



November 19, 2020

Board of Governors of the Federal Reserve System

Attention: Ms. Ann E. Misback, Secretary
20th Street and Constitution Avenue NW
Washington, DC 20551

Via email to: regs.comments@federalreserve.gov

RE: Docket No. R-1726; RIN 7100-AF97

Lowering of Threshold From \$3,000 to \$250 for Funds Transfers and Transmittals of Funds by Financial Institutions That Begin or End Outside the United States

Dear Sirs:

This letter is written to express our opposition to FinCEN's proposal of lowering the threshold from \$3,000 to \$250 for funds transfers that begin or end outside the United States. DolEx appreciates the opportunity to provide comments.

DolEx Dollar Express, Inc. is licensed as a Money Transmitter in 35 states across the US. DolEx owns and operates the largest store network in the US focused on serving the Hispanic Market with over 440 store locations and over 2,100 authorized delegate locations. DolEx is one of the largest privately held Money Transfers companies in the US, with 1300 employees in the US processing over \$4.5 Billion in remittances & other services volume annually. DolEx is an established leader in service to Mexico, Central America and other key Latin American countries owning approximately 4% to 10% market share in its top countries.

DolEx's opposition comments on the proposed rule under Bank Secrecy Act to lower the Regulatory Identification Requirement from the historically normalized \$3,000 to a lower suggested small per transaction amount of only \$250 for international transactions are as follows:

1. Given that the average principal per transaction (PPT) for family remittances to most Latin American Countries is an average of \$300, with a substantial number of transactions well above \$300, this is above the proposed threshold for identification, aggregation, and AML review. This will cause 50% to 60% of the transactions to be retained in order to obtain, review, and capture the identification details. This is extremely inefficient, burdensome and very disruptive to the customers and they will be unmanageable to the Money Transfer Operators' businesses trying to prevent money laundering, having an opposite effect of what's intended.

2. This retention will cause additional delays in processing the transactions and or additional unnecessary cancellations by customers, which may cause customers not to be able to pick up the funds in the destination country on the same day that it is sent or even a few days thereafter (80%+ are picked up the same day). Causing families not to be able to meet their basic needs: Food, Shelter, and Medicine.
3. Additional and unnecessary Compliance Full Time Equivalent resources will be required in the compliance departments to manage the increase unnecessary workload, already burdened by ever increasing AML costs, both at the Federal and State levels (Data Privacy, Cyber Security, Consumer protections and the like). This additional expense will be passed unto the customer in higher fees and will again, be counterproductive to the mission of avoiding money laundering. AML programs are generally risk based, so as to be effective in detecting and stopping suspicious transactions, while allowing normal transactions to be processed in the normal course. An abrupt, dramatic lowering of such an important threshold, will stop so many unnecessary transactions that will both inundate the MTOs and the government authorities as well.
4. Significant new investments and appropriate time to implement system modifications, would need to be made in technology and processes to adapt the systems to obtain this information at the lower amounts. Adding additional unnecessary cost and time delays to the transaction process.
5. Legitimate customers may find alternative methods of sending their funds (going underground, using physical cash in person/mules, digital currencies like Bitcoin, etc.) to their family members, for fear of having this information shared with other government entities, at a time of great distrust of all governments' mandated actions. This will cause transactions to become invisible to FinCEN which is contrary to FinCEN's overall objective.
6. We understand that the main purpose of this BSA requirement is to reduce the inherent risk of possible money laundering thru the international money transfers, which we have seen occurs in higher amounts and in other industries like Real Estate, Jewelry, Cars, Panama Papers type of blind company ownership and other high value transactions. The amounts where we have seen potential suspicious activity or transaction structuring has been 3 to 5 times the proposed amount, in the range of usually above \$1,000.
7. The lowering of the identification requirement does not align with the SAR requirement to file reports when the transactions involved are \$2K or above. FinCEN should seek to be uniform in its approach to identifying and reporting of suspicious activity



8. DolEx would support a reasonable and gradual, “over time”, lowering of the identification requirements to be in line with the inherent risk being seen in the industry. It is critical that these rules be announced with ample time to meet the required IT and business processes changes requirements and that they be applied consistency with all industry players at the same time.

9. Reminder: we are at the worst point in the 2020 Pandemic with Covid – 19, so not the best time to be making major structural changes at this time, when everyone is struggling to make ends meet and survive this 100 year catastrophic event.

DolEx has the following comments on FinCEN specific questions:

(1a.) To what extent would the proposed rule impose a burden on financial institutions, including with respect to information technology implementation costs?

The additional impact of these changes would range from:

- 1- Updating of all material associated with the identification requirements from Compliance manuals to job aids for front line employees
- 2- Education campaign for customers. Investment would be required to publish new guidelines for their knowledge and understanding
- 3- Retraining of all front line and compliance personnel on the new requirements
- 4- System Investments and changes:
 - a. Point of sale application
 - b. Transaction monitoring systems
 - c. Data storage capacity increase (currently less than 1% of transactions require supporting documentation).
- 5- Updating of all internal audit documentation with regards to identification requirements

(1b) To what extent would the burden be different for thresholds such as \$0, \$500, or \$1,000 for funds transfers and transmittals of funds that begin or end outside the United States? What would be the impact on the burden if the proposed threshold change were extended to all transactions, including domestic transactions?

