

**MEMO# 19774**

February 24, 2006

## **ICI Requests 90-day Extension to the April 4, 2006 Compliance Deadline for FinCEN's New Correspondent Account Rule**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [19774] February 24, 2006 TO: AML COMPLIANCE WORKING GROUP No. 5-06 BANK AND TRUST ADVISORY COMMITTEE No. 7-06 BROKER/DEALER ADVISORY COMMITTEE No. 8-06 COMPLIANCE MEMBERS No. 11-06 OPERATIONS MEMBERS No. 4-06 SEC RULES MEMBERS No. 20-06 TRANSFER AGENT ADVISORY COMMITTEE No. 13-06 RE: ICI REQUESTS 90-DAY EXTENSION TO THE APRIL 4, 2006 COMPLIANCE DEADLINE FOR FINCEN'S NEW CORRESPONDENT ACCOUNT RULE As you know, the Financial Crimes Enforcement Network ("FinCEN") adopted a rule in January relating to correspondent accounts for foreign financial institutions.<sup>1</sup> The new rule requires every mutual fund to establish a due diligence program reasonably designed to enable it to detect and report money laundering activity involving correspondent accounts established, maintained, administered, or managed for foreign financial institutions. The due diligence program must be in place by April 4, 2006 for any account opened on or after that date. Attached is a letter to FinCEN asking for a 90-day extension to the April 4th compliance deadline. We believe that the additional time will be necessary to resolve key interpretive questions, such as the application of the rule to Fund/SERV accounts,<sup>2</sup> and to effectively implement the due diligence programs contemplated by the rule. The Securities Industry Association and the Futures Industry Association raised similar issues and requested an extension along the same lines in a letter to FinCEN filed the same day. 1 See Memorandum No. 19678, dated February 3, 2006. See also 71 Fed. Reg. 496 (January 4, 2006) (adopting the rule). 2 See the letter from the Institute to William Langford, Associate Director, Regulatory Policy and Programs Division, Financial Crimes Enforcement Network, dated February 3, 2006. "Fund/SERV accounts" refers to accounts opened by U.S. financial institutions with mutual funds for the purpose of effecting transactions of fund shares that are cleared and settled through the National Securities Clearing Corporation's Fund/SERV system. 2 In the letter, we reiterate that the treatment of Fund/SERV accounts is the single most important interpretive question raised by the new rule for the mutual fund industry, and we again urge FinCEN to concur as soon as possible with the interpretation that we outlined in our February 3rd letter on that topic. Robert C. Grohowski Senior Counsel - International Affairs Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 19774, or call the ICI Library at (202)

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