Before the
DEPARTMENT OF THE TREASURY
Financial Crimes Enforcement Network

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In the Matter of:	)
	)
Advance Notice of Proposed Rulemaking	)
	)
31 CFR Part 103	)
	)
Anti-Money Laundering Programs	)
for Travel Agencies	)
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RIN 1506-AA28; RIN 1506-AA38	)
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Comments of the American Society of Travel Agents, Inc.

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Introduction

The American Society of Travel Agents, Inc. ("ASTA") welcomes this opportunity to respond to the Department of the Treasury, Financial Crimes Enforcement Network's Advance Notice of Proposed Rulemaking with respect to anti-money laundering programs for travel agencies, in implementation of Section 326 and 352 of the USA PATRIOT Act of 2001.

ASTA was established in 1931 and is today the leading professional travel trade organization in the world. It's current membership consists of approximately 17,200 members, including 4,900 travel agency locations. ASTA's corporate purposes specifically include promoting and representing the views and interests of travel agents to all levels of government and industry, promoting professional and ethical conduct in the travel agency industry worldwide, and promoting consumer protection for the traveling public.

ASTA has provided testimony to numerous legislative committees and fact finding bodies and has appeared in various legal proceedings; it is widely recognized as responsibly representing the interests of its members and the travel agency industry.[1]

[1]See e.g. Investigation into the Competitive Marketing of Air Transportation, C.A.B. Docket 36595, aff'd; Republic Airlines, Inc. v. C.A.B., 756 F.2d 1304 (8th Cir. 1985); Spiro v. Delmar Travel Bureau, Inc., 591 N.Y.S.2d 237 (A.D. 3 Dept. 1992); In re Domestic Air Transportation Antitrust Litigation, 148 F.R.D. 297, 61 USLW 2610, 1993-1 Trade Cas.(CCH) ¶70,165 (N.D.Ga., 1993); U.S. v. Airline Tariff Publishing Co., 1993-1 Trade Cas. (CCH) ¶70,191 (D.D.C., 1993); Crowder v. Kitagawa, 81 F.3d 1480 (9th Cir. 1996); Testimony of The American Society of Travel Agents, Inc. Before The United States House of Representatives

Committee on Transportation And Infrastructure, Subcommittee on Aviation, September 10, 1998; Perspective Of The American Society of Travel Agents On The Nature and Extent Of Competition In The Airline Industry As It Relates To The Distribution System, before the Transportation Research Board's Committee for a Study of Competition in the U.S. Airline Industry, January 15, 1999; Statement of the American Society of Travel Agents, Inc. before the United States International Trade Commission Re: The Economic Impact of U.S. Sanctions with Respect to Cuba (Inv. No. 332-413), October 2, 2000; Comments of the American Society of Travel Agents, Inc. before the Federal Trade Commission, In the Matter of: Gramm-Leach-Bliley Act Privacy Rule, 16 CFR Part 313, March 31, 2000; In re Airline Ticket Commission Antitrust Litigation, 268 F. 3d 619, 2001-2 Trade Cas. (CCH) ¶73,446 (8th Cir. 2001); Upheaval In Travel Distribution: Impact on Consumers and Travel Agents, Report to the Congress and the President by the National Commission to Ensure Consumer Information and Choice in the Airline Industry, November 13, 2002; In re Airline Ticket Commission Antitrust Litigation, 307 F.3d 679, 2002-2 Trade Cas. (CCH) ¶73,824 (8th Cir. 2002) rehearing and rehearing en banc denied (Nov 18, 2002); and Comments of the American Society of Travel Agents, Inc. before the U.S. Department of Transportation In the Matter of: Computer Reservation Systems (CRS) Regulations, Docket OST-97-2881, 3014, OST-98-4775, and OST 99-5888, March 17, 2003.

At the outset we would be very remiss if we did not express our deep appreciation for all the hard work and cooperation from the professional staff of the Treasury Department's Office of Consumer Affairs & Community Policy for their efforts to understand the travel agency industry. The Advanced Notice of Proposed Rulemaking fairly reflects regard for the factors that must be considered in protecting the American public from the dangers posed by money laundering, while at the same time not unnecessarily impeding the legitimate business activity necessary for a healthy economy. Those objectives are shared by this industry as well.

For our part, we have offered information and evaluation concerning the sorts of transactions likely to take place in travel agencies and any potential for diversion from legitimate purposes those transactions might present. Most recently, we have placed in the field and statistically analyzed a survey of all ASTA member travel agencies to provide FinCEN with the most comprehensive, current, and accurate data we could gather about current travel agency transactions. The survey and its results is set forth as the Appendix to these Comments and will be referred to at various points herein.

We will respond specifically to each of the issues submitted for comment. However, we think it appropriate to do so in the context of an understanding of the recent background and current conditions in the travel agency business as a whole.

