

NATIONAL CHAIN GROUP

ANTI-MONEY LAUNDERING POLICY

# **NATIONAL CHAIN GROUP**

## **ANTI-MONEY LAUNDERING POLICY AND PROGRAM**

### ***INTRODUCTION***

National Chain Group has adopted this policy in recognition of our responsibilities under the USA PATRIOT Act, the Bank Secrecy Act (BSA), and other related money laundering regulations. Under the applicable federal law, we are considered to be a dealer in precious metals, precious stones, or jewels. Our policy is based on four principles:

- The establishment of policies, procedures, and internal controls based upon our assessment of the money laundering and terrorist financing risks associated with our business. The policies, procedures, and internal controls developed and implemented by us include provisions for complying with the applicable requirements of the BSA.
- Designation of a compliance officer who will be responsible for ensuring that: our anti-money laundering program is implemented effectively; our anti-money laundering program is updated as necessary to reflect changes in the risk assessment, current requirements of applicable regulations and further guidance issued by the Department of the Treasury; and, appropriate personnel are trained to perform our responsibilities.
- On-going education and training of appropriate persons concerning their responsibilities under the program.
- Independent testing to monitor and maintain an adequate program.

### ***ANTI-MONEY LAUNDERING COMPLIANCE OFFICER***

Deborah Squizzero is designated as our Anti-Money Laundering Compliance Officer (AMLCO) to ensure we remain in compliance with the Bank Secrecy and USA PATRIOT Acts and all related laws and regulations. The AMLCO is responsible to make certain the anti-money laundering program is implemented effectively; the anti-money laundering program is updated as necessary to reflect changes in the risk assessment, current requirements, and further guidance issued by the Department of the Treasury; and appropriate personnel are trained.

### ***RISK ASSESSMENT PROCEDURES***

Money laundering can be a complex process. It involves different, and sometimes overlapping, stages:

Placement involves physically placing illegally obtained money into the financial system or the retail economy. Money is most vulnerable to detection and seizure during placement.

Layering involves separating the illegally obtained money from its criminal source by layering it through a series of financial transactions, which makes it difficult to trace the money back to its original source.

Integration involves moving the proceeds into a seemingly legitimate form. Integration may include the purchase of jewelry, precious metals and precious stones.

An important factor connecting the stages of this process is the "paper trail" generated by financial transactions. Criminals try to avoid leaving this "paper trail" by avoiding reporting and recordkeeping requirements. One way money launderers avoid reporting and recordkeeping requirements is by "structuring" transactions, coercing or bribing employees not to file proper reports or complete required records, or by establishing apparently legitimate "front" businesses to open accounts or establish preferred customer relationships.

Money laundering schemes can vary widely. Federal action to curtail money laundering activities once focused heavily on identification and documentation of large currency transactions. More recently, anti-money laundering efforts have focused on the use of money transfers, both through bank and non-bank money transfer systems, and other means of moving funds such as dealing in precious metals, precious stones, and jewels.

Today, as money launderers become more sophisticated, all types of businesses are facing greater scrutiny. The situations outlined below may indicate money laundering or other illegal activity. The list is not exhaustive, but may help us recognize the methods launderers and other criminals try to use to launder money.

Unusual payment methods, such as the use of large amounts of cash, multiple or sequentially numbered money orders, traveler's checks, or cashier's checks, or payment from third parties.

Unwillingness, by a customer or supplier, to provide complete or accurate contact information, financial references, or business affiliations.

Attempts, by a customer or supplier, to maintain an unusual degree of secrecy with respect to the transaction, such as a request that normal business records not be kept.

Purchases or sales that are unusual for the particular customer or supplier or type of customer or supplier.

Purchases or sales that are not in conformity with standard industry practice.

Suppliers or customers may try to keep their transactions just below the reporting or recordkeeping thresholds, such as:

- A customer or group of customers who attempt to hide the size of a large cash transaction by breaking it into multiple, smaller transactions by, for example, conducting the smaller transactions over several days.



- A customer or group of customers who conduct several similar transactions over several days, staying just under reporting or recordkeeping limits each time.
- A supplier or customer who is reluctant to provide information needed for a reporting or recordkeeping requirement, whether required by law or by company policy.
- A supplier or customer who is reluctant to proceed with a transaction after being informed that a report must be filed or a record made.
- A supplier or customer who breaks down a single large transaction into smaller transactions after being informed that a report must be filed or a record made.
- A supplier or customer who presents different identification each time a transaction is conducted.
- A supplier or customer who spells his/her name differently or uses a different name each time he/she initiates or receives a transaction.
- Any individual or group that bribes or attempts to bribe an employee not to file required reporting form(s) or not to create a record entry required by law or company policy.
- Any individual or group that forces or attempts to force an employee not to file required reporting form(s) or create a record required by law or company policy.
- A supplier that wishes to receive payment that appears to be set up in a "structured" manner—organized in a way to evade reporting and recordkeeping requirements.

Look for examples of inconsistent customer activity, such as:

- A customer engages in transactions that frequently use large bills when the nature of the customer's activity does not justify such use.
- A customer uses a means of payment inconsistent with general business practices.

Notice any unusual characteristics, such as:

- A customer pays for items using musty bills that have an unusual or chemical-like odor.
- A customer pays for items using money orders or traveler's checks without relevant entries on the face of the instrument.
- A customer pays for items using money orders or traveler's checks with unusual symbols, stamps or written annotations (such as initials) that appear either on the face or on the back of the instruments.



Be alert for changes in activity, such as:

- Major changes in supplier or customer behavior, for example, sudden and inconsistent changes in payment sent or received transactions or rapid increase in size and frequency of cash used by a particular customer.
- Watch out for employee behavior, such as an employee whose lifestyle cannot be supported by his/her salary, which may indicate receipt of tips or bribes.
- An employee who is reluctant to take a vacation, which may indicate he/she has agreed, or is being forced, to provide services to one or more customers in violation of law or company policy.
- An employee who is associated with unusually large numbers of transactions or transactions in unusually large amounts, which may indicate he/she has agreed, or is being forced, to provide services to one or more customers in violation of law or company policy.

New Suppliers or customers may try to evade providing required identification, such as:

- An individual supplier or customer who is unwilling or unable to provide identification or information.
- An individual supplier or customer without a local address who appears to reside locally because he or she is a repeat supplier or customer.
- A legitimate ID that appears to have been altered.
- An identification document in which the description of the individual does not match the supplier's or customer's appearance (e.g. different age, height, eye color, or sex).
- An expired identification document.
- An individual supplier or customer who presents an unusual or suspicious identification document or information.
- A supplier or customer that is reluctant to provide complete information regarding: the type of business, the purpose of the transaction, or any other information requested by us.
- A prospective customer that refuses to provide information to qualify for a discount or other preferred customer program offered by us.

Situations like these often will be found, upon further examination, to be completely legitimate. By the same token, other situations not mentioned here might be suspicious if they are inconsistent with the normal activity of a particular customer, supplier, or employee. We will make a reasonable judgment in each situation.

