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Department of the Treasury

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TR-313

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Number TR-313

The attached final rule regarding Financial Crimes Enforcement Network; Anti-Money Laundering Requirements – Correspondent Accounts for Foreign Shell Banks; Recordkeeping and Termination of Correspondent Accounts for Foreign Banks was published in the Federal Register on December 24, 2002.

the trust, the new taxpayer identification number, and the address of the trustee.

(5) *Persons treated as payors.* For purposes of paragraphs (a)(2), (3), and (4) of this section, a *payor* is a person described in §§ 1.671-4(b)(4) of this chapter.

(6) *Effective date.* Paragraphs (a)(3), (4), and (5) of this section apply to trusts of decedents dying on or after December 24, 2002.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

11. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

12. In § 602.101, paragraph (b) is amended by adding an entry in numerical order to the table to read as follows:

§ 602.101 OMB Control numbers.

CFR part or section where identified and described	Current OMB control No.
* * * * *	
(b) * * *	
1.645-1	1545-1578
* * * * *	

David A. Mader,
Assistant Deputy Commissioner of Internal Revenue.

Approved: December 12, 2002.

Pamela T. Olson,
Assistant Secretary of Treasury.
[FR Doc. 02-32149 Filed 12-23-02; 8:45 am]

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DEPARTMENT OF THE TREASURY

31 CFR Part 103

RIN 1506-AA35

Financial Crimes Enforcement Network; Anti-Money Laundering Requirements—Correspondent Accounts for Foreign Shell Banks; Recordkeeping and Termination of Correspondent Accounts for Foreign Banks

AGENCY: Financial Crimes Enforcement Network (FinCEN), Treasury.

ACTION: Final rule.

SUMMARY: FinCEN is issuing this final rule to extend the time by which certain financial institutions must obtain information from each foreign bank for

which they maintain a correspondent account concerning the foreign bank's status as "shell" bank, whether the foreign bank provides banking services to foreign shell banks, certain owners of the foreign bank, and the identity of a person in the United States to accept service of legal process.

DATES: This final rule is effective December 24, 2002.

FOR FURTHER INFORMATION CONTACT: Office of the Chief Counsel (FinCEN), (703) 905-3590; Office of the Assistant General Counsel for Banking & Finance (Treasury), (202) 622-0480, or Office of the Assistant General Counsel for Enforcement (Treasury), (202) 622-1927 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

I. Background

On September 26, 2002, FinCEN published a final rule (67 FR 60562) implementing sections 313(a) and 319(b) of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) Act of 2001 (the Act). Section 313(a) of the Act added subsection (j) to 31 U.S.C. 5318, which prohibits a "covered financial institution" from providing "correspondent accounts" in the United States to foreign banks that do not have a physical presence in any country (foreign shell banks). Section 313(a) also requires those financial institutions to take reasonable steps to ensure that correspondent accounts provided to foreign banks are not being used to provide banking services indirectly to foreign shell banks. Section 319(b) of the Act added subsection (k) to 31 U.S.C. 5318, which requires any covered financial institution that provides a correspondent account to a foreign bank to maintain records of the foreign bank's owners and to maintain the name and address of an agent in the United States designated to accept service of legal process for the foreign bank for records regarding the correspondent account.

The September 26, 2002, final rule provided that a covered financial institution could satisfy the requirements of section 313(a) and 319(b) by obtaining from a foreign bank a certification that contained the necessary information, or by otherwise obtaining documentation of the required information. With respect to correspondent accounts that existed on October 28, 2002, the final rule required a covered financial institution to close a correspondent account, within a commercially reasonable time, if the covered financial institution did not receive the certification from the foreign

bank, or otherwise obtain documentation of the required information, on or before December 26, 2002.

A significant number of covered financial institutions, principally in the securities industry, have noted that the December 26, 2002, deadline to obtain the required information is proving to be inadequate. Many securities firms indicated that providing an effective explanation of their duties under the Act to a wide variety of foreign banks, which may speak different languages and operate in different ways than their U.S. counterparts, has, in some cases, lengthened the process. Moreover, the broad definition of a correspondent account found in the final rule has increased the number of accounts subject to these requirements and, consequently, has increased the burden on U.S. banks and broker-dealers to secure the required information. Finally, because the Act has generally increased the overall level of regulatory requirements for securities firms and depository institutions, they have been managing an increased overall workload as a result of additional regulations, within a finite set of resources. For these reasons, the process of gathering the necessary information to comply with section 313(a) and 319(b) of the Act is taking longer than the time provided in the September 28 final rule.

II. The Current Rulemaking

This rule extends the time by which a covered financial institution must obtain the information required to satisfy the requirements of sections 313(a) and 319(b) from December 26, 2002, to March 31, 2003. Treasury and FinCEN do not anticipate granting a further extension beyond March 31 and expect that covered financial institutions will comply with the September 26, 2002, final rule with respect to correspondent accounts established for foreign banks that have not provided the required information by that date.

III. Procedural Requirements

Because this rule extends the time by which a covered financial institution must obtain the information necessary to satisfy the requirements of section 313(a) and 319(b) of the Act before taking actions to terminate a correspondent account, it has been determined that notice and public procedure are unnecessary pursuant to 5 U.S.C. 553 (b)(B) and that a delayed effective date is not required pursuant to 5 U.S.C. 553(d)(1).

It has been determined that this rule is not a significant regulatory action for

purposes of Executive Order 12866. Because no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) do not apply.

List of Subjects in 31 CFR Part 103

Banks and banking, Brokers, Counter money laundering, Counter-terrorism, Currency, Foreign banking, Reporting and recordkeeping requirements.

