of each purchaser.

The BSA regulations were amended in 1990 to require financial institutions to maintain chronological logs for the recording of information pertaining to the sale of negotiable instruments for cash in amounts of \$3,000 to \$10,000 inclusive.

Section 4.2. Monetary Instruments sold by US Express Money Order

It is the policy of US Express Money Order that Agents may not sell more than \$2,000.00 per day to any one person.

It is the policy of US Express Money Order that Agents may sell instruments with a maximum value of either \$300, \$400 or \$500 as determined appropriate by US Express Money Order.

These limits been imposed to help mitigate the risk of US Express Money Order and its money orders from being used to facilitate money laundering or terrorist financing. The maximum daily sale limit to an individual has also been imposed below the \$3,000 reporting threshold so that if an Agent violates the contract and this policy and sells more than the limit (\$2,000), the likelihood of exceeding the Bank Secrecy Act reporting threshold without obtaining proper documentation at the time of the transaction is minimized.

US Express Money Order also sets daily sales limits for each agent based on its discretion.

Section 4.3. Responsibility for Completion of Monetary Instrument Log

Financial institutions are required to maintain records regarding the sale of checks, drafts, cashier's checks, money orders, and traveler's checks to individuals who purchase these instruments with currency in amounts between \$3,000 and \$10,000.

US Express Money Order has elected to set transaction limits at lower dollar thresholds. Assuming that an authorized agent meet the terms of its contracts and does not sell money orders on any given day to one person in excess of \$2,000.00 then there is no need to maintain or complete a monetary instrument log.

In order to meet the requirement for those times when an Agent may mistakenly exceed the transaction limit, US Express Money Order has developed an internal form, Form-2000. This form serves to remind the agent of the \$2,000 limit and requires completion of information required for monetary instrument log reporting to the extent possible. (Some information may

not be obtained as the customer will have left – unless the agent willfully violated the contract terms.)

Agents are required to complete and maintain copies of the form and also to send a copy of the form into US Express' office for review. Excessive breaches of the contractual limit may result in disciplinary action including potential termination of the agent relationship.

Section 4.4. Forwarding and Retention of Form-2000 forms

Each agent will forward a copy of any completed Form-2000s to US Express Money Order promptly and maintain a copy with their records. These forms must be retained for 5 years to ensure compliance with record keeping requirements.

Section 4.5. Bill Payment

In the State of Georgia under rules and regulation, the business providing bill payment services must obtain a license. US Express Money Order licensed under state of Georgia for monetary transmission requires Agents involved in bill payment service to register for money order service. This includes completion of application, business license, photocopy ID, and account information.

It is the policy of US Express Money Order that Agents may not sell more than \$1,000.00 per day to any one person for Bill Payment.

The bill payment service is supported by Digital Currency Systems and the bank, BancFirst. US Express Money Order must provide the debit information that will automatically be withdrawn out of a checking account and reported in monthly statements.

Chapter 5. Customer Identification Program (CIP)

The US Patriot Act requires various financial institutions to implement a customer identification program to verify the identities of persons with whom it does business. CIP (Customer Identification Program) standards *require that certain minimum information be obtained prior to establishing a customer account relationship*; the institution is to verify through documentary and non-documentary means that a person is who he/she claims to be or that an entity exists and the person representing it has authority.

Money Services Businesses are not currently required to have a CIP program. This is in recognition of the fact that MSBs do not have “customers” in the same sense that other financial institutions have “customers”; there is no ongoing “account” relationship and no “account” is being opened and maintained as defined in the regulations and pertaining to institutions having federal financial regulators.

However, it is clearly important and prudent for an MSB to know with whom it is conducting business. In order to prevent loss, comply with state requirements, comply with the requirements of principal MSBs for whom the business is selling money orders or initiating/receiving wire transfers, a money services business should, and often must, implement CIP as part of its compliance regimen. Obtaining documentation to verify the true identity of each customer is a necessary step in protecting the business from loss and liability.

It is prudent and appropriate for money services businesses to:

- Implement a written risk-based customer identification program;
- Maintain records, including customer information and methods, used to verify customers’ identities

Prior to initiating a money transfer or, if a computer system is used to maintain a database of customer members, an MSB is advised to compare the names of customers against government lists of known or suspected terrorists or terrorist organizations, i.e. perform an OFAC check.

