



DEPARTMENT OF THE TREASURY  
FINANCIAL CRIMES ENFORCEMENT NETWORK

Memorandum for the Record

By: Judith R. Starr *JRS*  
Chief Counsel  
Financial Crimes Enforcement Network

Re: Additional Comments for the Record from VEF Banka

Date: May 9, 2005

Attendees: For VEF Banka: Dennis Foreman, Dudinsky & Associates. For Treasury: James Carroll, Acting General Counsel; Mark Monborne, Assistant General Counsel for Enforcement and Intelligence; Paul Wolfteich, Senior Advisor to the General Counsel; Judith Starr, Chief Counsel, FinCEN.

Comments by Mr. Foreman on behalf of VEF:

1. Although VEF understands the rulemaking is only a proposal, in conjunction with the press releases issued by Treasury and the Embassy, the Latvian government took the Notice as an indictment of VEF. The Latvian Government has a great respect for the United States Government and takes its statements extremely seriously. In addition, on Friday, a U.S. bank blocked a transaction with VEF even though the rulemaking is only proposed. VEF asked Mr. Foreman if Treasury could issue another notice reminding everyone that the initial Notice is just a proposal, and also asked that Treasury consider issuing a press release to announce it was talking with VEF so the Latvian government would not think VEF was so bad the U.S. government would not even talk to it. Mr. Carroll replied that Treasury does not take such actions.

2. On May 6, 2005, VEF received a letter from the Securities and Exchange Commission's Office of International Affairs notifying VEF of a freeze order that had been entered by a judge in an SEC fraud case that applied to all banks holding assets of the defendants in the case, of which VEF appeared to be one. VEF is responding to the notification, and pointed to it as an example of VEF's willingness to cooperate with the United States Government.

3. Some of the difficulties facing VEF arise from Latvian law, such as a prohibition against banks' investigating the authenticity of notarized documents. VEF is willing to go as far as Latvian law allows in addressing problems identified by the United States Government, and to push the Latvian Government to reform the law where needed. VEF understands the vulnerabilities in its internet banking business, he stated, and has already discontinued it, although it will not commit to abandoning this area of business

forever. It would like to cooperate and take the lead in Latvia with regulators to push reform.

4. VEF believes the Notice may be subject to legal challenge as arbitrary and capricious action.