## **OPTIONAL NEW SUPPLIER AND CUSTOMER IDENTIFICATION PROGRAM (SCIP)**

*\*material at end of this plan would be inserted here if dealer adopts a SCIP*

### **TERRORISTS LISTS**

We will regularly screen our customer and supplier lists for suspected or known terrorists. This will be done based on lists provided by federal agencies and include, but is not limited to: U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) Blocked Countries, OFAC's Specially Designated Nationals and Blocked Persons, Officials of OFAC Blocked Countries, all FBI lists, lists produced by the Treasury Department, lists produced by the State Department and any and all lists issued by the Federal Government in accordance with the USA PATRIOT Act.

The screening will be done by Deborah Squizzero, our AMLCO, immediately following any changes to any of the said lists. Screening may occur more frequently at the discretion of Deborah Squizzero, our AMLCO.

Deborah Squizzero, our AMLCO, will be responsible for determining if there are any matches with the lists and will take appropriate action, including reporting said individual (or entity) within 10 days, or filing a SAR for any match that cannot be immediately confirmed as a false match.

### **TRAINING**

Training of our employees will be done at new employee orientations and at least annually. We may provide such training in a meeting, through the circulation of materials, or through other appropriate means such as electronic and internet means. Training will be the responsibility of Deborah Squizzero, our AMLCO. A copy of materials used in such training and a list of participants will be kept in our files.

### **AUDIT**

Independent auditing, at least yearly, of our procedures and program will be done by Deborah Squizzero, who will confirm that we have complied with all the requirements of the Act. This includes evaluation of how we are gathering information and verifying identity, checking suppliers and customers against government lists of known and suspected terrorists, taking appropriate actions for any matches, and conducting appropriate training of personnel. Deborah Squizzero will report to our Board, at least yearly, as to whether or not we are in compliance with the USA Patriot Act and make appropriate recommendations, if necessary.

This plan has been adopted by the Board of Directors on this 28th day of November, 2005.

We will use the following for identifying and verifying the identity of new customers and suppliers of precious metals, precious stones, or jewels.

In establishing our New Supplier and Customer Identification Program (SCIP), we are using these specific definitions contained in the rule:

"Transaction" – each formal business relationship established to sell or purchase precious metals, precious stones, or jewels.

"Customer or Supplier" – any person or entity seeking to make a purchase or to sell precious metals, precious stones, or jewels, including both individuals and others, such as corporations and trusts.

The definition does not include persons merely seeking information about a purchase or sale if that person does not actually make a purchase or a sale.

Under our SCIP, we will:

- Verify the identity of each new supplier or customer of precious metals, precious stones, or jewels to the extent possible.
- Include procedures for responding to instances where we cannot form a reasonable belief that we know the true identity of a new supplier or customer, including when a transaction cannot or should not be made, and whether a Suspicious Activity Report (SAR) should be filed.
- Maintain a record of all identifying information provided by the supplier or customer, including reasonable procedures for maintaining such records.
- Record the methods and results of any additional measures taken to verify the identity of the purchaser or supplier.
- Record any discrepancy in the identifying information and the resolution of the discrepancy.
- Retain all records for five years after the date of the transaction or activity.
- Determine whether the supplier or customer appears on any list of known or suspected terrorists or terrorist organizations and follow proper procedure in connection with such lists.
- Notify all new suppliers and customers that we are requesting information to verify their identity.



## ***NOTIFICATION OF SUPPLIERS AND CUSTOMERS OF VERIFICATION PROCEDURE***

We will provide adequate and continuous notice to prospective suppliers and customers of the requirement that we will verify identity. This will be done by various means, such as: posting notice in public sales and supplier areas, having oral advice provided by our supplier or customer services representatives or other designated staff, including this information in our promotional brochures, posting information on our website, and by any other means that our board of directors deems appropriate and in compliance with the law and regulation.

### ***VERIFICATION PROCEDURE***

#### **Supplier or customer information required**

Under our SCIP, identifying information must be obtained from each new supplier and customer. At a minimum, the following information must be obtained from the supplier or customer prior to completing a transaction.

For an individual:

- (1) Name;
- (2) Date of birth, for an individual;
- (3) Address, which shall be: for an individual, a residential or business street address; but for an individual who does not have a residential or business street address, an Army Post Office (APO) or Fleet Post Office (FPO) box number, or the residential or business street address of next of kin or of another contact individual; and
- (4) Identification number, which shall be for a U.S. person, a taxpayer identification number; or for a non-U.S. person, one or more of the following: a taxpayer identification number; passport number and country of issuance; alien identification card number; or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

For a corporation, partnership, or trust:

- (1) Name;
- (2) Address which shall be a principal place of business, local office, or other physical location; and
- (3) Identification number, which shall be: for a U.S. business a taxpayer identification number; or for a non-U.S. business, a taxpayer identification number; or when opening an account for a foreign business or enterprise that does not have an identification number, we will request alternative government-issued documentation certifying the existence of the business or enterprise.

In some states, sole proprietorships are required to file "fictitious" or "assumed name certificates." We may use these certificates as a means to verify the identity of a sole proprietorship. However, when there are no documents or non-documentary methods that will establish the identity of the sole proprietorship, we still must undertake additional verification by obtaining information about the sole proprietor or any other individual with authority or control over the sole proprietorship such as the name, address, date of birth, and taxpayer identification number of the sole proprietor, or any other individual with authority or control over the business or transaction, in order to verify the sole proprietorship's identity.

### **Exception for persons applying for a taxpayer identification number**

Instead of obtaining a taxpayer identification number from a supplier or customer prior to completing a transaction, we will confirm that the application was filed before we complete the transaction and obtain the taxpayer identification number within a reasonable period of time after the transaction is completed.

### **Verification through documents**

If we are relying on documents for verification, the following documents may be used:

For an individual, unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard, such as a driver's license or passport; and for a corporation, partnership, or trust, documents showing the existence of the entity, such as certified articles of incorporation, a government-issued business license, a partnership agreement, or trust instrument.

### **Verification through non-documentary methods**

If we must rely on non-documentary methods for verification, the following methods may be used:

- Contacting a supplier or customer;
- Independently verifying the supplier's or customer's identity through the comparison of information provided by the supplier or customer with information obtained from a consumer reporting agency, public database, or other source;
- Checking references with other financial institutions; and
- Obtaining a financial statement.

Based on our risk assessment of the transaction with a supplier or customer that is not an individual, we must obtain information about the individual(s) with authority or control over such account, including signatories, in order to verify the supplier's or customer's identity.

If we cannot form a reasonable belief that we know the identity of the individual or company, even after all of the above efforts and methods of documentation and verification of identity have been exhausted, the transaction cannot be completed or will need to be canceled if already

completed. At that point Deborah Squizzero, our AMLCO, will determine whether a SAR should be filed.

Deborah Squizzero, our AMLCO, will be responsible for ensuring that we confirm the identity and verification of any new individual or company doing business with us, for the purchase or sale of precious metals, precious stones, or jewels, and note it in their account records.

### ***RECORDKEEPING***

We will keep a clear and legible photocopy of each document used to verify identity. The individual conducting the transaction for us will be responsible for ensuring that such copies are made for recording any additional methods used for verification and the results. The copies will be kept in the supplier's or customer's file, be readily accessible, and clearly marked as documents used for account identity verification. Any discrepancy in documentation and its resolution will also be noted. We will retain these records for five years after the date of the last transaction.



