

Issue Brief

Anti-Money Laundering/Counter Financing of Terrorism

Synopsis

- *Western Union is committed to protecting its services from being used for illicit purposes and has a program that is reasonably designed to prevent anti-money laundering and terrorist financing.*
- *The objectives of the Western Union AML program are to:*
 - *Comply with applicable AML laws and regulations everywhere Western Union does business.*
 - *Provide AML support and guidance to Western Union Agents.*
 - *Work in partnership with AML regulators and policy makers to develop effective and workable regulations.*
- *Western Union identifies AML risk by conducting periodic risk assessments in four key areas: services, geographies, consumers and Agents,*
- *Key AML risk controls include: Agent due diligence, transaction system controls, government sanctions & interdiction, global research & analysis and an in-house financial intelligence unit.*
- *Western Union has ~600 AML people in 50 global field offices, addressing company, consumer and Agent risk.*

Overview

Western Union is committed to protecting its services from being used for illicit purposes everywhere it does business and is directly subject to anti-money laundering (AML) laws and regulations in a number of jurisdictions throughout the world. For example:

- In the U.S. and Canada, a local Western Union entity is registered as a type of non-bank financial institution identified as a money services business (MSB) and is regulated under AML/terrorist financing laws, such as the Bank Secrecy Act (BSA) and U.S.A. Patriotic Act in the U.S., and the Proceeds of Crime (Money Laundering) Terrorist Financing Act (PCMLTFA) in Canada.
- In the E.U., a local Western Union entity is licensed as a non-bank financial institution called a Payments Institution and is subject to regulation under AML/terrorist financing laws in each of the 27 E.U. countries.

Western Union is subject to similar requirements in approximately 37 other jurisdictions. In other jurisdictions, Western Union Agents are the locally licensed entities and are directly subject to local regulations. However, Western Union monitors its transaction activity globally and helps its Agents meet their regulatory obligations.

Objectives of the Western Union AML Program

In accordance with guidance established by the Financial Action Task Force (FATF) and individual country laws, Western Union has an AML program, which is reasonably designed to prevent its services from being used for money laundering and terrorist financing. The objectives of the program are to:

- Comply with applicable AML laws and regulations everywhere Western Union does business.
- Provide AML support and guidance to Western Union Agents.
- Work in partnership with AML regulators and policy makers to develop effective and workable regulations.

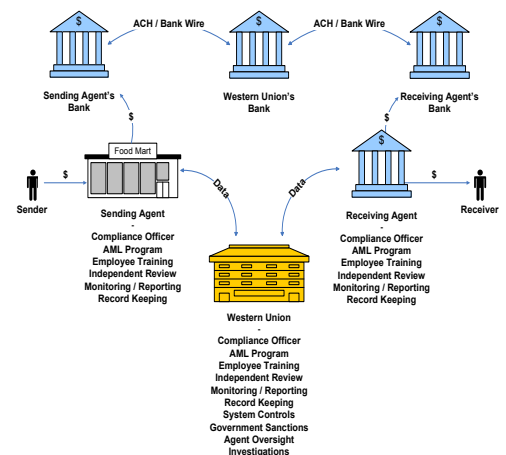
As a money remitters, Western Union is not a depository institution and does not have account-based relationships with the consumers who use its services. Instead, Western Union has transaction-based relationships, meaning that consumers use the company's services when they have a need, providing personal information according to the size and risk profile of each transaction. In addition, most—though not all—Western Union transactions are conducted in cash.

While these characteristics present a unique set of risks, these risks do not make money remitters more susceptible to money laundering than any other type of financial institution.

The Western Union Money Transfer Process & AML

Of the channels through which consumers are able to conduct money transfer transactions—Agent, telephone, Internet, mobile phone—the Agent channel continues to be the most prevalent.

In the Agent channel, consumers conduct their transactions face-to-face with Agent front-line associates, who receive AML training and perform basic AML control functions. Both Western Union and its





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Agents—whether by local regulation or contract—have individual AML obligations, as indicated in the chart on the prior page (center).