Industry Background

Certainly, over the past ten years and currently, air transportation continues to be the dominant product line for most travel agencies. Following airline deregulation in the late 70's, the primary source of travel agency income, airline commissions on ticket sales, settled in at ten percent. Then in 1995 most major airlines capped travel agency domestic commissions at $50 per round-trip ticket. This was followed in September, 1997 with across-the-board reductions in the domestic base commission rate from 10 percent to 8 percent, retaining the caps on maximum commissions that could be earned. In 1998, international fares were subjected to caps. In 1999 there was a further reduction in base domestic commission levels from eight percent to five percent, with the previously established caps retained. Finally, in March, 2002, most airlines ceased paying travel agencies commissions altogether.

At year-end 1992 there were 32,147 travel agency locations accredited by the Airlines Reporting Corporation in business, operated by 23,446 agency firms.[1] In the wake of post-Gulf War resurgence in travel demand, the number of firms was stable, but branching increased the locations to 33,593 by year-end 1995, despite the first capping of commissions. In the wake of those caps, and the subsequent commission reductions that continued until commissions were eliminated completely, the number of agency firms and locations in business has contracted and consolidated very substantially.

By year-end 2002 the number of agency locations had fallen to 24,679 (down

[1] Unless otherwise indicated, statistics about the number of travel agencies and their sales are from the Airlines Reporting Corporation monthly reports.

23 percent from 1992) and the number of firms had declined to 15,524 (down 34 percent). By the end of 2001, air transportation sales had shifted away from smaller agencies so that firms with $2 million or less in annual air sales comprised 84 percent of the firms but accounted for only 14 percent of the sales.[2] At the other extreme, firms with sales greater than $50 million comprised .6 percent of the industry but sold 57 percent of the business. Total commission payments, including bonus or override payments, for the year 2001 before base commissions were ended entirely had fallen below the level of 1977.[3] Added to all of this is the general state of the economy, which has impacted with particular harshness on the travel business, as did the September 11 attacks. Witness is borne to this by the bankruptcy or impending bankruptcy of several of the Nation's largest airlines. Finally, we note the added depressive effect of the war to liberate Iraq[4], and that after the last Gulf War it took air travel 18 months to return to pre-war volumes. By any measure,

[2]Upheaval in Travel Distribution: Impact on Consumers and Travel Agents, Final Report to Congress and the President of the National Commission to Ensure Consumer Information and Choice in the Airline Industry, November 13, 2002, at App. G, p. 113 (hereafter cited as "National Commission Report").

[3]National Commission Report at 19.

[4]See Airline Traffic Declines 10% Since War in Iraq Began, Dow Jones Business News,

the travel agency business is a struggling industry that can ill afford any unnecessary burdens.

General Observations

March 26, 2003.

Before addressing the specific issues raised by the ANPRM we wish, as well to offer some general observations on what we believe is an appropriate regulatory approach with respect to travel agencies. We hope that FinCEN will agree that duplicate regulation should be avoided both as an unnecessary burden on the economy as well as on administrative resources. A relatively small number of travel agencies[5] may provide clients with direct foreign exchange, travelers' check, or similar services. ASTA believes that these activities are and should be adequately regulated by existing money service business ("MSB") regulations. The fact that these activities are conducted from a travel agency as opposed to some other enterprise should not require duplicate or enhanced control. Presumably FinCEN is either satisfied with current measures in place with respect to these money service businesses or is preparing changes to effect what it believes to be adequate regulation. These measures should also be sufficiently effective with respect to these activities when conducted from travel agencies without the need for additional requirements that could only prove burdensome while adding little to the essential objective.

Nor do we believe that the conduct of direct issuance of travelers' checks and foreign currency activities by a small number of travel agencies should, in any way, provide a rationale for extending money service business type regulations to all travel agencies, without regard to whether or not they conduct such activities. The same principle, we believe, should be applied to the small number of travel agencies that provide other adjunctive services, apart from their core travel agency activities, that are currently, or can be, regulated as part of another industry, such as courier services. We turn now to the

[5] See Appendix, Tables 9 and 10.

specific issues for comment.

Issues for Comment

1. How should a travel agency be defined? Should there be a minimum threshold value in the definition?

We think FinCEN got it essentially right when it adopted as its functional definition of travel agency: "Any person who sells, as an agent and not as a principal, the following travel services: airline tickets, rail tickets, hotel and motel reservations, and cruise reservations, or some combination of those services." This definition excludes direct sales by service providers such as hotels and tour buses. Travel agencies do not, of course, "sell" hotel and motel reservations but earn a commission on the hotel or motel accommodations furnished the customer. We suggest, therefore, that a bit of a finer point can be put on it.