# **ADOPTION OF NATIONAL CHAIN GROUP'S ANTI-MONEY LAUNDERING COMPLIANCE PLAN**

## **NATIONAL CHAIN GROUP**

The above named company, along with its board of directors, management, and employees, is committed to implementing policies and procedures to detect and prevent money laundering or other illegal activities conducted through transactions with our company

The following plan has been adopted by the Board of Directors on November 28, 2005.

A handwritten signature in blue ink, appearing to read "Stella Pres", is written over a horizontal line.

Presiding Officer of the Board or Appropriate Company Officer

**CERTIFICATION OF  
NATIONAL CHAIN GROUP  
ANTI-MONEY LAUNDERING PROGRAM  
COMPLIANCE OFFICER**

**DEBORAH SQUIZZERO**

**Office Manager**

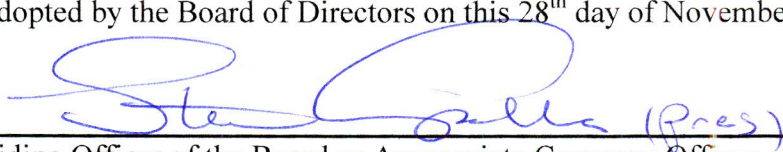
The above-named individual is hereby designated as the Anti-Money Laundering Compliance Officer (AMLCO) for our company's anti-money laundering compliance program. The AMLCO is responsible for coordinating and monitoring our on-going compliance with all applicable laws and regulations relating to anti-money laundering and terrorism financing.

It is the responsibility of the AMLCO to administer our programs to detect and prevent money laundering and to train our employees.

**NATIONAL CHAIN GROUP**

The above named-company, along with its board of directors, management, and employees, is committed to implementing policies and procedures to detect and prevent money laundering or other illegal activities conducted through transactions with our company.

This certification is adopted by the Board of Directors on this 28<sup>th</sup> day of November, 2005.

  
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Presiding Officer of the Board or Appropriate Company Officer

PUBLIC LAW 107-56—OCT. 26, 2001  
(Excerpts)

## UNITING AND STRENGTHENING AMERICA BY PROVIDING APPROPRIATE TOOLS REQUIRED TO INTERCEPT AND OBSTRUCT TERRORISM (USA PATRIOT ACT) ACT OF 2001

115 STAT. 272 PUBLIC LAW 107-56—OCT. 26, 2001  
Public Law 107-56  
107th Congress  
An Act

To deter and punish terrorist acts in the United States and around the world, to enhance law enforcement investigatory tools, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*  
**SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

(a) **SHORT TITLE.**—This Act may be cited as the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

### TITLE III—INTERNATIONAL MONEY LAUNDERING ABATEMENT AND ANTITERRORIST FINANCING ACT OF 2001

Sec. 301. Short title.

Sec. 302. Findings and purposes.

Sec. 303. 4-year congressional review; expedited consideration.

Subtitle A—International Counter Money Laundering and Related Measures

Sec. 311. Special measures for jurisdictions, financial institutions, or international transactions of primary money laundering concern.

Sec. 312. Special due diligence for correspondent accounts and private banking accounts.

Sec. 313. Prohibition on United States correspondent accounts with foreign shell banks.

Sec. 314. Cooperative efforts to deter money laundering.

Sec. 315. Inclusion of foreign corruption offenses as money laundering crimes.

Sec. 316. Anti-terrorist forfeiture protection.

Sec. 317. Long-arm jurisdiction over foreign money launderers.

Sec. 318. Laundering money through a foreign bank.

Sec. 319. Forfeiture of funds in United States interbank accounts.

Sec. 320. Proceeds of foreign crimes.

Sec. 321. Financial institutions specified in subchapter II of chapter 53 of title 31 United States code.

Sec. 322. Corporation represented by a fugitive.

Sec. 323. Enforcement of foreign judgments.

Sec. 324. Report and recommendation.

Sec. 325. Concentration accounts at financial institutions.

Sec. 326. Verification of identification.

Sec. 327. Consideration of anti-money laundering record.

Sec. 328. International cooperation on identification of originators of wire transfers.

Sec. 329. Criminal penalties.

Sec. 330. International cooperation in investigations of money laundering, financial crimes, and the finances of terrorist groups.

### Subtitle B—Bank Secrecy Act Amendments and Related Improvements

Sec. 351. Amendments relating to reporting of suspicious activities.

Sec. 352. Anti-money laundering programs.

Sec. 353. Penalties for violations of geographic targeting orders and certain recordkeeping requirements, and lengthening effective period of geographic targeting orders.

Sec. 354. Anti-money laundering strategy.

Sec. 355. Authorization to include suspicions of illegal activity in written employment references.

Sec. 356. Reporting of suspicious activities by securities brokers and dealers; investment company study.

Sec. 357. Special report on administration of bank secrecy provisions.

Sec. 358. Bank secrecy provisions and activities of United States intelligence agencies to fight international terrorism.

Sec. 359. Reporting of suspicious activities by underground banking systems.

Sec. 360. Use of authority of United States Executive Directors.



Sec. 361. Financial crimes enforcement network.  
Sec. 362. Establishment of highly secure network.  
Sec. 363. Increase in civil and criminal penalties for money laundering.  
Sec. 364. Uniform protection authority for Federal Reserve facilities.  
Sec. 365. Reports relating to coins and currency received in nonfinancial trade or business.  
Sec. 366. Efficient use of currency transaction report system.

Subtitle C—Currency Crimes and Protection

Sec. 371. Bulk cash smuggling into or out of the United States.  
Sec. 372. Forfeiture in currency reporting cases.  
Sec. 373. Illegal money transmitting businesses.  
Sec. 374. Counterfeiting domestic currency and obligations.  
Sec. 375. Counterfeiting foreign currency and obligations.  
Sec. 376. Laundering the proceeds of terrorism.  
Sec. 377. Extraterritorial jurisdiction.

## **TITLE III—INTERNATIONAL MONEY LAUNDERING ABATEMENT AND ANTITERRORIST FINANCING ACT OF 2001**

### **SEC. 301. SHORT TITLE.**

This title may be cited as the “International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001”.