Money transfer transaction data is managed centrally by Western Union. All transactions pass through a single system, which deploys systematic controls at specific thresholds to meet AML regulatory requirements and control risk (bottom).

How Western Union Protects its System

Western Union has a dynamic system that is designed to identify risk, establish controls and adjust to shifts in risk and changing threats.

The company conducts periodic risk assessments to identify risks and threats in four key areas: 1) services; 2) geographies; 3) consumers; and 4) Agents and uses this information to develop controls to mitigate risk. Western Union's primary risk control tools and systems are:

Agent Due Diligence: A process to establish and confirm the identity of individuals and businesses that seek to become Western Union Agents.

Transaction System Controls: Automated point-of-sale controls used to limit transaction activity or prompt for additional consumer information, up to and including real-time consumer interviews.

Government Sanctions & Interdiction: Automated, near real-time screening of transactions to identify and prevent certain individuals from using Western Union services, either in response to a government sanction or by Western Union's own analysis and decision.

Global Research & Analysis: Ongoing monitoring and analysis of transaction activity to identify transaction trends and patterns, as well as anomalies, and groups of consumers that may be working together to launder funds, and interdict those consumers.

Financial Intelligence Unit: A unit to investigate Agents that may be working in partnership with consumers to launder funds, and coordinate with law enforcement.

These controls operate to protect the Western Union system and as part of an ongoing feedback loop back to the risk assessment process as a means of identifying, understanding and addressing potential vulnerabilities.

The Western Union AML Program

Western Union combines the functions and control points described above into a comprehensive AML program, which is designed to mitigate the risks that are unique to its business. The program is assembled as follows:

Western Union

Western Union complies with FATF guidance to implement and maintain a written AML program based on the risks commensurate with its business. The program has:

- Policies, procedures and internal controls
- A designated compliance officer
- Initial and ongoing employee training programs
- An independent review and monitoring function



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Western Union's AML department employs approximately 600 professionals and support staff in its Denver, CO headquarters and more than 50 global field offices and operations centers. The function is led by the Chief Compliance Officer / Acting General Counsel of The Western Union Company.

Although its practices vary by jurisdiction based on local regulations, Western Union attempts to apply uniform standards globally to the greatest extent possible.

Agents: Western Union conducts due diligence on new Agent applicants and also at the time of contract renewal. Agents have a regulatory and/or contractual obligation to implement and maintain an effective AML program. Western Union provides extensive resources to assist its Agents with their AML requirements, including tools for developing customized policies and procedures, and monitoring transactions. Agent training takes place prior to activation either in-person or via telephone. Western Union conducts risk-based reviews of its Agents' AML programs based on Agent type, transaction volume and AML risk. Results are communicated to Agents, citing program deficiencies and corrective actions. Post review follow-up ensures that corrective action is implemented or that appropriate action is initiated for Agent probation, suspension or termination.

Consumers: Western Union complies with applicable jurisdictional requirements for recordkeeping, suspicious activity reporting, and currency transaction reporting. In some cases, Western Union's recordkeeping thresholds are more stringent than those established by local law. The company also conducts interviews with consumers transferring funds over thresholds specified by its anti-money laundering policy. For certain Western Union services, e.g. Western Union Business Solutions, the program may place more emphasis on Know Your Customer (KYC) processes and customer identification files are maintained.

Western Union monitors transactions through its proprietary system for identifying suspicious activity and large currency transactions. The system incorporates business rules based on factors such as transaction frequency, volume, consumer patterns and Agent locations. Western Union centrally screens its transactions globally against sanctions lists maintained by the Office of Foreign Assets Control (OFAC) and the United Nations. The company also screens its transactions on a jurisdictional basis against similar lists maintained by the E.U., Canada and Australia, among others. Transactions with potential name matches are researched and released, or blocked and forwarded to the appropriate authority.

Additional Resources

Financial Crimes Enforcement Network

- Money Services Business
http://www.fincen.gov/financial_institutions/msb/

Financial Action Task Force

- FATF Report: Guidance for Money Services Businesses—Risk-Based Approach
<http://www.fatf-gafi.org/dataoecd/45/1/43249256.pdf>