Section 5.1. Identity Verification Procedures

US Express Money Order must develop risk-based procedures for verifying the identity of each customer to the extent reasonable and practicable. The procedures must enable the business to form a reasonable belief that the business knows the true identity of each customer. The procedures must be based on the MSB’s assessment of the relevant risks, including those presented by the various types of services provided, the various types of identifying information available, and the MSB’s size, location, and customer base.

Part 5.1.1. Verification Through Documents

The business may use the following documents to verify identity of the customer:

- For an individual, an un-expired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard, such as a driver’s license, identification card, military ID card, passport, valid Alien Registration card, and valid Employment Authorization card.

The business should establish procedures to address the following situations:

- An individual is unable to present an unexpired government-issued identification document that bears a photograph or similar safeguard;
- The business is unfamiliar with the documents presented;

Part 5.1.2. Lack of Verification

The CIP regulation requires the business to establish procedures to respond to circumstances in which the business cannot form a reasonable belief that it knows the true identity of a customer.

These procedures should describe:

- When the business should not complete a transaction; and
- When the business should file a Suspicious Activity Report in accordance with applicable laws and regulations.

Section 5.2. US Express Money Order Procedures

The policy of US Express Money Order is that agents will not sell more than \$2,000.00 to any single person on any single day. It is not necessary for agents to confirm the true identity of each customer because the dollar amount of transactions are being kept below reporting thresholds.

Chapter 6. Office of Foreign Assets Control List (OFAC)

Section 6.1. Background

The U.S. Treasury Department’s Office of Foreign Asset Controls (“OFAC”) issues regulations pursuant to a series of laws that authorize economic sanctions against hostile targets. These targets include countries deemed to be hostile to the interests of the United States (“target countries”) and those individuals and entities listed on the Treasury Department’s Specially Designated Nationals and Blocked Persons list. Financial institutions, including the business, are prohibited from engaging in any transaction, in violation of the OFAC regulations, involving target countries or individuals or entities listed on the Specially Designated Nationals and Blocked Persons list.

Section 6.2. Policy

The risk of OFAC violations and penalties for the sale of monetary instruments is very small; the business has decided not to check the purchasers or payess of money orders against OFAC due to the very low risk.

Chapter 7. Currency Transaction Reports (CTRs)

Section 7.1. Background

For each deposit, withdrawal, exchange of currency, or other payment or transfer by, through, or to the business that involves a transaction(s) in currency that exceeds \$10,000 (i.e., \$10,000.01), The business must file a CTR (FinCEN Form 104) with the IRS within 15 calendar days of the date of the transaction(s) if filed manually and within 25 days of the date of the transaction(s) if filed electronically.

Multiple currency transactions are treated as a single transaction if the business has knowledge that such transactions are conducted by or on behalf of any one person and result in either cash in or cash out totaling more than \$10,000 during one business day.

Company personnel are strictly prohibited from assisting or advising a customer about structuring transactions so as to avoid CTR reporting. Structuring is specifically prohibited by law and may result in the business, as well as the business employee, being subjected to monetary fines and even criminal prosecution and immediate termination.

Examples of “structuring” include a customer dividing transactions between multiple financial services providers, multiple locations of a single financial services provider or multiple Tellers or Cashiers of a provider, or conducting transactions on different banking days, to avoid CTR reporting requirements.

Section 7.2. US Express Money Order Policies

It is the policy of US Express Money Order that agents may not permit the sale of more than \$2,000.00 to any one person on any one day. As such, there should not be any transaction requiring the filing of a Currency Transaction Report.

In the event that an Agent violates the contract and completes a transaction for more than \$10,000.00 thereby requiring the filing of a CTR, the BSA Officer will retrieve a copy of the Form-2000 and prepare and file a CTR. Furthermore, disciplinary action will occur on the agent and be documented which may include termination of the Agent contract.

Section 7.3. Responsibility for Completion of CTRs

In the unlikely event that a CTR is required, US Express Money Order’s BSA Officer will be responsible for completing the CTR form and reporting the transaction in a timely manner.

Civil and criminal penalties can be assessed against US Express Money Order AND against its Agents and their employees for failure to file a report, to supply information, or for filing a false or fraudulent report.