### **SEC. 302. FINDINGS AND PURPOSES.**

(a) FINDINGS.—The Congress finds that—

- (1) money laundering, estimated by the International Monetary Fund to amount to between 2 and 5 percent of global gross domestic product, which is at least \$600,000,000,000 annually, provides the financial fuel that permits transnational criminal enterprises to conduct and expand their operations to the detriment of the safety and security of American citizens;
- (2) money laundering, and the defects in financial transparency on which money launderers rely, are critical to the financing of global terrorism and the provision of funds for terrorist attacks;
- (3) money launderers subvert legitimate financial mechanisms and banking relationships by using them as protective covering for the movement of criminal proceeds and the financing of crime and terrorism, and, by so doing, can threaten the safety of United States citizens and undermine the integrity of United States financial institutions and of the global financial and trading systems upon which prosperity and growth depend;
- (4) certain jurisdictions outside of the United States that offer “offshore” banking and related facilities designed to provide anonymity, coupled with weak financial supervisory and enforcement regimes, provide essential tools to disguise ownership and movement of criminal funds, derived from, or used to commit, offenses ranging from narcotics trafficking, terrorism, arms smuggling, and trafficking in human beings, to financial frauds that prey on law-abiding citizens;
- (5) transactions involving such offshore jurisdictions make it difficult for law enforcement officials and regulators to follow the trail of money earned by criminals, organized international criminal enterprises, and global terrorist organizations;
- (6) correspondent banking facilities are one of the banking mechanisms susceptible in some circumstances to manipulation by foreign banks to permit the laundering of funds by hiding the identity of real parties in interest to financial transactions;
- (7) private banking services can be susceptible to manipulation by money launderers, for example corrupt foreign government officials, particularly if those services include the creation of offshore accounts and facilities for large personal funds transfers to channel funds into accounts around the globe;
- (8) United States anti-money laundering efforts are impeded by outmoded and inadequate statutory provisions that make investigations, prosecutions, and forfeitures more difficult, particularly in cases in which money laundering involves foreign persons, foreign banks, or foreign countries;
- (9) the ability to mount effective counter-measures to international money launderers requires national, as well as bilateral and multilateral action, using tools specially designed for that effort; and
- (10) the Basle Committee on Banking Regulation and Supervisory Practices and the Financial Action Task Force on Money Laundering, of both of which the United States is a member, have each adopted international anti-money laundering principles and recommendations.

(b) PURPOSES.—The purposes of this title are—



- (1) to increase the strength of United States measures to prevent, detect, and prosecute international money laundering and the financing of terrorism;
- (2) to ensure that—
  - (A) banking transactions and financial relationships and the conduct of such transactions and relationships, do not contravene the purposes of subchapter II of chapter 53 of title 31, United States Code, section 21 of the Federal Deposit Insurance Act, or chapter 2 of title 1 of Public Law 91–508 (84 Stat. 1116), or facilitate the evasion of any such provision; and
  - (B) the purposes of such provisions of law continue to be fulfilled, and such provisions of law are effectively and efficiently administered;
- (3) to strengthen the provisions put into place by the Money Laundering Control Act of 1986 (18 U.S.C. 981 note), especially with respect to crimes by non-United States nationals and foreign financial institutions;
- (4) to provide a clear national mandate for subjecting to special scrutiny those foreign jurisdictions, financial institutions operating outside of the United States, and classes of international transactions or types of accounts that pose particular, identifiable opportunities for criminal abuse;
- (5) to provide the Secretary of the Treasury (in this title referred to as the “Secretary”) with broad discretion, subject to the safeguards provided by the Administrative Procedure Act under title 5, United States Code, to take measures tailored to the particular money laundering problems presented by specific foreign jurisdictions, financial institutions operating outside of the United States, and classes of international transactions or types of accounts;
- (6) to ensure that the employment of such measures by the Secretary permits appropriate opportunity for comment by affected financial institutions;
- (7) to provide guidance to domestic financial institutions on particular foreign jurisdictions, financial institutions operating outside of the United States, and classes of international transactions that are of primary money laundering concern to the United States Government;
- (8) to ensure that the forfeiture of any assets in connection with the anti-terrorist efforts of the United States permits for adequate challenge consistent with providing due process rights;
- (9) to clarify the terms of the safe harbor from civil liability for filing suspicious activity reports;
- (10) to strengthen the authority of the Secretary to issue and administer geographic targeting orders, and to clarify that violations of such orders or any other requirement imposed under the authority contained in chapter 2 of title 1 of Public Law 91–508 and subchapters II and III of chapter 53 of title 31, United States Code, may result in criminal and civil penalties;
- (11) to ensure that all appropriate elements of the financial services industry are subject to appropriate requirements to report potential money laundering transactions to proper authorities, and that jurisdictional disputes do not hinder examination of compliance by financial institutions with relevant reporting requirements;
- (12) to strengthen the ability of financial institutions to maintain the integrity of their employee population; and
- (13) to strengthen measures to prevent the use of the United States financial system for personal gain by corrupt foreign officials and to facilitate the repatriation of any stolen assets to the citizens of countries to whom such assets belong.

#### SEC. 326. VERIFICATION OF IDENTIFICATION.

(a) IN GENERAL.—Section 5318 of title 31, United States Code, as amended by this title, is amended by adding at the end the following:

“(1) IDENTIFICATION AND VERIFICATION OF ACCOUNTHOLDERS.—

“(1) IN GENERAL.—Subject to the requirements of this subsection, the Secretary of the Treasury shall prescribe regulations setting forth the minimum standards for financial institutions and their customers regarding the identity of the customer that shall apply in connection with the opening of an account at a financial institution.

“(2) MINIMUM REQUIREMENTS.—The regulations shall, at a minimum, require financial institutions to implement, and customers (after being given adequate notice) to comply with, reasonable procedures for—

“(A) verifying the identity of any person seeking to open an account to the extent reasonable and practicable;

“(B) maintaining records of the information used to verify a person’s identity, including name, address, and other identifying information; and

“(C) consulting lists of known or suspected terrorists or terrorist organizations provided to the financial institution by any government agency to determine whether a person seeking to open an account appears on any such list.

“(3) FACTORS TO BE CONSIDERED.—In prescribing regulations



under this subsection, the Secretary shall take into consideration the various types of accounts maintained by various types of financial institutions, the various methods of opening accounts, and the various types of identifying information available.

“(4) CERTAIN FINANCIAL INSTITUTIONS.—In the case of any financial institution the business of which is engaging in financial activities described in section 4(k) of the Bank Holding Company Act of 1956 (including financial activities subject to the jurisdiction of the Commodity Futures Trading Commission), the regulations prescribed by the Secretary under paragraph (1) shall be prescribed jointly with each Federal functional regulator (as defined in section 509 of the Gramm-Leach-Bliley Act, including the Commodity Futures Trading Commission) appropriate for such financial institution.

“(5) EXEMPTIONS.—The Secretary (and, in the case of any financial institution described in paragraph (4), any Federal agency described in such paragraph) may, by regulation or order, exempt any financial institution or type of account from the requirements of any regulation prescribed under this subsection in accordance with such standards and procedures as the Secretary may prescribe.

“(6) EFFECTIVE DATE.—Final regulations prescribed under this subsection shall take effect before the end of the 1-year period beginning on the date of enactment of the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001.”.

(b) STUDY AND REPORT REQUIRED.—Within 6 months after the date of enactment of this Act, the Secretary, in consultation with the Federal functional regulators (as defined in section 509 of the Gramm-Leach-Bliley Act) and other appropriate Government agencies, shall submit a report to the Congress containing recommendations for—

- (1) determining the most timely and effective way to require foreign nationals to provide domestic financial institutions and agencies with appropriate and accurate information, comparable to that which is required of United States nationals, concerning the identity, address, and other related information about such foreign nationals necessary to enable such institutions and agencies to comply with the requirements of this section;
- (2) requiring foreign nationals to apply for and obtain, before opening an account with a domestic financial institution, an identification number which would function similarly to a Social Security number or tax identification number; and
- (3) establishing a system for domestic financial institutions and agencies to review information maintained by relevant Government agencies for purposes of verifying the identities of foreign nationals seeking to open accounts at those institutions and agencies.

