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MEMORANDUM

June 29, 2011

To Our Clients and Friends

Re: OCC Guidance on Prepaid Payment Programs

The Comptroller of the Currency (“OCC”) today issued guidance for assessing and managing risks associated with prepaid access programs offered by national banks. (Prepaid access programs are payment system arrangements that enable customers to access funds that have been paid in advance through an electronic device such as a card, code or personal identification number (“PIN”). The products include general purpose reloadable cards, payroll cards, retail gift cards, government benefit cards, mobile phone banking and Internet transfers.

The OCC indicated that risk associated with offering prepaid access programs increases when the programs involve international funds transfers, card-to card funds transfers, Internet transfers and mobile telephone transfers. To limit the potential operational, compliance, strategic and reputation risks these programs pose, the OCC recommends that national banks:

- Implement a comprehensive risk management program to identify, measure, monitor and control the risks related to prepaid access products
- Establish risk limits for prepaid access programs and establish expectations for compliance and performance reporting
- Develop written policies and procedures to evaluate the program’s effectiveness, including an exit strategy if the program fails to perform as expected
- Implement policies and procedures to govern the bank’s evaluation, selection and oversight of any third party service provider’s activities
- Review audit and compliance functions before launching a prepaid program, including testing for Bank Secrecy Act and OFAC compliance

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- Issue periodic reports for review by the bank's board of directors

A copy of the guidance can be found at our website at
<http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker or Lauren Bianchini at (202) 776-0700.