Chapter 8. Suspicious Activity Reporting

Section 8.1. Categories of Reportable Activity

The business is required to file a SAR-MSB with FinCEN (the United States Department of Treasury's Financial Crimes Enforcement Network) describing actual or suspected criminal activity.

The SAR requirements contain three categories of suspicious transactions:

1. Funds or Assets Involving an Illegal Activity

The business believes or has reason to suspect that a transaction or series of transactions:

- Involves funds derived from illegal activity; or,
- Is intended or conducted in such a manner as to attempt to hide or disguise the fact that the funds or assets involved are derived from an illegal activity, including the ownership, nature, source or control of the funds or assets; or,
- Is intended to evade legal reporting requirements, such as tax reporting or BSA reporting.

Illegal Activity (definition): For SAR purposes, this does not extend to all illegal activity but only to known or suspected violation of federal law or related to money laundering activity or a violation of the BSA.

2. Evading Bank Secrecy Act Regulations

The business believes or has reason to suspect that a transaction or series of transactions is designed to evade ANY provision of the Bank Secrecy Act.

3. Transaction with NO Business or Apparent Lawful Purpose

The business is expected to have an effective "know your customer" policy in place and be capable of identifying those transactions or series of transactions that:

- Have no apparent business purpose;
- Have no apparent lawful purpose; or,
- Are not the type of transactions in which the particular customer would normally be expected to engage.

Section 8.2. Thresholds of Reportable Activity

Any transaction conducted or attempted by, at, or through a money services business involving or aggregating funds or other assets of at least \$2,000 must be reported as suspicious when the money services business knows, suspects, or has reason to suspect that:

1. The transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity (including, without limitation, the nature, source, location, ownership or control of such funds or assets) as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement under Federal law or regulation;
2. The transaction is designed, whether through structuring or other means, to evade any regulations promulgated under the Bank Secrecy Act; or

3. The transaction has no business or apparent lawful purpose and the money services business knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

To the extent that the identification of transactions required to be reported is derived from a review of clearance records or other similar records of money orders or traveler's checks that have been sold or processed, an issuer of money orders or traveler's checks shall only be required to report a transaction or a pattern of transactions that involves or aggregates funds or other assets of at least \$5,000.

Institutions MAY also report other suspicious transaction activity regardless of the dollar amount pertaining to potential unlawful activity and potential violation of the Bank Secrecy Act.

Agent employees are expected to report ALL suspicious transaction activities to the agent's BSA Officer regardless of dollar amount. The Agent should promptly report suspicious reportable activity to US Express Money Order's BSA Officer.

Section 8.3. The SAR Procedure

The basic procedure for a SAR Referral, subsequent evaluation, and filing is as follows:

- The person making the SAR Referral will describe the suspect transaction in as much detail as possible to the agent's BSA Officer. The person will gather and provide to the agent's BSA Officer copies of all supporting documentation relating to the transaction.
- The agent's BSA Officer will review the transaction(s) and customer information to confirm that the file is complete and to request any additional information that might be available regarding the transaction and individual(s) involved in the transaction. The agent's BSA Officer will make an assessment of whether it is appropriate for the business to file a SAR. The SAR will be written and edited in draft format to ensure that it is complete and well formed.
- The draft will then be submitted to US Express Money Order for review and filing.

Section 8.4. Safe Harbor

The business, including its officers, directors, employees or agents are prohibited from informing any person involved in the suspicious transaction that a SAR is, will be, or has been filed. The information of a SAR filing is confidential and specific information should not be disclosed or discussed with anyone except on a need to know basis.

The unauthorized disclosure of SARs is a violation of federal criminal law; employees sharing information of SAR filings inappropriately may potentially subject themselves and the business to civil and criminal penalties.

If the SAR regulations and filing instructions are followed, the institution and its employees will be fully protected by the "safe harbor" provisions of federal law.

Section 8.5 Bill Payment Suspicious Activity

Automated payment services that can be set up at financial institutions. The customer provides the bank and company with debit information and bills are withdrawn automatically out of a checking account and reported in monthly statements.

It is the policy of US Express Money Order that Agents may not sell more than \$1,000.00 per day to any one person for Bill Payment.