Authority and Issuance

For the reasons set forth in the preamble, 31 CFR part 103 is amended as follows:

PART 103—FINANCIAL RECORDKEEPING AND REPORTING OF CURRENCY AND FOREIGN TRANSACTIONS

1. The authority citation for part 103 is revised to read as follows:

Authority: 12 U.S.C. 1829b and 1951–1959; 31 U.S.C. 5311–5314 and 5316–5332; title III, secs. 312, 313, 314, 319, 352, Pub. L. 107–56, 115 Stat. 307.

2. Section 103.177 is amended by revising paragraph (d)(1) to read as follows:

§ 103.177 Prohibition on correspondent accounts for foreign shell banks; records concerning owners of foreign banks and agents for service of legal process.

* * * * *

(d) *Closure of correspondent accounts.* (1) *Accounts existing on October 28, 2002.* In the case of any correspondent account that was in existence on October 28, 2002, if the covered financial institution has not obtained a certification (or recertification) from the foreign bank, or has not otherwise obtained documentation of the information required by such certification (or recertification), on or before March 31, 2003, and at least once every three years thereafter, the covered financial institution shall close all correspondent accounts with such foreign bank within a commercially reasonable time, and shall not permit the foreign bank to establish any new positions or execute any transaction through any such account, other than transactions necessary to close the account.

* * * * *

Dated: December 18, 2002.

James F. Sloan,

Director, Financial Crimes Enforcement Network.

[FR Doc. 02–32333 Filed 12–23–02; 8:45 am]

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DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Part 352

Offering of United States Savings Bonds, Series HH

AGENCY: Bureau of the Public Debt, Fiscal Service, Treasury.

ACTION: Final rule.

SUMMARY: This Final Rule amends the offering of Series HH United States Savings Bonds to permit the investment yield to be changed by announcement by the Secretary of the Treasury or the Secretary's designee. The change affects bonds that are issued or enter into an extended maturity period on or after January 1, 2003. Permitting the investment yield to be set by announcement provides flexibility in reflecting changes in prevailing interest rates.

EFFECTIVE DATE: January 1, 2003.

ADDRESSES: You can download this final rule at the following Internet address: <http://www.publicdebt.treas.gov>.

FOR FURTHER INFORMATION CONTACT:

Elisha Whipkey, Director, Division of Program Administration, Office of Securities Operations, Bureau of the Public Debt, at (304) 480–6319 or elisha.whipkey@bpd.treas.gov.
Susan Klimas, Attorney-Adviser, Office of the Chief Counsel, Bureau of the Public Debt, at (304) 480–8692 or susan.klimas@bpd.treas.gov.
Dean Adams, Assistant Chief Counsel, Office of the Chief Counsel, Bureau of the Public Debt, at (304) 480–8692 or dean.adams@bpd.treas.gov.
Edward Gronseth, Deputy Chief Counsel, Bureau of the Public Debt, at (304) 480–8692 or edward.gronseth@bpd.treas.gov.

SUPPLEMENTARY INFORMATION: We are amending the offering regulations for United States Savings Bonds of Series HH. Effective January 1, 2003, the investment yield for Series HH savings bonds that are issued or enter into an extended maturity period on or after January 1, 2003, will be set by announcement by the Secretary or the Secretary's designee. We are also removing the table at the end of the offering regulations, since the information contained in the table will change with each announcement of change in the investment yield.

Currently, the investment yield must be changed by an amendment to the regulations.

The purpose of permitting the investment yield to be set by

announcement is to provide greater flexibility for the Secretary in responding to market conditions and prevailing interest rates.

Procedural Requirements

This final rule does not meet the criteria for a “significant regulatory action” as defined in Executive Order 12866. Therefore, the regulatory review procedures contained therein do not apply.

This final rule relates to matters of public contract and procedures for United States securities. The notice and public procedures requirements and delayed effective date requirements of the Administrative Procedure Act are inapplicable, pursuant to 5 U.S.C. 553(a)(2).

As no notice of proposed rulemaking is required, the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*) does not apply.

We ask for no new collections of information in this final rule. Therefore, the Paperwork Reduction Act (44 U.S.C. 3507) does not apply.

List of Subjects in 31 CFR Part 352

Bonds, Government securities.

Accordingly, for the reasons set out in the preamble, 31 CFR Chapter II, Subchapter B, is amended as follows:

PART 352—OFFERING OF UNITED STATES SAVINGS BONDS, SERIES HH

1. The authority citation for part 352 continues to read as follows:

Authority: 31 U.S.C. 3105, 5 U.S.C. 301.

2. Amend § 352.2 as follows:

- a. Redesignate current paragraphs (e)(1)(i) through (e)(1)(vii) as paragraphs (e)(1)(ii) through (e)(1)(viii);
- b. Add new paragraph (e)(1)(i);
- c. Revise redesignated paragraph (e)(1)(ii); and
- d. Revise paragraph (e)(2). The addition and revisions read as follows:

§ 352.2 Description of bonds.

* * * * *

(e) *Investment yield (interest).*—(1) *During original maturity.* The investment yields for Series HH bonds during their original maturity periods are as specified in paragraphs (e)(1)(i) and (ii) of this section.

(i) *Bonds with issue dates of January 1, 2003, and thereafter.* The investment yield applicable to Series HH bonds issued on or after January 1, 2003, will be furnished in rate announcements by the Secretary or the Secretary's designee. The rate announced will apply to bonds issued during the period covered by the announcement.

(ii) *Bonds with issue dates of March 1, 1993, through December 1, 2002.*