Although, admittedly this industry is presently in great flux due primarily to the elimination of the airline commissions revenue stream, necessitating charging customers service fees, the principle characteristic of the business as an "agency" still remains. Like other "agents" in legal contemplation, a travel agent is one who acts on behalf of another, his principal, bringing buyers and sellers together. As the U.S. Court of Appeals for the Seventh Circuit has observed in a leading case:

> "[t]he relation of travel agent to airline is not substantially different from the relation of broker to real estate owner, of brokerage house to investor, or of travel agent to hotel, rental car company, or other provider of travel service." Illinois Corporate Travel, Inc. v. American Airlines, Inc., 806 F.2d 722, 725 (7th Cir. 1986).

We suggest, therefore, that a travel agency is a business that has the sale of travel services to the public as its primary business, conducting the majority of that business in an agency-principal relationship with suppliers, and that is not itself owned or controlled by a supplier or a government entity. We think that FinCEN's functional definition can be made more general and therefore more durable by defining "travel services" as transportation and accommodations or any combination of them.

Although there is some overlap, it is important, in this regard, to distinguish between travel agencies, which serve a retail function and "tour operators," which serve a wholesale function. In contrast to the travel agent, the tour operator assembles packages of travel and accommodation services by obtaining bulk commitments, so many airline seats, so many hotel rooms, from suppliers and reselling them, often through travel agents in individual packaged units. In contrast to the travel agent who makes his living through service fees on the transaction as in the case of airline tickets and ad valorem commissions as in the case of hotel accommodations, cruises and other products, the tour operator makes his living by marking up the cost of the package above the cost to him of its individual components. The tour operator may also assume inventory risk with respect to the transportation and accommodation service commitments he has secured and may suffer a loss if his packages do not get sold.

We think this distinction is particularly important with respect to the concern noted in the ANPRM regarding the provision of in-kind services. Unlike the tour operator, the average retail travel agency that makes its living by providing arrangements and does not itself have any ownership or other control of transportation and accommodation services would have nothing to provide "in-kind."

Beyond this, we offer these observations not because we believe tour operators offer a higher or lower money laundering risk than travel agencies, but because the

ANPRM is directed to "travel agencies," which are distinguishable from tour operators and it is to travel agencies to which our comments are directed, and whose activities we know best.

We would also suggest that any rule finally adopted make clear that those firms that provide fulfillment and data processing services to travel agencies, usually in the on-line context, but that do not sell travel services on their own account, are not themselves travel agencies, and would not, by their provision of such support services to travel agencies, become subject to travel agency regulation.

Certainly, there is some point at which the sale of travel services is so *de minimus* as to amount to casual activity that should not be considered part of a practical definition of a commercial travel agency. Apart from this low threshold, however, we feel that agency size goes more appropriately to the nature and extent of regulation issue, the type of program appropriate to meet the goal of protecting the public without unnecessarily burdening economic activity, rather than the definition of a travel agency, and we will address it there.

Finally, before leaving Issues for Comment 1, we would like to take issue with a statement set forth there because it is important with respect to understanding other federal agencies' treatment of statutory definitions that appear to include travel agencies among "financial institutions."

The ANPRM states:

> Travel agencies also may provide financial services such as traveler's checks to their customers, and may offer travel- related insurance. Travel agencies that offer such financial services in conjunction with travel services are considered financial institutions for the purpose of consumer privacy regulations.3
>
> fn. 3 See 16 CFR 313.3 (k)(2)(ix) (Federal Trade Commission regulations governing

privacy of consumer information).

In fact, the FTC's stated position is that it does not consider a travel agency's operations to be ``in connection with offering financial services'' and therefore covered [under the Gramm-Leach-Bliley Act, Pub. L. 106-102] "simply because it offers travelers checks or travel related insurance to their travel clients." Rather, the Commission interprets the G-L-B Act to cover travel agencies only if their travel-related services are offered in addition to offering other financial services. Federal Register: May 24, 2000, Volume 65, Number 101 at 33655. Thus, in the case of the privacy requirements of Gramm-Leach-Bliley, travel agencies are exempted unless they offer other financial services in addition to their travelers' checks and travel related insurance services. **2**

What is the potential money laundering risk posed by travel agencies? Are there different kinds of travel agencies or different services offered that pose different money laundering risks?

Overall, we believe the potential risk of money laundering through travel agencies is relatively low. This follows in large part from the inherent nature of the business as an agency that must promptly account to and pay over sums due its principals. In the case of air travel, still the predominant portion of the business, this is done in accordance with extensive, detailed procedures, including frequent regular reporting and remittance, and under the constant supervision of the Airlines Reporting Corporation. In addition, as our survey shows, this is not a cash business. Travel agencies handle surprising little cash, with only 5.6 percent of transactions conducted in that form.[6] Only 2.9 percent of agencies

[6] Appendix, Table 2.

have even seen a transaction involving as much as $10,000 in cash. [7] The overwhelming number of transactions, 73.9 percent take place through the use of credit cards, with another 20.1 percent by check[8], creating clear paper trails.

[7]Appendix, Table 6.