List of Suspicious Activity

- Accounts are used to receive or disburse large sums but show virtually no normal business-related activities.
- Back-to-back deposits without any identifiable and legally-admissible purpose. Especially, if with subsidiaries of, or affiliates of, overseas financial institutions in known drug trafficking areas.
- A customer is using money from an illegal activity to purchase bill payment services
- One person purchases bill payments at different times of the same day
- The person is buying bill payment services using a false or expired identification
- Customer changes the transaction after learning of ID requirements
- Two or more customers are using similar or the same ID

Chapter 9. BSA / AML Independent Review

Section 9.1. Background

All money services businesses must have procedures in place that are reasonably designed to assure and monitor compliance with the requirements of the BSA reporting and record keeping regulations. These procedures must be in writing, approved by the Board of Directors and be noted in the minutes. The BSA / AML Compliance Program document of which this section is a part has been written in compliance with this requirement.

Additionally, each MSB must perform an independent review of its BSA/AML compliance program periodically in order to ensure that the program is effective. Periodically generally means annually; the independent review must be performed by a knowledgeable person apart from the BSA/AML Compliance Officer.

Where the compliance risk is determined to be low, this review may generally be performed by someone in the company rather than by a Certified Public Accountant or a Consultant. In cases where the risk is judged to be high or where the MSB's bank has implemented requirements above that of the Bank Secrecy Act, an outside CPA or Consultant may be necessary. In any case, the scope of the review and results must be documented and then presented to the Board of Directors for review.

Section 9.2. Annual Independent Review of BSA / AML Program

An independent review will be conducted of the MSB's BSA / AML Compliance Program approximately every 12 months. The review and audit testing will include:

- A test of internal procedures of monitoring compliance;
- A sample of large currency transactions and CTR filings;
- A test of the record keeping system;
- Review to determine if the BSA Officer has properly monitored compliance, filed required reports, ensured appropriate training of employees, and reported appropriate information to the Board; and,
- Documentation of the scope of the testing procedures performed and any findings.

The results of the Independent Review will be reported to the company's Board of Directors in writing.

As best practice, the BSA/AML Compliance Officer may respond in writing to the Independent Review report, make recommendations and follow up on all audit exceptions.

A copy of the Independent Review and of the BSA Officer's response may be made available to the BSA Officer of the company's bank.

Chapter 10. Compliance Examination and Legal Requests

Section 10.1. IRS Compliance Examination Procedure

Notice of the IRS Compliance Examination (Title 31 Exam) should be immediately forwarded to the BSA Officer (and Owner if other than the BSA Officer). The BSA Officer will provide all records maintained by the Company and requested by the IRS relating to BSA compliance and will coordinate the examination on behalf of the company, including any follow-up action that may be necessary.

Section 10.2. Law Enforcement Requests

Should any employee be approached by a law enforcement agency including any local, state or federal agency who is conducting an investigation and requires information from the Company relevant to their investigation, that employee shall:

1. Accept and receive all information requests from the agency or agencies requiring information.
2. Sign receipt for such a request(s), if applicable.
3. Forward request to the BSA Officer

Once received, the BSA Officer will inform management of such a request and proceed to immediately gather all information for the agency request.

Chapter 11. BSA Reporting to the Board of Directors

Section 11.1. Reporting of Annual Independent Review

Promptly following the independent annual review of the MSB's BSA compliance the reviewing party will report in writing to the Board of Directors. The written report will summarize the scope and findings of this review, the auditor's recommendations, and the steps that the Company's management has committed to take to address any deficiencies, weaknesses or recommendations. The report also shall address steps taken to remedy any deficiencies previously cited in prior Independent Reviews.

Section 11.2. Other Reporting to Board

The BSA Officer will keep the Board of Directors apprised of any SARs filed by providing summary information. The Board should also be advised of training given to employees and should themselves receive BSA training from the BSA Officer.

Chapter 12. BSA Records Retention

MSBs must retain the following records for a minimum of five years:

- FinCEN registration, agent lists and supporting documentation
- Agent files
- Sales of money orders or traveler's checks if they are to the same customer in a single day for an amount of \$3,000 to \$10,000, inclusive
- Information used to verify and record customer identification
- Record transaction information, including the amount, date of sale and serial number(s) for each instrument
- Copies of CTRs filed
- Copies of SARs filed along with supporting documentation

Section 12.1. US Express Money Order Agent Procedures

The BSA Officer, or designee, will ensure that the records listed above are retained for 5 years.