## **Subtitle B—Bank Secrecy Act Amendments and Related Improvements**

### **SEC. 351. AMENDMENTS RELATING TO REPORTING OF SUSPICIOUS ACTIVITIES.**

(a) AMENDMENT RELATING TO CIVIL LIABILITY IMMUNITY FOR DISCLOSURES.—Section 5318(g)(3) of title 31, United States Code, is amended to read as follows:

“(3) LIABILITY FOR DISCLOSURES.—

“(A) IN GENERAL.—Any financial institution that makes a voluntary disclosure of any possible violation of law or regulation to a government agency or makes a disclosure pursuant to this subsection or any other authority, and any director, officer, employee, or agent of such institution who makes, or requires another to make any such disclosure, shall not be liable to any person under any law or regulation of the United States, any constitution, law, or regulation of any State or political subdivision of any State, or under any contract or other legally enforceable agreement (including any arbitration agreement), for such disclosure or for any failure to provide notice of such disclosure to the person who is the subject of such disclosure or any other person identified in the disclosure.

“(B) RULE OF CONSTRUCTION.—Subparagraph (A) shall not be construed as creating—

“(i) any inference that the term ‘person’, as used in such subparagraph, may be construed more broadly than its ordinary usage so as to include any government or agency of government; or

“(ii) any immunity against, or otherwise affecting, any civil or criminal action brought by any government or agency of government to enforce any constitution, law, or regulation of such government or agency.”.

(b) PROHIBITION ON NOTIFICATION OF DISCLOSURES.—Section 5318(g)(2) of title 31, United States Code, is amended to read as follows:

“(2) NOTIFICATION PROHIBITED.—

“(A) IN GENERAL.—If a financial institution or any director, officer, employee, or agent of any financial institution, voluntarily or pursuant to this section or any other authority, reports a suspicious transaction to a government agency—

“(i) the financial institution, director, officer, employee, or agent may not notify any person involved in the transaction that the transaction has been reported; and

“(ii) no officer or employee of the Federal Government or of any State, local, tribal, or territorial government within the United States, who has any knowledge that such report was made may disclose to any person involved in the



transaction that the transaction has been reported, other than as necessary to fulfill the official duties of such officer or employee.

“(B) DISCLOSURES IN CERTAIN EMPLOYMENT REFERENCES.—

“(i) RULE OF CONSTRUCTION.—Notwithstanding the application of subparagraph (A) in any other context, subparagraph (A) shall not be construed as prohibiting any financial institution, or any director, officer, employee, or agent of such institution, from including information that was included in a report to which subparagraph (A) applies—

“(I) in a written employment reference that is provided in accordance with section 18(w) of the Federal Deposit Insurance Act in response to a request from another financial institution; or

“(II) in a written termination notice or employment reference that is provided in accordance with the rules of a self-regulatory organization registered with the Securities and Exchange Commission or the Commodity Futures Trading Commission, except that such written reference or notice may not disclose that such information was also included in any such report, or that such report was made.

“(ii) INFORMATION NOT REQUIRED.—Clause (i) shall not be construed, by itself, to create any affirmative duty to include any information described in clause (i) in any employment reference or termination notice referred to in clause (i).”.

#### SEC. 352. ANTI-MONEY LAUNDERING PROGRAMS.

(a) IN GENERAL.—Section 5318(h) of title 31, United States Code, is amended to read as follows:

“(h) ANTI-MONEY LAUNDERING PROGRAMS.—

“(1) IN GENERAL.—In order to guard against money laundering through financial institutions, each financial institution shall establish anti-money laundering programs, including, at a minimum—

“(A) the development of internal policies, procedures, and controls;

“(B) the designation of a compliance officer;

“(C) an ongoing employee training program; and

“(D) an independent audit function to test programs.

“(2) REGULATIONS.—The Secretary of the Treasury, after consultation with the appropriate Federal functional regulator (as defined in section 509 of the Gramm-Leach-Bliley Act), may prescribe minimum standards for programs established under paragraph (1), and may exempt from the application of those standards any financial institution that is not subject to the provisions of the rules contained in part 103 of title 31, of the Code of Federal Regulations, or any successor rule thereto, for so long as such financial institution is not subject to the provisions of such rules.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect at the end of the 180-day period beginning on the date of enactment of this Act.

(c) DATE OF APPLICATION OF REGULATIONS; FACTORS TO BE TAKEN INTO ACCOUNT.—Before the end of the 180-day period beginning on the date of enactment of this Act, the Secretary shall prescribe regulations that consider the extent to which the requirements imposed under this section are commensurate with the size, location, and activities of the financial institutions to which such regulations apply.

## **\*\*IMPORTANT INFORMATION\*\* FOR OUR NEW SUPPLIERS AND CUSTOMERS**

To assist the government in their efforts to fight the funding of terrorism and to prevent money laundering activities, we are obtaining, verifying, and recording information that identifies each person who transacts business with us for the first time for the purpose of purchasing or selling precious metals, precious stones, or jewels.

### **What This Means For You**

We will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents such as a social security number or employer identification number.

Non-U.S. citizens may be asked to provide a taxpayer identification number, passport number and country of issuance, alien identification card number, or government-issued identification that indicates nationality, residence, and includes a photograph of you.

A corporation, partnership, trust, or other legal entity may need to provide other information such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement, or trust agreement.



## TITLE 31 of the United States Code – Bank Secrecy Act Codified (Excerpts)

### Sec. 5312. - Definitions and application

#### (a) In this subchapter -

(1) "financial agency" means a person acting for a person (except for a country, a monetary or financial authority acting as a monetary or financial authority, or an international financial institution of which the United States Government is a member) as a financial institution, bailee, depository trustee, or agent, or acting in a similar way related to money, credit, securities, gold, or a transaction in money, credit, securities, or gold.

(2) "financial institution" means -

(A) an insured bank (as defined in section 3(h) of the Federal Deposit Insurance Act (12 U.S.C. 1813(h)));

(B) a commercial bank or trust company;

(C) a private banker;

(D) an agency or branch of a foreign bank in the United States;

(E) any credit union;

(F) a thrift institution;

(G) a broker or dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.);

(H) a broker or dealer in securities or commodities;

(I) an investment banker or investment company;

(J) a currency exchange;

(K) an issuer, redeemer, or cashier of travelers' checks, checks, money orders, or similar instruments;

(L) an operator of a credit card system;

(M) an insurance company;

**(N) a dealer in precious metals, stones, or jewels;**

(O) a pawnbroker;

(P) a loan or finance company;

(Q) a travel agency;

(R) a licensed sender of money or any other person who engages as a business in the transmission of funds, including any person who engages as a business in an informal money transfer system or any network of people who engage as a business in facilitating the transfer of money domestically or internationally outside of the conventional financial institutions system;

(S) a telegraph company;

(T) a business engaged in vehicle sales, including automobile, airplane, and boat sales;

(U) persons involved in real estate closings and settlements;

(V) the United States Postal Service;

(W) an agency of the United States Government or of a State or local government carrying out a duty or power of a business described in this paragraph;

(X) a casino, gambling casino, or gaming establishment with an annual gaming revenue of more than \$1,000,000 which -  
(i) is licensed as a casino, gambling casino, or gaming establishment under the laws of any State or any political subdivision of any State; or

(ii) is an Indian gaming operation conducted under or pursuant to the Indian Gaming Regulatory Act other than an operation which is limited to class I gaming (as defined in section 4(6) of such Act);

(Y) any business or agency which engages in any activity which the Secretary of the Treasury determines, by regulation, to be an activity which is similar to, related to, or a substitute for any activity in which any business described in this paragraph is authorized to engage; or

(Z) any other business designated by the Secretary whose cash transactions have a high degree of usefulness in criminal, tax, or regulatory matters.

