

MEMO# 19630

January 25, 2006

DRAFT ICI LETTER ON THE AML RULE FOR CORRESPONDENT ACCOUNTS

©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. URGENT/ACTION REQUESTED [19630] January 25, 2006 TO: AML COMPLIANCE WORKING GROUP No. 2-06 TRANSFER AGENT ADVISORY COMMITTEE No. 6-06 RE: DRAFT ICI LETTER ON THE AML RULE FOR CORRESPONDENT ACCOUNTS As you may know, the Financial Crimes Enforcement Network ("FinCEN") adopted a rule earlier this month relating to correspondent accounts for foreign financial institutions.¹ The new rule requires every mutual fund, by April 4th, 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. Attached is a draft letter to Treasury asking for concurrence in our interpretation of the new rule with respect to sub-accounts opened by 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 ("Fund/SERV accounts"). In the letter, we express our belief that the rule does not apply to a Fund/SERV account established, maintained, administered, or managed for an NSCC member firm that is a U.S. financial institution, even if the firm's customer is a foreign financial institution. Given the April 4th implementation deadline for new accounts and the fundamental importance of Fund/SERV to the processing of purchases, redemptions, and exchanges of mutual fund shares, we are seeking to file the request with Treasury as soon as possible. Accordingly, please provide any comments on the draft letter by Wednesday, February 1st. Comments may be made by phone (202-371-5430), fax (202-326-5841), or e-mail (rcg@ici.org). Robert C. Grohowski Senior Counsel - International Affairs Attachment (in .pdf format) 1 31 C.F.R. 103.176. See also 71 Fed. Reg. 496 (January 4, 2006).