

MEMO# 13065

January 19, 2001

ANTI-MONEY LAUNDERING GUIDANCE ISSUED

[13065] January 19, 2001 TO: BANK AND TRUST ADVISORY COMMITTEE No. 1-01 BROKER/DEALER ASSOCIATE MEMBERS No. 1-01 COMPLIANCE ADVISORY COMMITTEE No. 5-01 INTERNATIONAL MEMBERS No. 5-01 SEC RULES MEMBERS No. 7-01 TRANSFER AGENT ADVISORY COMMITTEE No. 6-01 RE: ANTI-MONEY LAUNDERING GUIDANCE ISSUED On January 16, 2001, the Department of the Treasury, Department of State, and the federal banking regulators issued anti-money laundering guidance intended to enhance the scrutiny of financial transactions that may involve the proceeds of foreign official corruption. The Securities and Exchange Commission has requested that the Institute make this release available to its members, and a copy is attached.¹ The release focuses on transactions by senior foreign political figures and their family members and close associates ("Covered Persons"), particularly in connection with high dollar- value accounts or transactions.² Financial institutions are encouraged to develop and maintain "enhanced scrutiny" practices and procedures designed to detect and deter transactions that may involve the proceeds of official corruption by Covered Persons. When, during its normal account opening, maintenance or compliance procedures, a financial institution learns of information indicating that a particular person may be a Covered Person, the release states that the financial institution should exercise reasonable diligence in seeking to determine whether the person is, in fact, a Covered Person. If so, then the financial institution should take significant additional steps to understand the Covered Person's source of wealth and anticipated account activity and apply additional oversight to the account. The release lists a number of questionable or suspicious activities that would warrant enhanced scrutiny with respect to this type of account. ¹ The release also is available on Treasury's website at <http://www.treas.gov/press/releases/guidance.htm>. ² "Senior foreign political figure" is defined as a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure. "Family members" and "close associates" also are defined terms in the release. ³ The release states that the guidance it contains is not a rule or regulation and should not be interpreted as such. Nevertheless, Institute members may wish to consider the applicability of this guidance in the context of their anti-money laundering compliance programs. In doing so, Institute members may want to refer to the Institute's compliance paper "Money Laundering Compliance for Mutual Funds."³ Robert C. Grohowski Associate Counsel

Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment to which this memo refers, please call the ICI Library at (202) 326-8304 and request the attachment for memo 13065. ICI Members may retrieve this memo and its

attachment from ICINet (<http://members.ici.org>). Attachment (in .pdf format) 3 Investment Company Institute, Money Laundering Compliance for Mutual Funds (May 1999). This paper is available on the Institute's members' website at <http://members.ici.org>. The members' website is password-protected; staff at Institute member firms may request access codes by filling out the enrollment form on the website.

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