

MEMO# 15271

October 17, 2002

TREASURY DEPARTMENT GUIDANCE ON COMPLIANCE WITH SECTION 326 OF THE USA PATRIOT ACT

[15271] October 17, 2002 TO: OPERATIONS COMMITTEE No. 17-02 TRANSFER AGENT ADVISORY COMMITTEE No. 90-02 RE: TREASURY DEPARTMENT GUIDANCE ON COMPLIANCE WITH SECTION 326 OF THE USA PATRIOT ACT As we previously informed you, in July of this year, the Treasury Department's Financial Crimes Enforcement Network and the Securities and Exchange Commission jointly proposed a rule on customer identification programs for mutual funds.¹ The proposed rule would implement Section 326 of the USA PATRIOT Act. Section 326 directs the Treasury Department and the federal functional regulators to jointly issue regulations requiring financial institutions to establish minimum procedures for the identification and verification of customers who open new accounts. Section 326 provides that final regulations shall take effect "before the end of the 1-year period beginning on the date of enactment" of the Act, which was October 26, 2001. The Treasury Department has issued a press release advising financial institutions that they will not be required to comply with Section 326 or with the rules proposed in July until final implementing regulations are issued and become effective. A copy of the release is attached. According to the release, "[c]omments received on the proposed rules revealed substantial issues that Treasury and the federal functional regulators are analyzing as a final rule is prepared." The release indicates that final rules will provide financial institutions with a reasonable amount of time in which to come into compliance. It also reminds financial institutions that they must continue to comply with any existing obligation to guard against money laundering and the financing of terrorism through adequate customer identification procedures. Further, it states that financial institutions should already be taking basic steps to ensure appropriate customer identification. 1 See Memorandum to Money Laundering Rules Working Group No. 38-02 and Transfer Agent Advisory Committee No. 59-02, dated July 18, 2002, and Memorandum to Broker/Dealer Advisory Committee No. 22-02, Compliance Advisory Committee No. 52-02, SEC Rules Committee No. 53-02 and Small Funds Members No. 22-02, dated July 23, 2002. 2 Finally, the release states that Treasury will issue shortly further guidance on other provisions of the Act with October implementation deadlines. Frances M. Stadler Deputy Senior Counsel Attachment (in .pdf format)