

MEMO# 17962

September 9, 2004

DRAFT COMMENT LETTER ON THE PROPOSED SECTION 311 RULES SANCTIONING INFOBANK AND THE FIRST MERCHANT BANK

ACTION REQUESTED [17962] September 9, 2004 TO: MONEY LAUNDERING RULES WORKING GROUP No. 29-04 RE: DRAFT COMMENT LETTER ON THE PROPOSED SECTION 311 RULES SANCTIONING INFOBANK AND THE FIRST MERCHANT BANK As you know, the Treasury Department designated two foreign banks – the First Merchant Bank of the “Turkish Republic of Northern Cyprus” and Infobank of Belarus – as financial institutions of primary money laundering concern last month. Pursuant to that designation, Treasury proposed rules under Section 311 of the Patriot Act that would impose sanctions against each of those banks.¹ The proposed sanctions would require all covered financial institutions, including mutual funds, to perform certain due diligence on all of their correspondent accounts and send certain notices to their correspondent account holders. Attached is a draft comment letter on the proposed rules. The draft comment letter fully supports the imposition of sanctions against these banks, but makes three comments on the proposed rules. First, it asks for clarification of the term “correspondent account” in the mutual fund context. Second, it asks for a reasonable amount of time to comply with the final rules, given that funds will have to determine, for the first time, which of their accounts are “correspondent accounts” in order to do so. Finally, it suggests that Treasury may wish to consider alternatives to the notice provision, arguing that the goal of such a provision could be achieved in better and more efficient ways. Comments must be submitted to Treasury by September 23, 2004. If you have any suggestions for revisions to the draft letter, please contact me at either 202/371-5430 or rcg@ici.org by the close of business on Monday, September 20, 2004. Robert C. Grohowski Associate Counsel Attachment (in .pdf format) 1 See Memorandum to Money Laundering Rules Working Group No. 28-04 [17920], dated August 25, 2004.