[8]Appendix, Table 2.

In addition to the limited number of cash transactions and their relatively low dollar amount, other factors identified by our survey include personal knowledge of the client base, 85.3 percent of clients are known to agency personnel[9], and agencies' own back office accounting systems, in addition to the obligation to promptly remit payments and account to suppliers.

As stated earlier, travelers' check and foreign exchange transactions conducted by a small number of travel agencies, 5.7 percent and 15.8 percent respectively[10], according to our survey, as ancillary services, probably pose a similar level of risk as when conducted from other businesses. However we believe these activities are far more appropriately regulated as part of MSB regulation than separately because they are carried on in conjunction with a travel agency. That will provide for greater uniformity and consistency without imposing unnecessary regulation.

We do not believe that the SAR Activity Review for February, 2003, suggests any different result. According to the Review:

> "The SAR database was searched for terms such as "travel" and "tour" to identify SARs where the suspects were listed as travel agents or travel agencies. The queries returned 5,406 unique SARs. A sample of 1,081 SARs was selected at random and reviewed, identifying 995 suspects as travel agents or travel agencies." SAR Activity Review, Issue 5 at p. 25.

Even in such a highly targeted examination, the most frequently reported activity was structuring of currency deposits, other structuring transactions, and check fraud[11]. We

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[9]Appendix, Table 1.

[10]Appendix, Tables 9 and 10.

[11]SAR Activity Review, Issue 5 at p. 26-27.

believe a solution always lies first in use of existing regulatory tools such as the requirement to file IRS Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business and applicable laws with respect to fraud. Further regulation is seldom a substitute for enforcement of existing laws and regulations.

Some survey respondents identified some different types of agencies that in their opinions presented different degrees of risk.[12]

3. Should travel agencies be exempt from coverage under sections 352 and 326 of the Patriot Act?

4. If travel agencies, or some subset of the industry, should be subject to the anti-money laundering program requirements, how should the program be structured?

ASTA feels these two issues can best be addressed together. Our considered opinion is that the twin goals of protecting the public from money laundering, which is the life's blood of terrorism, the illicit narcotics trade, and other activities that are highly damaging to society, without unnecessarily burdening legitimate business in a struggling industry can be met. We believe that the best way to do this is first to regulate transactions that fall within the money service business as part of that industry. Travel agencies, in their core business of arranging transportation and accommodation services, should be exempted from formal regulation, while, at the same time, a framework is created in which such agencies can become vigilant for, and report, suspicious activities.[13]

[12] Appendix at p. X.

[13] Certainly, this is most compellingly so in the case of travel agencies that meet the Small Business Administration standard, as it may be changed from time to time. Larger agencies with high volumes of MSB and international transactions may find a single company-

wide set of obligations preferable. With respect to the comment requested by FinCen with respect to monetary thresholds, we note in this regard also that the SBA standard is based on annual revenue to the agency, not on gross receipts or other transaction based measurements, which would include sums promptly subject to remittance to airlines and other suppliers.

ASTA proposes, therefore, that educational materials be prepared that inform travel agency personnel what money laundering is, why it is harmful and must be controlled, what attempts are most likely to occur in the travel agency business, and what must be done to thwart such attempts. These materials would also remind travel agencies of their obligations under existing regulations, such as filing IRS Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business, when necessary, as well as subterfuges to which they might be subjected by customers seeking to have them avoid these requirements.

As a default, ASTA will volunteer to have such materials prepared and available, and updated periodically as necessary. When the materials are available, a principal, officer, or other specifically designated responsible person within each travel agency exempted from formal regulation, would provide an annual certification that he or she has read the materials and is aware of their recommendations. This would be coupled with a telephone "hot line" that FinCEN would establish on which travel agencies and perhaps other small businesses could call and make an informal, oral report of suspicious transactions.

We believe that such an approach will fully achieve the goals previously discussed and, in fact, prove more effective than a burdensome formal system of regulation, procedures, and reports, which might well serve to further constrict the industry.

5. Do travel agencies maintain "accounts" for their customers?

With the exception of 17.2 percent of survey respondents who say they maintain accounts for corporate clients, most travel agencies do not maintain accounts for customers in the traditional financial institution sense. As disclosed by our survey, just under half of agencies, 47.3 percent allow clients to keep open credit balance against which they may draw for future purchases, at all.[14] Even among those who do there is almost always a special circumstance. As shown by Table 5, the most common form of credit balance accounts are gift certificates or carried over funds from prior cancellations.

Both of these situations lack the element of recurring payments and regularity of dealing that characterize financial institution accounts in the usual sense. In addition, in the case of gift certificates there may not even be a formal business relationship between the recipient, as opposed to the purchaser, and the agency. Therefore, any further action taken should make clear that these relationships do not constitute accounts.

