

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

June 12, 2003

**BANKING SUPERVISION AND REGULATION:
REGULATION K: REQUEST FOR COMMENTS**

To Bank Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Bank Secrecy Act and Related Regulations Compliance (Docket R-1147)

The Federal Reserve Board is seeking public comment on a proposal to amend Regulation K to require Edge and Agreement corporations and U.S. branches, agencies, and other offices of foreign banks supervised by the Board to establish and maintain procedures reasonably designed to ensure and monitor compliance with the Bank Secrecy Act and related regulations.

Please submit comments on the Board's proposal by June 30, 2003.

The Bank Secrecy Act generally requires a financial institution doing business in the United States to keep records and make reports that have a high degree of usefulness in criminal, tax, or regulatory proceedings. Domestic financial institutions, such as state member banks subject to the Board's Regulation H, already have been required to establish and maintain such procedures. The Board's proposal to amend Regulation K is designed to require Edge and Agreement corporations and U.S. branches, agencies, and other offices of foreign banks to implement and maintain similar compliance programs.

The Board's proposal is designed to be consistent with regulations recently issued by the Department of the Treasury under section 352 of the USA PATRIOT Act, which requires all financial institutions to maintain effective anti-money-laundering programs. The Board believes that the proposed regulation will not impose any material administrative burden for affected institutions because, in supervising these institutions to ensure safety and soundness, the Board has consistently expected such entities to maintain programs to ensure compliance with all applicable provisions of the Bank Secrecy Act. You may view and print Docket R-1147 at the following web site: <http://www.federalreserve.gov/boarddocs/press/bcreg/2003/20030528/attachment.pdf>

E-Notification—Customize Your Subscription

We have updated our E-Notification service so that you may choose which notifications you want to receive. To customize your subscription, visit our website at <http://www.frbsf.org/banking/index.html>, and click on the word "Customize" under the E-Notification logo on the right-hand side of the page. You may also change your email address or cancel your subscription at this page. If you want to continue to receive all Circulars, you do not have to do anything.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the Board's notice (**Docket R-1147**) are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about the request for comments on Regulation K, please contact our Banking Supervision and Regulation Department at (415) 974-2911.

FEDERAL RESERVE BANK OF SAN FRANCISCO