(3) "monetary instruments" means -

(A) United States coins and currency;

(B) as the Secretary may prescribe by regulation, coins and currency of a foreign country, travelers' checks, bearer negotiable instruments, bearer investment securities, bearer securities, stock on which title is passed on delivery, and similar material; and

(C) as the Secretary of the Treasury shall provide by regulation for purposes of sections 5333<sup>[1]</sup> and 5316, checks, drafts, notes, money orders, and other similar instruments which are drawn on or by a foreign financial institution and are not in bearer form.

(4) Nonfinancial trade or business. - The term "nonfinancial trade or business" means any trade or business other than a financial institution that is subject to the reporting requirements of section 5313 and regulations prescribed under such section.

(5) "person", in addition to its meaning under section 1 of title 1, includes a trustee, a representative of an estate and, when the Secretary prescribes, a governmental entity.

(6) "United States" means the States of the United States, the District of Columbia, and, when the Secretary prescribes by regulation, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, American Samoa, the Trust Territory of the Pacific Islands, a territory or possession of the United States, or a military or diplomatic establishment.

#### (b) In this subchapter -

(1) "domestic financial agency" and "domestic financial institution" apply to an action in the United States of a financial agency or institution.



(2) "foreign financial agency" and "foreign financial institution" apply to an action outside the United States of a financial agency or institution.

(c) Additional Definitions. - For purposes of this subchapter, the following definitions shall apply:

(1) <sup>[2]</sup> Certain institutions included in definition. - The term "financial institution" (as defined in subsection (a)) includes the following:

(A) <sup>[3]</sup> Any futures commission merchant, commodity trading advisor, or commodity pool operator registered, or required to register, under the Commodity Exchange Act.

(B) has been enacted

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[1] So in original. This title does not contain a section 5333.

[2] So in original. No par. (2) has been enacted.

[3] So in original. No subpar.

Sec. 5318. - Compliance, exemptions, and summons authority

(a) General Powers of Secretary. - The Secretary of the Treasury may (except under section 5315 of this title and regulations prescribed under section 5315) -

(1) except as provided in subsection (b)(2), delegate duties and powers under this subchapter to an appropriate supervising agency and the United States Postal Service;

(2) require a class of domestic financial institutions or nonfinancial trades or businesses to maintain appropriate procedures to ensure compliance with this subchapter and regulations prescribed under this subchapter or to guard against money laundering;

(3) examine any books, papers, records, or other data of domestic financial institutions or nonfinancial trades or businesses relevant to the recordkeeping or reporting requirements of this subchapter;

(4) summon a financial institution or nonfinancial trade or business, an officer or employee of a financial institution or nonfinancial trade or business (including a former officer or employee), or any person having possession, custody, or care of the reports and records required under this subchapter, to appear before the Secretary of the Treasury or his delegate at a time and place named in the summons and to produce such books, papers, records, or other data, and to give testimony, under oath, as may be relevant or material to an investigation described in subsection (b);

(5) exempt from the requirements of this subchapter any class of transactions within any State if the Secretary determines that -

(A) under the laws of such State, that class of transactions is subject to requirements substantially similar to those imposed under this subchapter; and

(B) there is adequate provision for the enforcement of such requirements; and

(6) prescribe an appropriate exemption from a requirement under this subchapter and regulations prescribed under this subchapter. The Secretary may revoke an exemption under this paragraph or paragraph (5) by actually or constructively notifying the parties affected. A revocation is effective during judicial review.

(b) Limitations on Summons Power. -

(1) Scope of power. -

The Secretary of the Treasury may take any action described in paragraph (3) or (4) of subsection (a) only in connection with investigations for the purpose of civil enforcement of violations of this subchapter, section 21 of the Federal Deposit Insurance Act, section 411 <sup>[1]</sup> of the National Housing Act, or chapter 2 of Public Law 91-508 (12 U.S.C. 1951 et seq.) or any regulation under any such provision.

(2) Authority to issue. -

A summons may be issued under subsection (a)(4) only by, or with the approval of, the Secretary of the Treasury or a supervisory level delegate of the Secretary of the Treasury.

(c) Administrative Aspects of Summons. -

(1) Production at designated site. -

A summons issued pursuant to this section may require that books, papers, records, or other data stored or maintained at any place be produced at any designated location in any State or in any territory or other place subject to the jurisdiction of the United States not more than 500 miles distant from any place where the financial institution or nonfinancial trade or business operates or conducts business in the United States.

(2) Fees and travel expenses. - Persons summoned under this section shall be paid the same fees and mileage for travel in the United States that are paid witnesses in the courts of the United States.

(3) No liability for expenses. - The United States shall not be liable for any expense, other than an expense described in paragraph (2), incurred in connection with the production of books, papers, records, or other data under this section.

(d) Service of Summons. - Service of a summons issued under this section may be by registered mail or in such other manner calculated to give actual notice as the Secretary may prescribe by regulation.

(e) Contumacy or Refusal. -

(1) Referral to attorney general. - In case of contumacy by a person issued a summons under paragraph (3) or (4) of subsection (a) or a refusal by such person to obey such summons, the Secretary of the Treasury shall refer the matter to the Attorney General.

(2) Jurisdiction of court. - The Attorney General may invoke the aid of any court of the United States within the jurisdiction of which -

(A) the investigation which gave rise to the summons is being or has been carried on;

(B) the person summoned is an inhabitant; or

(C) the person summoned carries on business or may be found, to compel compliance with the summons.

(3) Court order. - The court may issue an order requiring the person summoned to appear before the Secretary or his delegate to produce books, papers, records, and other data, to give testimony as may be necessary to explain how such material was compiled and maintained, and to pay the costs of the proceeding.

(4) Failure to comply with order. - Any failure to obey the order of the court may be punished by the court as a contempt thereof.

(5) Service of process. - All process in any case under this subsection may be served in any judicial district in which such person may be found.

(f) Written and Signed Statement Required. - No person shall qualify for an exemption under subsection (a)(5) <sup>[2]</sup> unless the relevant financial institution or nonfinancial trade or business prepares and maintains a statement which -

(1) describes in detail the reasons why such person is qualified for such exemption; and

(2) contains the signature of such person.



(g) Reporting of Suspicious Transactions. -

(1) In general. - The Secretary may require any financial institution, and any director, officer, employee, or agent of any financial institution, to report any suspicious transaction relevant to a possible violation of law or regulation.

