



December 13, 2010

Via email and U.S. Mail

Department of the Treasury
Financial Crimes Enforcement Network
Regulatory Policy and Programs Division
P.O. Box 39, Vienna, Virginia 22183
Attention: PRA Comments—BSA-SAR Database

RE: Notice and Request for Comments
Bank Secrecy Act Suspicious Activity Report Database Proposed Data Fields

Dear sir or madam:

Western Union Financial Services, Inc. (“Western Union”) appreciates the opportunity to comment on the above-referenced Notice and Request for Comments (“NRC”). Western Union provides financial services to both retail and commercial clients in the United States and in over 200 countries and territories. Western Union is a leading provider of consumer payment services in the United States. Through our extensive authorized delegate network and various electronic channels, we provide money transfer and money order services to consumers who send funds to family and friends in other locations, who need to send and receive cash quickly in emergencies, or who want a convenient way to pay their monthly bills. Additionally, our services allow businesses and commercial entities to securely transfer funds or make payments through electronic channels or using money orders. Western Union is registered as a money services business (“MSB”) with FinCEN, and is licensed to engage in money transmission activities in 48 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam.

Introduction

Western Union offers its services through over 46,000 third-party authorized delegate locations. In our consumer-to-consumer and consumer-to-business funds transfer segment, we provide our authorized delegates with our multi-currency, real-time money transfer processing systems used to originate and pay money transfers. Our authorized delegates generally provide the physical infrastructure and staff required to interact with consumers and handle transactions, while Western Union provides central operating functions such as transaction processing, settlement, marketing support and customer relationship management to our delegates. Our authorized delegates include large national chains such as Kroger, U.S. Bank, Key Bank, Publix and A&P, regional companies such as retail chains, supermarkets and check cashers, and thousands of small, independent businesses such as convenience stores and markets.

Western Union has a significant interest in the NRC. In 2009, Western Union filed approximately 150,000 suspicious activity reports or SARs¹, which represents nearly 12% of all SARs expected to be filed in 2010 and approximately 28% of all SARs expected to be filed by MSBs in 2010. Similarly, our authorized delegates file their own SARs in the normal course of offering our services. Western Union's method of SAR filing primarily involves the use of electronic system processes based on the existing SAR data fields. Authorized delegate SAR filing processes, however, vary based on the type and sophistication of the organization. What is clear is that the proposed SAR data fields and the move to a paperless filing system will have a large and significant impact across our business.

We would like to take this opportunity to explain our concerns and help shape the proposal in a manner that addresses the needs and concerns of all stakeholders.

Comments

1. Move to a paperless, electronic SAR filing system.

The proposal summary states that the SAR will be an "e-filed...report." However, the parenthetical language contained in proposed data field number 24 (*Financial Institution EIN and account numbers(s)*) indicates that FinCEN does not intend to eliminate paper filing. We respectfully request that FinCEN clarify whether or not paper filing will continue to be an acceptable option.

If FinCEN intends to eliminate paper filing, we believe this will significantly impact a substantial portion of our authorized delegate population. As stated, Western Union utilizes thousands of small, independent retailers throughout the U.S. to offer our services to consumers. Approximately 25% - 30% of our authorized delegates conduct transactions without the use of a computer (e.g., utilizing the telephone or other means). While difficult to accurately determine, it would be fair to state that many of these locations also do not have internet access and depend on paper filings to fulfill their reporting duties. With this in mind, and given the fact that offering our services is generally not their primary business line, we are concerned that the increased costs associated with mandatory electronic filing will result in many authorized delegates simply exiting the business rather than incurring the additional internet expenses. Accordingly, we believe that FinCEN should allow some form of paper filing to continue to be acceptable.

2. Implementation and Maintenance Expenses.

Western Union is concerned that the proposed changes will result in significant costs to implement and maintain the new filing system, as well as a substantial increase in the staff necessary to accurately file the revised SAR. Western Union conservatively estimates that systems and procedural changes necessary to support the new requirements will take up to 12 months to develop and implement. Initial costs are conservatively estimated at \$200,000 for initial development, and \$700,000 annually thereafter for ongoing system maintenance. Further, at a minimum, we expect to incur tens of thousands of dollars in additional costs at the outset for necessary tasks such as updating our internal

¹ While Western Union and its authorized delegates file SAR-MSBs, the generic term "SAR" will be used throughout this letter.

authorized delegate manuals and procedures, mailing costs for distributing updated materials and guidance to authorized delegates, time and expenses associated with training authorized delegates on the revised SAR process, and other similar items. These costs will further increase if we are required to purchase and incorporate additional third-party data services. Finally, Western Union estimates that the additional data fields proposed in the NRC will increase time spent on recording and reporting SARs by over 58%.