Obtaining Identification Only								
Varying Amounts	% of transactions	Number of customers impacted	Sales Associate Cost	Compliance Cost	Total cost	Transactions Impacted	Cost per transaction	Cost per customer
\$0	100%	625,000	\$ 287,500	\$ 218,750	\$ 506,250	1,150,000	\$ 0.44	\$ 0.81
\$250	36%	225,000	\$ 103,500	\$ 78,750	\$ 182,250	414,000	\$ 0.44	\$ 0.81
\$500	15%	93,750	\$ 43,125	\$ 32,813	\$ 75,938	172,500	\$ 0.44	\$ 0.81
\$1,000	5%	31,250	\$ 14,375	\$ 10,938	\$ 25,313	57,500	\$ 0.44	\$ 0.81
\$3,000	0.35%	2,188	\$ 1,006	\$ 766	\$ 1,772	4,025	\$ 0.44	\$ 0.81



DolEx’s cost to capture the identification details would increase by \$.44 cents per transaction and \$.81 cents per customer. This would be multiplied by the number of transactions at the various amounts.

(2) To what extent would the burden of the proposed rule on financial institutions and the public be mitigated were the Agencies to select a threshold of \$250 but not require nonbank financial institutions to collect a social security number or employer identification number (“EIN”) for non-established customers engaging in transmittals of funds between \$250 and \$3,000 that begin or end outside the United States?

Obtaining Identification and SSN/ITIN								
Varying Amounts	% of transactions	Number of customers impacted	Sales Associate Cost	Compliance Cost	Total cost	Transactions Impacted	Cost per transaction	Cost per customer
\$0	100%	625,000	\$ 368,750	\$ 218,750	\$ 587,500	1,150,000	\$ 0.51	\$ 0.94
\$250	36%	225,000	\$ 132,750	\$ 78,750	\$ 211,500	414,000	\$ 0.51	\$ 0.94
\$500	15%	93,750	\$ 55,313	\$ 32,813	\$ 88,125	172,500	\$ 0.51	\$ 0.94
\$1,000	5%	31,250	\$ 18,438	\$ 10,938	\$ 29,375	57,500	\$ 0.51	\$ 0.94
\$3,000	0.35%	2,188	\$ 1,291	\$ 766	\$ 2,056	4,025	\$ 0.51	\$ 0.94

Obtaining the SSN/ ITIN increases the transaction cost because of the additional time taken to obtain the information. We estimate this cost to be about \$.51 cents per transaction or \$.94 per customer. This is a significant cost increase in relation to the average profit per transaction.

This additional time is spent by the front line employee obtaining the identification, capturing the details of the ID into the system (Type and Number of ID, issuing entity, and date of expiration) scanning it into the system and adding it to the customer’s profile and finally explaining and inputting the SSN/ITIN requirement. This increase also captures the compliance analyst who has to “have eyes on the ID” to validate that the details were correctly captured and that it is a valid government issued identification.

Additionally, obtaining the SSN/ITIN number from the customer adds time and cost to the transaction because in the majority of cases the customers are very hesitant to provide their SSN/ITIN because they do not understand why it is needed and how it is going to be used. Many of them because they are new to the country do not know it by memory and they do not carry the SSN card with them for fear of losing it. The Sales Associate / Agent has to convince the customer that the information will not be used for anything else other than to process the transaction.

(3) To what extent would the burden of the proposed rule be reduced if the Agencies issued specific guidance about appropriate forms of identification to be used in conjunction with identity verification, including in regards to whether there are circumstances in which verification may be done remotely and what documents are acceptable as proof?

The burden would not be reduced, it would be complicated even further. Money transmitters would be limited to only accept the specific forms of identifications approved by FinCEN and will be furthered scrutinized on the circumstances where the verification can be done by other means.



What FinCEN fails to consider is that most Money Transmitters in the US operate through a network of independently owned authorized delegates which will be the ones expected to carry out the new regulations at their individual locations. These Authorized delegates would be burdened with having to explain a complex regulation to their customers as to when and what type of identification is acceptable. In order for regulations to be effective, they have to be clearly defined, fairly enforced and have a logical explanation which customers can clearly understand. What FinCEN proposes here is the very opposite.

(4) To what extent would the burden of the proposed rule on financial institutions and the public be mitigated if the Agencies were to include in the regulation the standard described in Section IV.A for determining when an institution would be subject to the \$250 threshold for cross-border transfers, i.e., that “reason to know” that a transaction begins or ends outside the United States exists when such information could be determined based on the information the financial institution receives in the transmittal order, collects from the transmitter to effectuate the transmittal of funds, or otherwise collects from the transmitter or recipient to comply with regulations implementing the BSA?

Determining when an institution would be subject to the \$250 threshold lends itself to be poorly applied in the industry. FinCEN once again would be muddying the waters for Money Transmitters to clearly understand the expectations. We have seen far too often in this industry the big Money Transmitters companies like Western Union and MoneyGram get a pass at following the regulations because their compliance systems are seen to be robust and these are the very same companies which end up paying large sums of fines for disregarding the very regulations. We have also seen smaller companies get a pass (not being audited or reviewed, including the CFPB lack of auditing firms above their required thresholds after 7 years of being in effect) from regulatory agencies because they are seen as too small and not enough of a risk, which is totally the opposite to fair and consistent regulations which are designed to level the playing field for all. In the end FinCEN regulations should be equitable and standard for all in the industry.

We would like to thank you once again for allowing us to submit our comments. We are available to discuss these further at your convenience.

Best Regards

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