(2) Notification prohibited. -

(A) In general. - If a financial institution or any director, officer, employee, or agent of any financial institution, voluntarily or pursuant to this section or any other authority, reports a suspicious transaction to a government agency -

(i) the financial institution, director, officer, employee, or agent may not notify any person involved in the transaction that the transaction has been reported; and

(ii) no officer or employee of the Federal Government or of any State, local, tribal, or territorial government within the United States, who has any knowledge that such report was made may disclose to any person involved in the transaction that the transaction has been reported, other than as necessary to fulfill the official duties of such officer or employee.

(B) Disclosures in certain employment references. -

(i) Rule of construction. -

Notwithstanding the application of subparagraph (A) in any other context, subparagraph (A) shall not be construed as prohibiting any financial institution, or any director, officer, employee, or agent of such institution, from including information that was included in a report to which subparagraph (A) applies -

(I) in a written employment reference that is provided in accordance with section 18(w) of the Federal Deposit Insurance Act in response to a request from another financial institution; or

(II) in a written termination notice or employment reference that is provided in accordance with the rules of a self-regulatory organization registered with the Securities and Exchange Commission or the Commodity Futures Trading Commission, except that such written reference or notice may not disclose that such information was also included in any such report, or that such report was made.

(ii) Information not required. - Clause (i) shall not be construed, by itself, to create any affirmative duty to include any information described in clause (i) in any employment reference or termination notice referred to in clause (i).

(3) Liability for disclosures. -

(A) In general. - Any financial institution that makes a voluntary disclosure of any possible violation of law or regulation to a government agency or makes a disclosure pursuant to this subsection or any other authority, and any director, officer, employee, or agent of such institution who makes, or requires another to make any such disclosure, shall not be liable to any person under any law or regulation of the United States, any constitution, law, or regulation of any State or political subdivision of any State, or under any contract or other legally enforceable agreement (including any arbitration agreement), for such disclosure or for any failure to provide notice of such disclosure to the person who is the subject of such disclosure or any other person identified in the disclosure.

(B) Rule of construction. -

Subparagraph (A) shall not be construed as creating -

(i) any inference that the term "person", as used in such subparagraph, may be construed more broadly than its ordinary usage so as to include any government or agency of government; or

(ii) any immunity against, or otherwise affecting, any civil or criminal action brought by any government or agency of government to enforce any constitution, law, or regulation of such government or agency.

(4) Single designee for reporting suspicious transactions. -

(A) In general. - In requiring reports under paragraph (1) of suspicious transactions, the Secretary of the Treasury shall designate, to the extent practicable and appropriate, a single officer or agency of the United States to whom such reports shall be made.

(B) Duty of designee. -

The officer or agency of the United States designated by the Secretary of the Treasury pursuant to subparagraph (A) shall refer any report of a suspicious transaction to any appropriate law enforcement, supervisory agency, or United States intelligence agency for use in the conduct of intelligence or counterintelligence activities, including analysis, to protect against international terrorism.

(C) Coordination with other reporting requirements. - Subparagraph (A) shall not be construed as precluding any supervisory agency for any financial institution from requiring the financial institution to submit any information or report to the agency or another agency pursuant to any other applicable provision of law.

**(h) Anti-Money Laundering Programs. -**

**(1) In general. - In order to guard against money laundering through financial institutions, each financial institution shall establish anti-money laundering programs, including, at a minimum -**

**(A) the development of internal policies, procedures, and controls;**

**(B) the designation of a compliance officer;**

**(C) an ongoing employee training program; and**

**(D) an independent audit function to test programs.**

(2) Regulations. -

The Secretary of the Treasury, after consultation with the appropriate Federal functional regulator (as defined in section 509 of the Gramm-Leach-Bliley Act), may prescribe minimum standards for programs established under paragraph (1), and may exempt from the application of those standards any financial institution that is not subject to the provisions of the rules contained in part 103 of title 31 of the Code of Federal Regulations, or any successor rule thereto, for so long as such financial institution is not subject to the provisions of such rules.



(3) Concentration accounts. - The Secretary may prescribe regulations under this subsection that govern maintenance of concentration accounts by financial institutions, in order to ensure that such accounts are not used to prevent association of the identity of an individual customer with the movement of funds of which the customer is the direct or beneficial owner, which regulations shall, at a minimum -

(A) prohibit financial institutions from allowing clients to direct transactions that move their funds into, out of, or through the concentration accounts of the financial institution;

(B) prohibit financial institutions and their employees from informing customers of the existence of, or the means of identifying, the concentration accounts of the institution; and

(C) require each financial institution to establish written procedures governing the documentation of all transactions involving a concentration account, which procedures shall ensure that, any time a transaction involving a concentration account commingles funds belonging to 1 or more customers, the identity of, and specific amount belonging to, each customer is documented.

(i) Due Diligence for United States Private Banking and Correspondent Bank Accounts Involving Foreign Persons. -

(1) In general. - Each financial institution that establishes, maintains, administers, or manages a private banking account or a correspondent account in the United States for a non-United States person, including a foreign individual visiting the United States, or a representative of a non-United States person shall establish appropriate, specific, and, where necessary, enhanced, due diligence policies, procedures, and controls that are reasonably designed to detect and report instances of money laundering through those accounts.

(2) Additional standards for certain correspondent accounts. -

(A) In general. - Subparagraph (B) shall apply if a correspondent account is requested or maintained by, or on behalf of, a foreign bank operating -

(i) under an offshore banking license; or

(ii) under a banking license issued by a foreign country that has been designated -

(I) as noncooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization of which the United States is a member, with which designation the United States representative to the group or organization concurs; or

(II) by the Secretary of the Treasury as warranting special measures due to money laundering concerns.

(B) Policies, procedures, and controls. -

The enhanced due diligence policies, procedures, and controls required under paragraph (1) shall, at a minimum, ensure that the financial institution in the United States takes reasonable steps -

(i) to ascertain for any such foreign bank, the shares of which are not publicly traded, the identity of each of the owners of the foreign bank, and the nature and extent of the ownership interest of each such owner;

(ii) to conduct enhanced scrutiny of such account to guard against money laundering and report any suspicious transactions under subsection (g); and

(iii) to ascertain whether such foreign bank provides correspondent accounts to other foreign banks and, if so, the identity of those foreign banks and related due diligence information, as appropriate under paragraph (1).

(3) Minimum standards for private banking accounts. -

If a private banking account is requested or maintained by, or on behalf of, a non-United States person, then the due diligence policies, procedures, and controls required under paragraph (1) shall, at a minimum, ensure that the financial institution takes reasonable steps -

(A) to ascertain the identity of the nominal and beneficial owners of, and the source of funds deposited into, such account as needed to guard against money laundering and report any suspicious transactions under subsection (g); and

(B) to conduct enhanced scrutiny of any such account that is requested or maintained by, or on behalf of, a senior foreign political figure, or any immediate family member or close associate of a senior foreign political figure that is reasonably designed to detect and report transactions that may involve the proceeds of foreign corruption.

(4) Definition. -

For purposes of this subsection, the following definitions shall apply:

(A) Offshore banking license. -

The term "offshore banking license" means a license to conduct banking activities which, as a condition of the license, prohibits the licensed entity from conducting banking activities with the citizens of, or with the local currency of, the country which issued the license.