Conclusion

As we have reiterated throughout, the objectives to be achieved are the protection of the public from money laundering that fuels terrorism, the illicit narcotics trade and other crime, without reducing legitimate and desirable economic activity by burdening business with costly and unnecessary regulatory requirements. We feel this can best be achieved in the case of travel agencies with an exemption from regulation under USA PATRIOT Act Sections 352 and 326, coupled with an educational program and the availability of a means for quickly and efficiently reporting suspicious activity. We have suggested that this take the form of written materials, a manual or handbook, that, in the absence of currently available, appropriate, material ASTA would offer to develop or have developed. This material would inform travel agents, many of whom may be totally unaware of the existence of money laundering and its dangers, about money laundering. The material would explain in language and contexts familiar to travel agents what money laundering is, the risks it

[14] Appendix, Table 5.

places on our society, how it might be attempted in the context of their business, alert them to activities that warrant vigilance, advise them how to reduce the risk, and provide them with access to the appropriate government authorities who can further address apparent problems. Such material would need to be updated periodically to reflect changing conditions. A responsible individual in each agency granted an exemption on the basis of this educational program would provide periodic certification that the materials had been read and the recommendations understood. In addition, FinCEN would establish a simple, efficient, method for telephonically reporting suspicious activities. MSB activities would be addressed by regulations specific to those businesses.

Should FinCEN conclude that the risk from the core travel agency business is not inherently sufficiently low to warrant a blanket exemption without further efforts, we believe the educational program outlined above is the most appropriate alternative.

Respectfully submitted

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April 8, 2003.

Appendix

ASTA SURVEY ON POTENTIAL RISK OF MONEY LAUNDERING THROUGH TRAVEL AGENCIES

1. Methodology

ASTA conducted an online survey with its entire membership in order to prepare comments based on first-hand data to respond to the U.S. Treasury Department's Advanced Notice of Proposed Rulemaking regarding whether travel agencies should be subject to anti-money laundering regulations under the USA Patriot Act.

An e-mail link was sent to all 4,500 voting agency members of the Society on Friday March 7, 2003. Members had until March 21, 2003 to send in their responses. In total, 376 members responded to the survey. Further analysis of survey data showed that the sample is a statistically valid representation of the overall membership. The survey sample reflects ASTA's membership in the distribution of key agency demographics such as sales volume, leisure / business mix, number of part-time and full-time employees, geographic location, etc.

A sample of 376 yields a sampling error of +/- 5% in 95 out of 100 cases. Separate analysis of smaller subgroups have a larger margin of error.

2. Member profile

ASTA agencies are well established with an average of 22 years in business. Many ASTA agencies are located in storefront offices. 39.4% of members are located in main street locations and an additional 23.8% are located in strip malls. ASTA agencies work with an average of five full-time employees. In addition, 88.3% of agencies employ one or more part-time agents.
ASTA agencies are small businesses. Over two-thirds of agencies (69.5%) report an annual sales volume of less than $3 million over 2002 or closest fiscal year. The median level of gross bookings is $2,500,000. Agencies report retaining an average of 8% as income.

Agents conduct most of their business over the phone. On average, 72.6% of an agency's business is conducted over the phone. Customers visiting the office account for an average of 19.6% of business and the remaining 7.8% is generated online. The majority of trips booked concern travel within the United States. ASTA agencies report an average of 61.8% of total business concern domestic travel. Most agencies focus on the leisure travel segment. Leisure travel accounts for 75% of an average agency's business.

ASTA's agency membership accurately reflects the agency distribution across the United States. The Northeast accounts for 26.0% of all agencies, the Mid-Atlantic region for 13.4%, the South for 18.3%, the Midwest for 16.5% and the West for the remaining 25.9%.

75.4% of agencies work with one bank only. An additional 19.9% have two banks. The remaining 4.7% use three banks or more.

3. Client familiarity

Travel agents know most of their clients personally. Agency owners and managers estimate that an average of 85.3% of their clients are known personally by them or by a member of the agency staff, with a median of 90%.

Table 1: What percentage of your clients is known personally by you or your staff

Mean (arithmetic average)	85.3%
Median (data midpoint)	90.0%
Mode (most frequent answer)	90.0%
Minimum	5.0%
Maximum	100.0%

4. Payments

Method of payment

The vast majority of customers pay by credit card. According to survey respondents, roughly 75% of all payment take place by credit card, followed by 20% of transactions that are paid by check.

Table 2: What percent of customers' payments are received by the following methods

	% of responses
Cash	5.6%
Check	20.1%
Credit card	73.9%
Electronic funds transfer	0.4%
Other	0.0%

Payment by credit card

Most agencies are very thorough when accepting credit cards. Seven out of ten agencies ask for customer identification and obtain permission to charge the card in writing. Roughly 60% of agencies require their customers to sign the sales slip in person. Not very many agencies check their client account history. Respondents could check multiple responses.