We have similar concerns about the burden the NRC will impose on our authorized delegates. As stated, our authorized delegates have varying processes in place for SAR filings depending on business size and sophistication. Many small authorized delegates file SARs using paper forms. Larger delegates may file SARs from each location, or may utilize the paper forms to report SARs to a corporate office for centralized filing. All of these processes will require adjustment – at significant cost – to comply with the revised SAR filing requirement.

3. Expansion in the Number of Data Fields.

Overall, we are concerned that the proposed number of SAR data fields is more than double the existing form (97 versus 48), which will create an additional burden on filers and may lead to unintended consequences. For example, as stated above, Western Union estimates an additional staffing burden of over 58% to file SARs containing the expanded data fields versus the current format. Although difficult for us to estimate, we anticipate a similar or greater burden on our authorized delegates, resulting in possibly thousands or tens of thousands of additional staffing hours for our larger authorized delegate networks.

We are also concerned that the increased number of data fields may actually lead to FinCEN collecting less useful data. For example, many SAR filers may be led to believe that the increase in data fields creates, by itself, a more robust report and may therefore give less attention to – or forego completely – the narrative portion of the SAR, which could possibly lead to the omission of important or critical information useful to FinCEN and law enforcement. An additional concern is that the sheer volume of new data fields will simply confuse and frustrate filers. This may have the unintended consequence of additional filing mistakes, less useful data or, perhaps, entities ignoring their filing duty to avoid the potential problems altogether.

4. Proposed Data Fields 11 and 66 – Zip / Postal Code.

We respectfully request that FinCEN reconsider the use of these data fields and whether alternative approaches may be used to gather the required information. Western Union currently does not have a mechanism in place to collect, determine or report Zip + 4, Country, Geo Coding, HIFCA code and / or HIDTA code data. Because this is a “critical” field (at least with respect to data field 11), we will be required to purchase this data from a third party vendor on an ongoing basis and undertake development across multiple systems to include and capture the data for reporting purposes.

We have similar concerns with respect to our authorized delegates. Existing authorized delegates large enough to have automated processes and systems will similarly need to engage a third party vendor to obtain this data, as well as incur associated expenses to update their systems. Although

the solution may be simpler and less expensive for smaller authorized delegates, it seems to add an unnecessary step into an already complicated and time-consuming process.

We would respectfully suggest that FinCEN reconsider this data field (or at least its designation as a "critical" field) and whether the added value to law enforcement outweighs the burden on SAR filers. Even if FinCEN decides that this is a critical field, we suggest that it might be easier (and ultimately less expensive) for FinCEN to build this data/functionality into the new SAR database, such that the database would automatically compute and populate the new data based on the input of the five-digit zip code by the filer.

5. Proposed Data Field 43 – Money Laundering.

Although we recognize that this is not a critical field for filing purposes, we would point out that this type of information likely may only be obtained from face-to-face or interactions similar to in-person transactions, and is unlikely to be detected by existing, back-office monitoring programs.

6. Proposed Data Fields 46 and 76 – Primary Federal Regulator.

We respectfully suggest that, where applicable, data included in field 46 also auto-populate field 76.

7. Proposed Data Field 89 – Internal Control / File Number.

Western Union suggests that FinCEN consider clarifying what type of internal control or file number should be used when filing the new form of SAR, as well as maintaining a flexible approach so that additional burdens are not placed on existing filers. For example, Western Union files SARs electronically through a batch filing process. Our system is built to include an internally generated control number for each filing. Utilizing another process to generate this number – whether using a FinCEN specified numbering convention or a number actually generated by the SAR database itself – will result in additional development and programming requirements for our support systems. Other electronic filers, on the other hand, may use their own numbering system or may utilize the filing confirmation number currently generated by the SAR filing system as the internal control number. Finally, paper filers may have no system at all.

Accordingly, we suggest that FinCEN clarify its expectations with respect to this data field and consider tailoring this field to allow for the easiest approach for each type of filer.

8. Proposed Data Fields 5a (Gender), 19 (Email Address) and 19a (Website).

Although these are not labeled as critical data fields, Western Union felt it prudent to advise FinCEN that we do not collect this type of information from U.S. consumers.

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Again, we would like to thank FinCEN for this opportunity to provide our thoughts and recommendations on this important topic. We look forward to continuing to work with FinCEN on this issue and would be happy to answer any questions that you may have regarding our comments.

Very truly yours,



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