Key Bank
4910 Tiedeman Road
Brooklyn, OH 44144

July 10, 2006

Via electronic mail

Financial Crimes Enforcement Network,
Department of Treasury
PO BOX 39
Vienna, VA 22183

Dear Sir;

This comment letter is being submitted on behalf of KeyBank NA, in response to the request for comments of the Advance Notice of proposed rule making concerning Provision of Banking Services to Money Services Businesses (RIN 1506-AA85).

KeyBank agrees with the Financial Crimes Enforcement Network's (FinCEN) statement that money service businesses (MSBs) provide an essential service in the financial services industry. An overly burdensome regulatory structure may discourage banks from conducting business with these important organizations. KeyBank has programs in place to perform the necessary due diligence on MSBs, however, improved MSB guidance would greatly benefit KeyBank as well as the MSBs it seeks to bank. KeyBank is especially in need of additional guidance regarding due diligence requirements for MSBs engaged in certain low-risk types of stored value card activity. KeyBank believes that specific types of stored value present such a low to negligible risk of money-laundering that an exception from the definition of "stored value" may be justified.

In addition, we understand from the Frequently Asked Questions for MSBs dated August 1, 2003, that the MSB definition extends to redeemers of stored value only if they are redeemed for monetary value (i.e. cash or other negotiable instruments). The taking of a stored value card in exchange for goods or general services is not redemption under BSA regulations. Therefore, the reverse should hold true for issuers of stored value cards that cannot be redeemed for cash or other negotiable instruments. Issuers of stored value cards that can only be used to obtain goods or general services should not be considered MSBs under BSA regulations.

In addition, the Frequently Asked Questions document also states that MSB registration does not apply to an issuer, seller or redeemer of stored value; nor is there a requirement that these types of MSBs report suspicious activity. While KeyBank believes this is a step in the right direction for those businesses that are labeled as MSBs solely because they are issuers, sellers or redeemers of stored value cards, KeyBank would also like see an exemption from the definition of MSB and the full range of anti-money laundering controls that must be in place under the Bank Secrecy Act (BSA) for certain low-risk issuers, sellers or redeemers of stored value cards.

KeyBank respectfully requests FinCEN to consider the exception of the following types of stored value card programs from the definition of a MSB:

Medical Cards: This form of stored value provides convenient access to specialized healthcare accounts in the form of flexible spend cards, healthcare savings accounts, healthcare reimbursement arrangements and others. These cards have been a significant contributor to the use and participation of these emerging forms of healthcare savings. The cards are funded through payroll deductions and can be used only for making purchases of medical related products and services. It is customary in the industry to systematically restrict these cards to only medical related retailers, significantly reducing any opportunity for money laundering.

Employer based payroll cards: Cards promoted by an employer for its employees that can be funded only through a payroll ACH deposit cannot be loaded with other sources of funds and also do not have a companion card targeted for cross border transfers. KeyBank feels that such cards should also be considered as an exception from the definition of "stored value." This product has been gaining in popularity with the millions of those individuals who remain outside the mainstream financial services industry. Since the funding source is limited and systematically controlled, the opportunity for money laundering here too is greatly diminished. Furthermore, the ability exists to track the use of funds on an employer based payroll card, while it is not possible to track the use of money once a physical pay check has been cashed.

Insurance Payment Cards: Cards promoted by insurance companies or disaster relief agencies to provide access to an insurance or relief payment in a crisis scenario such as home fire, car accident or natural disaster. These cards would be specifically tied to an insurance policy with an associated claim, or a relief fund for a specific purpose. Cards, in these situations, expedite the payments and reduce fraud.

Sales Incentive Cards: Cards promoted by an employer for its employees that would be similar, if not classified as, payroll cards. The funds placed on these cards would be directly related to the employees' performance of their required job function. Since the funding source it limited and provided for directly by an employer the money laundering risk is greatly diminished. In addition, similar to payroll cards, the ability to track the use of funds is also possible.

Consumer Rebate Cards: Cards promoted by retailers and/or manufacturers to encourage consumers to either shop with a particular retailer or purchase a particular brand. Based on the fact these cards carry small balances and would be tied directly to a purchase, the risk of money laundering is negligible. These cards would merely provide a more convenient means of distributing rebates to consumer and allow for tracking the use of such funds.

Government Benefit Cards: Cards promoted by government agencies, both local and national, to fund various benefits including but not limited to unemployment benefits, social security benefits, or WIC benefits. Since these cards would be funded by government organizations within the United States and would allow for tracking the use of such funds, the risk of money laundering is nearly non-existent.

Thank you in advance for your consideration of the above and your efforts to improve on the hardships associated with banking MSBs. We look forward to receiving guidance which will help us more narrowly tailor our policies and programs while expanding our ability to bank MSBs.

Sincerely,

Sarah E. Grotta
Senior Vice President
KeyBank, NA