



Securities Industry Association

1425 K Street, NW • Washington, DC 20005-3500 • (202) 216-2000, Fax (202) 216-2119 • www.sia.com, info@sia.com

Via Electronic Mail

May 25, 2005

Financial Crimes Enforcement Network
Department of the Treasury
P.O. Box 39
Vienna, VA 22183-1618

Re: Imposition of Special Measures Against Multibanka
and VEF Banka as Primary Money Laundering
Concerns – Section 311 –
RIN 1506-AA81 and AA82

Ladies and Gentlemen:

The Securities Industry Association (“SIA”)¹ appreciates the opportunity to comment on the two separate proposals issued by the Financial Crimes Enforcement Network of the Department of the Treasury (“FinCEN”) designating Multibanka and VEF Banka, both Latvian commercial banks, as financial institutions of primary money laundering concern and imposing a special measure on these banks pursuant to Section 311(a) of Title III of the USA PATRIOT Act of 2001.² SIA supports FinCEN’s determination to impose the special measures against Multibanka and VEF Banka.

¹ The Securities Industry Association, established in 1972 through the merger of the Association of Stock Exchange Firms and the Investment Banker’s Association, brings together the shared interests of nearly 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. According to the Bureau of Labor Statistics, the U.S. securities industry employs 790,600 individuals. Industry personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2003, the industry generated \$213 billion in domestic revenue and an estimated \$283 billion in global revenues. (More information about SIA is available on its home page: www.sia.com.)

² “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” (“PATRIOT Act”), Pub. L. No. 107-56 (2001), signed into law by President Bush on October 26, 2001. 69 Fed. Reg. 28,098 (May 18, 2004).

FinCEN's proposed rules would require a covered financial institution to terminate any correspondent account that is established, maintained, administered, or managed in the United States for, or on behalf of, Multibanka or VEF Banka. The proposals would also require covered financial institutions to: 1) provide notice to correspondent account holders that they may not provide Multibanka or VEF Banka with access to the correspondent accounts maintained at the covered financial institution; and 2) take reasonable steps to identify any indirect use of their correspondent accounts by Multibanka or VEF Banka to the extent that such use can be determined from transactional records maintained in the normal course of business.

The provisions proposed are essentially the same as FinCEN proposed against the Commercial Bank of Syria on May 18, 2004, and Infobank and First Merchant Bank OSH Ltd. on August 24, 2004. SIA supported those provisions but was concerned about the necessity to provide an actual notice of the prohibitions regarding each of the designated foreign banks to each and every correspondent account holder. (See SIA comment letters dated June 17, 2004 and September 23, 2004.) The proposed notification requirements for Multibanka and VEF Banka are the same as in the earlier proposals and would require a U.S. firm to send a notice to every correspondent account holder stating that it may not provide Multibanka and VEF Banka with access to the correspondent accounts maintained at the U.S. firm. Accordingly, we have the same concerns with the notice requirements as we raised in our earlier two comment letters.

While SIA is committed to assisting the government's efforts against Multibanka and VEF Banka, we recommend, as we did in our earlier comment letters, that FinCEN consider permitting other methods of providing notice, or allowing sufficient flexibility so that firms can utilize systems already established under other provisions of the PATRIOT Act to provide notice. In sum, we believe that this notice requirement may be unnecessarily burdensome, redundant, and not the most effective way of achieving the goals of the proposal given that many financial institutions may have thousands of correspondent accounts. The inefficiency of this process greatly increases as FinCEN continues to impose special measures against additional foreign financial institutions, and U.S. institutions may be required to send out additional rounds of notices to correspondent account holders. We will not repeat the rationale and justifications presented in our prior comment letter dated June 17, 2004, but instead refer FinCEN staff to that letter.

*

*

*

Section 311 Proposed Rules
May 25, 2005
Page 3

We are committed to working with FinCEN to find alternative methods to achieve the goals of the notice provision. We made several suggestions in our earlier comment letters, and we stand ready to help FinCEN implement any of those suggestions.

Sincerely,



Alan E. Sorcher
Vice President and
Associate General Counsel
Securities Industry Association
(202) 216-2000

AES:ljo

cc: Judith Starr
Charles Klingman