

DATE: August 2, 2002

SUBJECT: Section 312 of the USA Patriot Act – Due Diligence for Correspondent and Private Banking Accounts (SR 02-18)

HIGHLIGHTS: Section 312 of the USA Patriot Act generally requires a U.S. financial institution that maintains a correspondent account or private banking account for a non-U.S. person to establish appropriate and, if necessary, enhanced due diligence procedures to detect and report instances of money laundering. Section 312 also describes specific enhanced due diligence standards for U.S. financial institutions that enter into correspondent banking relationships with foreign banks that operate under offshore banking licenses or under banking licenses issued by countries that (1) have been designated as noncooperative with international anti-money laundering principles by an international body with the concurrence of the U.S. representative to that body, or (2) have been the subject of special measures imposed by the Secretary of the Treasury under section 311 of the Act. Section 312 also describes anti-money laundering due diligence minimum standards for the maintenance of private banking accounts by U.S. financial institutions for non-U.S. persons.

The Treasury Department is authorized to issue regulations implementing section 312. The law provides that the provisions of section 312 become effective on July 23, 2002, whether or not final regulations are in place. Because of the complexity of issues raised by the proposed rule, Treasury did not promulgate a final rule by July 23, but rather issued an interim final rule that is effective immediately.

Additional information regarding this matter is included in the Federal Reserve System's Supervision and Regulation policy letter, SR 02-18, dated July 23, 2002.

DOCUMENT LOCATION: The SR letter is available under the "SR Letters" section of the Board of Governors' web site:

<http://www.federalreserve.gov/boarddocs/SRLETTERS/2002>

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