

MEMO# 19885

March 27, 2006

ICI Requests Partial Extension to Deadline for New FinCEN Rule Imposing "Special Measures" Against the Commercial Bank of Syria

©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. [19885] March 27, 2006 TO: AML COMPLIANCE WORKING GROUP No. 11-06 TRANSFER AGENT ADVISORY COMMITTEE No. 25-06 RE: ICI REQUESTS PARTIAL EXTENSION TO DEADLINE FOR NEW FINCEN RULE IMPOSING "SPECIAL MEASURES" AGAINST THE COMMERCIAL BANK OF SYRIA As you know, the Financial Crimes Enforcement Network (FinCEN) adopted a rule earlier this month imposing special measures against the Commercial Bank of Syria and its subsidiaries (collectively, CBS) as a financial institution of primary money laundering concern.¹ The new rule requires mutual funds and other covered financial institutions, by April 14, 2006, to: (1) terminate any correspondent accounts with CBS; and (2) apply due diligence to correspondent accounts for foreign banks "reasonably designed to guard against their indirect use" by CBS. At a minimum, the rule requires the due diligence to include notifying each foreign bank that holds a correspondent account that the account may not be used to provide CBS with access to the mutual fund, and taking reasonable steps (including a review of transactional records) to identify any indirect use of correspondent accounts by CBS. Given that mutual funds have not yet been required to identify which of their accounts may qualify as "correspondent accounts" for foreign banks, the ICI has requested that FinCEN extend the effective date of part of the rule to October 2, 2006, to match the compliance deadline for the new correspondent account rule.² A copy of the ICI's letter is attached. The ICI's recommended approach would result in a two-stage implementation schedule for the new rule imposing special measures against CBS. If FinCEN agrees to the ICI's request, mutual funds would be required to: 1 See Memorandum Nos. 19876, dated March 22, 2006 and 19880, dated March 23, 2006. 2 See the letter from the Institute to William Langford, Associate Director, Regulatory Policy and Programs Division, Financial Crimes Enforcement Network, dated March 24, 2006. 2 1. Terminate any correspondent account that is open or maintained in the US for or on behalf of CBS by April 14, 2006; and 2. Perform the additional due diligence with respect to correspondent accounts, including the notification of correspondent account holders, by October 2, 2006. Robert C. Grohowski Senior Counsel - International Affairs Attachment (in .pdf format)

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