(B) Private banking account. -

The term "private banking account" means an account (or any combination of accounts) that - (i) requires a minimum aggregate deposits of funds or other assets of not less than \$1,000,000;

(ii) is established on behalf of 1 or more individuals who have a direct or beneficial ownership interest in the account; and

(iii) is assigned to, or is administered or managed by, in whole or in part, an officer, employee, or agent of a financial institution acting as a liaison between the financial institution and the direct or beneficial owner of the account.

(j) Prohibition on United States Correspondent Accounts With Foreign Shell Banks. -

(1) In general. -

A financial institution described in subparagraphs (A) through (G) of section 5312(a)(2) (in this subsection referred to as a "covered financial institution") shall not establish, maintain, administer, or manage a correspondent account in the United States for, or on behalf of, a foreign bank that does not have a physical presence in any country.

(2) Prevention of indirect service to foreign shell banks. -



A covered financial institution shall take reasonable steps to ensure that any correspondent account established, maintained, administered, or managed by that covered financial institution in the United States for a foreign bank is not being used by that foreign bank to indirectly provide banking services to another foreign bank that does not have a physical presence in any country. The Secretary of the Treasury shall, by regulation, delineate the reasonable steps necessary to comply with this paragraph.

(3) Exception. -

Paragraphs (1) and (2) do not prohibit a covered financial institution from providing a correspondent account to a foreign bank, if the foreign bank -

(A) is an affiliate of a depository institution, credit union, or foreign bank that maintains a physical presence in the United States or a foreign country, as applicable; and

(B) is subject to supervision by a banking authority in the country regulating the affiliated depository institution, credit union, or foreign bank described in subparagraph (A), as applicable.

(4) Definitions. -

For purposes of this subsection -

(A) the term "affiliate" means a foreign bank that is controlled by or is under common control with a depository institution, credit union, or foreign bank; and

(B) the term "physical presence" means a place of business that -

(i) is maintained by a foreign bank;

(ii) is located at a fixed address (other than solely an electronic address) in a country in which the foreign bank is authorized to conduct banking activities, at which location the foreign bank -

(I) employs 1 or more individuals on a full-time basis; and

(II) maintains operating records related to its banking activities; and

(iii) is subject to inspection by the banking authority which licensed the foreign bank to conduct banking activities.

(k) Bank Records Related to Anti-Money Laundering Programs. -

(1) Definitions. - For purposes of this subsection, the following definitions shall apply:

(A) Appropriate federal banking agency. -

The term "appropriate Federal banking agency" has the same meaning as in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(B) Incorporated term. - The term "correspondent account" has the same meaning as in section 5318A(f)(1)(B).

(2) 120-hour rule. - Not later than 120 hours after receiving a request by an appropriate Federal banking agency for information related to anti-money laundering compliance by a covered financial institution or a customer of such institution, a covered financial institution shall provide to the appropriate Federal banking agency, or make available at a location specified by the representative of the appropriate Federal banking agency, information and account documentation for any account opened, maintained, administered or managed in the United States by the covered financial institution.

(3) Foreign bank records. -

(A) Summons or subpoena of records. -

(i) In general. -

The Secretary of the Treasury or the Attorney General may issue a summons or subpoena to any foreign bank that maintains a correspondent account in the United States and request records related to such correspondent account, including records maintained outside of the United States relating to the deposit of funds into the foreign bank.

(ii) Service of summons or subpoena. -

A summons or subpoena referred to in clause (i) may be served on the foreign bank in the United States if the foreign bank has a representative in the United States, or in a foreign country pursuant to any mutual legal assistance treaty, multilateral agreement, or other request for international law enforcement assistance.

(B) Acceptance of service. -

(i) Maintaining records in the United States. -

Any covered financial institution which maintains a correspondent account in the United States for a foreign bank shall maintain records in the United States identifying the owners of such foreign bank and the name and address of a person who resides in the United States and is authorized to accept service of legal process for records regarding the correspondent account.

(ii) Law enforcement request. - Upon receipt of a written request from a Federal law enforcement officer for information required to be maintained under this paragraph, the covered financial institution shall provide the information to the requesting officer not later than 7 days after receipt of the request.

(C) Termination of correspondent relationship. -

(i) Termination upon receipt of notice. -

A covered financial institution shall terminate any correspondent relationship with a foreign bank not later than 10 business days after receipt of written notice from the Secretary or the Attorney General (in each case, after consultation with the other) that the foreign bank has failed -

(I) to comply with a summons or subpoena issued under subparagraph (A); or

(II) to initiate proceedings in a United States court contesting such summons or subpoena.

(ii) Limitation on liability. -

A covered financial institution shall not be liable to any person in any court or arbitration proceeding for terminating a correspondent relationship in accordance with this subsection.

(iii) Failure to terminate relationship. -

Failure to terminate a correspondent relationship in accordance with this subsection shall render the covered financial institution liable for a civil penalty of up to \$10,000 per day until the correspondent relationship is so terminated.

(I) <sup>[3]</sup> Identification and Verification of Accountholders. -

(1) In general. - Subject to the requirements of this subsection, the Secretary of the Treasury shall prescribe regulations setting forth the minimum standards for financial institutions and their customers regarding the identity of the customer that shall apply in connection with the opening of an account at a financial institution.

(2) Minimum requirements. - The regulations shall, at a minimum, require financial institutions to implement, and customers (after being given adequate notice) to comply with, reasonable procedures for -

(A) verifying the identity of any person seeking to open an account to the extent reasonable and practicable;

(B) maintaining records of the information used to verify a person's identity, including name, address, and other identifying information; and

(C) consulting lists of known or suspected terrorists or terrorist organizations provided to the financial institution by any government agency to determine whether a person seeking to open an account appears on any such list.

(3) Factors to be considered. - In prescribing regulations under this subsection, the Secretary shall take into consideration the various types of accounts maintained by various types of financial institutions, the various methods of opening accounts, and the various types of identifying information available.

(4) Certain financial institutions. - In the case of any financial institution the business of which is engaging in financial activities described in section 4(k) of the Bank Holding Company Act of 1956 (including financial activities subject to the jurisdiction of the Commodity Futures Trading Commission), the regulations prescribed by the Secretary under paragraph (1) shall be prescribed jointly with each Federal functional regulator (as defined in section 509 of the Gramm-Leach-Bliley Act, including the Commodity Futures Trading Commission) appropriate for such financial institution.

(5) Exemptions. - The Secretary (and, in the case of any financial institution described in paragraph (4), any Federal agency described in such paragraph) may, by regulation or order, exempt any financial institution or type of account from the requirements of any regulation prescribed under this subsection in accordance with such standards and procedures as the Secretary may prescribe.

(6) Effective date. - Final regulations prescribed under this subsection shall take effect before the end of the 1-year period beginning on the date of enactment of the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001.

(I) <sup>[3]</sup> Applicability of Rules. - Any rules promulgated pursuant to the authority contained in section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b) shall apply, in addition to any other financial institution to which such rules apply, to any person that engages as a business in the transmission of funds, including any person who engages as a business in an informal money transfer system or any network of people who engage as a business in facilitating the transfer of money domestically or internationally outside of the conventional financial institutions system

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[1] See References in Text note below.

[2] See References in Text note below.

[3] So in original. Two subsecs. (I) have been enacted.