Table 3: Steps taken when accepting client credit cards

	% of responses
Ask for customer identification	70.1%
Obtain permission to charge card in writing	66.3%
Customer has to sign sales slip	61.2%
Show credit card in person	57.9%
Obtain authorization with clearing bank	49.3%
Obtain power of attorney for corporate clients	31.4%
Check account history	14.2%
Other	13.9%

Payment by check

Eight out of ten agencies do not accept third party checks and 75% ask for customer identification when accepting checks. Over half of agencies wait until the check has cleared before handing over the travel documents. Other safety measures when accepting checks include bank verification of funds, usage of bank issued checks and knowing the client personally. Answers listed under "other" include: supervisor authorization, verify address information on the check with client account information and don't accept checks at all. Respondents could check multiple responses.

Table 4: Steps taken when accepting client checks

	% of responses
Don't accept third party checks	79.9%
Ask for customer identification	75.2%
Wait until check clears before completing the transaction	56.5%
Other check limitation policies*	33.0%
Other	21.0%

* see below for description

- Other check limitation policies include:
- Bank verification of funds (20 times)
- Cashiers checks only (6)
- Accept checks only from known clients (21)
- Don't accept out of state checks (7)
- Don't accept checks for travel within short time frame (1 week, 10 days, 14 days, etc) (13)
- Don't accept checks for one way travel (3)
- Don't accept checks for airline tickets (2)

Credit balance accounts

Just under half of agencies (47.3%) allow clients to keep open credit balance accounts against which they draw for future purchases. Of those that do (N=169), the most common form of credit balance accounts are gift certificates or carried over funds for prior cancellations. Survey respondents could select multiple answers.

Table 5: Circumstances for keeping client credit balance accounts.

	% of responses
Gift certificates	91.1%
Carried over refund from cancellations	50.9%
Corporate client accounts	17.2%
Other	10.7%

Mentioned under “other” are:

- Airline residuals on rebooked airlines tickets that have a lower fare
- Bridal or honeymoon registries (2)
- Funds carried over from prior overpayment
- Certain clients keep small house accounts for future travel purchases
- Deposits for travel from a client’s supplier
- Deposits on future vacation holidays
- Deposits on groups
- Incremental payment plans for future bookings (4)
- Lay away services
- Trade out for television ads or radio commercials (2)

Payments of $10,000 or more

Most travel agency business transactions are relatively small. Only 2.9% of an agency’s total business involves transactions of $10,000 or more. The median is 0.0% with 53.3% of respondents reporting they don’t have any business transactions that exceed this amount.

Table 6: What percentage of total transactions involve payments of $10,000 or more?

Mean	2.9%
Median	0.0%
Mode	0.0%
Minimum	0%
Maximum	70%

5. Remittance of payments

Survey respondents report they remit a median of 87% of total business transactions directly to the supplier. For clarification purposes, survey participants were given the example of "checks made out to the supplier or credit cards charged through the supplier's merchant account as opposed to your own."

Table 7: What percentage of total transactions require you to remit clients' payments directly to the supplier?

Mean *	70.2%
Median	87.0%
Mode	100.0%
Minimum	0%
Maximum	100%

6. Refund policies

Cash refunds

Half of agencies (49.4%) occasionally make cash refunds to their clients. Those that do (N=179) mostly make cash refunds in case of a cancellation or overpayment and the client paid in cash or check. Answers under "other" include: agent error (3), price reduction, and tour operator or cruise company refund that is passed through the agency to the client. Many agents added they usually only refund by check.

Table 8: Circumstances under which cash refunds are made.

	% of responses
Cancellation and client paid by check	87.8%
Cancellation and client paid cash	79.4%
Cancellation and client paid by credit card	10.6%
Over-payment	63.3%
Refund on service fee	23.3%
Other	7.8%

7. Travel agency services

Foreign exchange

Only 15.8% of agencies provide foreign exchange services to their client. Of those that do (N=55), 57.1% keep the foreign currency on the premises at some point during the transaction.

Table 9: Does your agency provide foreign exchange services? If so, how?

Provide exchange service?	% of respondents
Yes	15.8%
No	84.2%
Total	100.0%

Kept on premises?	% of respondents
Yes	57.1%
No	42.9%
Total (N=55)	100.0%

Traveler checks

Even fewer agencies provide traveler checks for their clients. Only 5.7% of agents reported doing so. Of those agencies that provide traveler checks (N=16), 80% report that the checks go directly from the bank to the customer without ever being kept on the premises.

Table 10: Does your agency provide traveler checks ? If so, how?

Provide traveler checks?	% of respondents
Yes	5.7%
No	94.3%
Total	100.0%

Kept on premises?	% of respondents
Yes	20%
No	80%
Total (N=55)	100.0%

Travel insurance

The vast majority of agents (95.1%) provide travel insurance for their clients. Of those that do (N=328), most simply forward the client application to the insurer or have the client complete the application online. Around 40% of agencies have a license to sell insurance.

