

**MEMO# 15477**

December 20, 2002

## **TREASURY DESIGNATES NAURU AND UKRAINE AS AREAS OF SPECIAL MONEY LAUNDERING CONCERN**

ACTION REQUESTED [15477] December 20, 2002 TO: INTERNATIONAL COMMITTEE No. 88-02 INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 63-02 MONEY LAUNDERING RULES WORKING GROUP No. 74-02 RE: TREASURY DESIGNATES NAURU AND UKRAINE AS AREAS OF SPECIAL MONEY LAUNDERING CONCERN The Treasury Department has designated the countries of Nauru and Ukraine as primary money laundering concerns.<sup>1</sup> These designations signal Treasury's intent, after a thirty-day comment period, to impose special measures on dealings with these countries. A copy of the notice is attached. The imposition of "special measures" against countries designated as areas of primary money laundering concern is authorized by 31 U.S.C. 5318A, a section of the Bank Secrecy Act that was added by Section 311 of the USA PATRIOT Act. Treasury will accept comments on its designation of Nauru and Ukraine as such areas for thirty days after publication of the notice in the Federal Register. According to the notice, after that consultation period, Treasury intends to impose the special measures described below. If you have concerns over the impact on investment companies of the designation of Nauru or Ukraine as an area of special money laundering concern, contact me at 202-371- 5430 or [rcg@ici.org](mailto:rcg@ici.org) as soon as possible.

**Nauru.** With respect to Nauru, Treasury intends to impose the special measure described in Section 5318A(b)(5) of the BSA. This provision allows Treasury to prohibit a domestic financial institution or agency from opening or maintaining in the United States a correspondent account or a payable-through account for or on behalf of a foreign financial institution. In this case, foreign financial institutions would include any Nauru-licensed institution, other than the Bank of Nauru. This special measure can be imposed only by promulgation of a rule, and the notice indicates that Treasury intends to initiate a rulemaking shortly. 1 The notice, entitled "Designation of Nauru and Ukraine as Primary Money Laundering Concerns," should be posted on the Treasury web site ([www.treas.gov](http://www.treas.gov)) and published in the Federal Register shortly. 2 **Ukraine.** With respect to Ukraine, Treasury intends to impose one or more of the information-gathering and record-keeping requirements of the special measures described in section 5318A(b)(1) through (4) of the BSA. These four measures require: (1) keeping records and filing reports on particular transactions, including the identities of the participants in the transactions and the beneficial owners of the funds involved; (2) obtaining information on the beneficial ownership of any account opened or maintained in the United States by a foreign person or a foreign person's representative; (3) identifying and obtaining information about customers permitted to use, or whose transactions are routed through, a foreign bank's payable-through account; or (4) identifying and obtaining information about customers permitted to use, or whose transactions are routed through, a foreign bank's correspondent

account. These measures could be imposed upon domestic financial institutions and agencies with respect to the jurisdiction designated as one of primary money laundering concern, financial institutions in that jurisdiction, any class of transactions within or involving that jurisdiction, or any types of accounts involving any of the foregoing. The measures can be imposed by an order, which is limited in duration to 120 days, and which may be extended indefinitely through a rulemaking. The notice indicates that Treasury intends to issue an order while simultaneously initiating a rulemaking to impose special measures on Ukraine. Robert C. Grohowski Associate Counsel Attachment (in .pdf format)

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