Table 11: Does your agency provide travel insurance? If so, how?

	% of respondents
Yes	95.1%
No	4.9%
Total	100.0%

Table 11a: If you provide insurance, how is this done?

	% of respondents
Agency forwards client's paper application to insurer	70.0%
Client completes application online	65.2%
Agency has insurance license	40.4%
Other	5.8%
Total	100.0%

Listed under "other" are:

- Provide forms, but client books directly with the insurer (4)
- Client forwards application with our locator number to insurer (3)
- Insurance is done through tour operator or cruise line
- Have Travel Guard brochures in office. Client deals directly with them
- Insurance is part of package
- Provide form with every booking
- Sell only travel insurance on specific trips

8. IRS Form 8300

Familiarity with form 8300

Survey recipients were asked whether they are familiar with IRS Form 8300, which covers cash payments of over $10,000 received in a trade of business. Close to three-quarters of survey respondents are familiar with Form 8300. Agencies reported earlier that 2.9% of the business transactions involve amounts of $10,000 and up, though 53% of agencies never have cash transactions exceeding this amount.

Staff awareness

In most agencies, either all staff or at least the accounting staff are aware of the requirements to file Form 8300 in case of cash payments of $10,000 and over. The remaining 26.3% of agencies report staff members are not aware.

Table 12: Is all of your staff aware of form 8300?

	% of respondents
Yes, all staff is aware	43.5%
No, just accounting staff	30.2%

No	26.3%
Total	100.0%

Procedures to make sure Form 8300 is filed

Over 80% of agencies report they have never had a cash payment of $10,000 or more. Other agents who do handle these types of cash transactions report that the owner/manager or accounting department needs to approve the payment beforehand. Multiple answers applied.

Table 13: What are your procedures to ensure Form 8300 is filed?

	% of respondents
Never had a cash payment of $10,000 and over	82.7%
Accounting or owner/manager needs to approve	22.7%
All staff is made aware to file	14.7%
Other	8.5%

Mentioned under “other” are:

- Accounting people who do deposits are aware the form must be filed. In 23 years we have had one cash transaction of $10,000 and a form was properly filed
- Bank requires it *(2)*
- Didn't know it existed *(2)*
- File form directly through our bank *(3)*
- We would not take that kind of money from a stranger without knowing where it came from
- Only payments over $10,000.00 are from our major corporate account and they cover a number of transactions
- The program that we use has an automatic screen that must be filled out to continue for any transaction over $1,000. It asks for passport number, driver's license number, and expiration, date of birth and social security number
- We have never accepted cash payments over $3000

Measures taken to avoid aggregation of payments to exceed $10,000

Most agencies do not take any specific measures to ensure that aggregation of smaller client payments do not exceed the $10,000 limit for filing form 8300. In the open ended responses under “other”, respondents explain that they simply don’t have transactions of this size. Many added that if such a transaction would occur, they would not accept cash payments. Respondents could check multiple responses

Table 14: Measures taken to avoid exceeding the $10,000 limit?

	% of respondents
Nothing	49.6%
Never combine outstanding bills	42.9%
Staff instructed to report aggregations	26.6%
Accept payment by credit card or check only	17.5%
Other	72.9%

Answers under "other" include:

- Have never had cash payments of this amount *(21)*
- Would not accept cash, just credit cards, check or wire transfers *(8)*
- Accountant would flag this type of transaction

9. Money laundering through travel agencies

Respondents were asked if they see any potential risk for money laundering posed by the travel agency business. No less than 88.2% of agencies see no risk whatsoever. An additional 11.0% see some risk. Only 0.8% of respondents see the potential for significant money laundering risk through travel agencies.

Agents who see no or little potential for money laundering (N=353), name the limited amount of cash transactions, personal knowledge of the client base and the obligation to promptly remit payments to the supplier as their primary reasons. Some of the other reasons include the small amounts of money involved and the paper trail left by the back office accounting system. Multiple answers could be checked

Table 15: Reasons why there is no or little money laundering risk

	% of respondents
Very few cash transactions	81.1%
Obligation to promptly remit to supplier	81.1%
Personally know most clients	79.9%
Other supplier controls on transactions	35.8%
Other	5.0%
Total	100.0%

The few agents who do see some potential for agencies to launder money, came up with the following arguments.

_ We pay suppliers in several foreign currencies. We sometimes purchase these currencies in advance, when the rate is in our favor. These currencies must be held in a holding account, put in one of our foreign bank accounts or in some other way, until it is time to pay our foreign suppliers.
_ Any business can be a "front"
_ ARC transactions that are cancelled and refunded to unknown clients
_ Client can buy refundable and take cancellations and refunds directly to supplier
_ We have customers all over the world and can't know them all
_ If booking is paid in cash by unknown client
_ Illegitimate agencies
_ No state or federal reporting to scrutinize cash transactions
_ Payment for bogus international travel arrangements
_ Refunds paid by company check after receiving refund check from supplier
_ Sale of negotiable instruments

Other money laundering risks

30.0% of respondents see some money laundering risk for different kind of travel agencies or different services offered. Examples are extremely large agencies that aren't familiar with their client base, ethnic agencies and agencies that do a lot of international business.

Steps against money laundering

Awareness training for money laundering and / or checking of identification are the primary steps agents would take if there were a potential for money laundering through travel agencies.

Table 16: Steps against money laundering

	% of respondents
Awareness training for money laundering	69.1%
Check identification	59.2%
Know-your-client requirements	55.1%
No cash payments over certain amount	55.0%
Credit card only policy	35.3%
Other	6.4%

Mentioned under "other" are:
_ Keep good records
_ Use reputable suppliers only

- All transactions by check or credit card
- Wouldn’t deal with any suspicious people

QUESTIONNAIRE

1. Please describe the general nature of your agency business: a. Years in business: ____ b. No. of employees: ____c. Leisure: ______ % + Corporate: _______ % = 100%
2. What is your approximate level of gross bookings in dollars?$ _________________2a. Of total gross bookings, approximately what percentage is retained as income by your agency?_______ %
3. What percentage of total business transactions requires you to remit a client's payment directly to the supplier? For example, checks made out to the supplier or charged through the supplier's merchant account as opposed to your own.____ %
4. Do you ever make cash refunds to clients?O Yes O No 4a. If Yes, under what circumstances? (check all that apply) O Cancellation and client paid by check O Cancellation and client paid cash O Cancellation and client paid by credit card O Over-payment O Refund on service fee O Other: ________________
5. Do any clients keep open credit balance accounts with your agency against which they draw for future purchases? O Yes O No5a. If Yes, please describe the circumstances. (check all that apply)O Corporate clients onlyO Gift certificatesO Carried over refund from prior cancellationO Other: _____________________

6. What percent of customer's payments are received by:
a. Cash: ______%b. Check: ______ %c. Credit card: ______%d. Electronic funds transfer: ______ %e. Other: (_______________) ______ %

100%

7. Do you see any potential for money laundering risk posed by the travel agency business?O Yes, definitely O Yes, some risk O No7a. What is the basis for your conclusion? (check all that apply)O Very few cash transactions O Personally know most clients O Obligation to promptly remit to supplier O Other supplier controls on transactions O Other: ______________7b. Are there different kind of travel agencies or different services offered that pose different money laundering risks? O Yes O No7c. If yes, please describe:
8. If there were a potential for money laundering through travel agencies, what steps would you take to eliminate it? (Check all that apply)O Credit card only policyO No cash payments over a certain amountO Awareness training for money launderingO Know-your-client requirementO Check identificationO Other: ___________
9. What percentage of your clients are known personally by you or a member or your staff? ____ %
10. When accepting checks, what steps does your agency take? (check all that apply)O Ask for customer identificationO Wait until the check clears before completing transactionO Don't accept third party checksO Other check limitation policiesO Other: ________________10a. When accepting credit cards, what steps does your agency take? (check all that apply) O Ask for customer identification O Show credit card in person O Customer has to sign the sales slip O Obtain power of attorney for corporate clients O Obtain permission to charge card in writing O Check account history O Obtain authorization with clearing bank O Other: _________________
11. Do you provide foreign exchange services?O Yes O No11a. If Yes, how is this done? (One only) O Foreign currency is kept on the premises at some point during the transaction O Foreign currency is never on the premises
12. Do you provide Traveler's checks? O Yes O No12a. If Yes, how is this done? (One only) O Keep checks on the premises at least at some point during the transaction. O Checks go directly to the customer and are never on the premises.
13. Do you provide travel insurance? O Yes O No13a. If Yes, how is this done? (Check all that apply)O Forward client's paper application to insurerO Complete application and payment onlineO Have insurance license ourselvesO Other: _________________
14. Are you aware of the requirement to file IRS Form 8300, Report of Cash Payments over $10,000 Received in a Trade of Business.O Yes, familiar with form 8300O No, never heard of form 830014a. What percentage of your business involves transactions of $10,000 or more? _____ %14b. Is all of your staff made aware of the requirements to file form 8300?O Yes O No, just accounting O No14c. What procedures are in place to make sure Form 8300 is filed when necessary? (check all that apply)O Have never had cash payment of $10,000+O Accounting department needs to approve such a transactionO All staff made aware to fileO Other: _________________14d. What steps, if any, are taken in your agency to avoid aggregation of smaller payments to exceed the $10,000 limit for filing form 8300? (check all that apply)O NothingO Never combine outstanding billsO Accept payment by credit card onlyO Staff instructed to report aggregationsO Other : __________________
15. How many banks does your agency work with?O One O Two O Three O More than three