

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

May 14, 2004

**BANKING SUPERVISION AND REGULATION:
IMPOSITION OF SPECIAL MEASURES**

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

**Imposition of Special Measures Against Myanmar Mayflower Bank, and Asia Wealth Bank
(SR 04-6)**

The Board of Governors of the Federal Reserve System is issuing this SR letter to advise banking organizations under its supervision of new obligations relating to Burma (Myanmar) imposed by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). On April 12, 2004, FinCEN issued two final rules that impose special measures under Section 311 of the USA PATRIOT Act (31 U.S.C. 5318A) against Burma and two Burmese financial institutions, Myanmar Mayflower Bank and Asia Wealth Bank, including the banks' branches and offices operating in Burma or other jurisdictions. These rules are effective as of May 12, 2004. FinCEN's final rules can be found at <http://www.fincen.gov/burma.pdf> and <http://www.fincen.gov/mayflowerbank.pdf>.

Section 311 provides that the Secretary of the Treasury, in consultation with the Secretary of State and the U.S. Attorney General, may designate particular financial institutions, types of accounts, classes of transactions, or foreign jurisdictions as being of "primary money laundering concern."¹ If such a designation is made, Section 311 grants the Secretary of the Treasury the further authority to require U.S. financial institutions to take various "special measures" including additional record keeping and reporting requirements, with respect to the designated financial institutions, jurisdictions, accounts, or transactions. In the case of a designated jurisdiction or financial institution, the Secretary, in consultation with the Chairman of the Board of Governors of the Federal Reserve System and other appropriate federal government agencies, may restrict or prohibit U.S. financial institutions from opening or maintaining correspondent accounts involving the designated entity.

The final rules issued on April 12, 2004 by FinCEN generally prohibit certain U.S. financial institutions, including banking organizations supervised by the Federal Reserve, from establishing, maintaining or administering correspondent or payable-through accounts for, or on behalf of, Myanmar Mayflower Bank and Asia Wealth Bank, or any other Burmese banking institution. These special measures reinforce the economic sanctions currently in place against Burma, which were initially imposed by Executive Order 13310.² The Executive Order sanctions generally restrict all U.S. financial institutions from undertaking financial transactions with Burmese financial institutions, subject to certain exemptions.

¹ On November 18, 2003, the Secretary of the Treasury designated Burma as a jurisdiction of primary money laundering concern, and Myanmar Mayflower Bank and Asia Wealth Bank as financial institutions of primary money laundering concern.

² Executive Order 13310 of July 28, 2003, Blocking Property of the Government of Burma and Prohibiting Certain Transactions.

The 311 special measures take the sanctions a step further. They generally restrict U.S. financial institutions from entering into direct as well as indirect transactions with Burmese banking organizations. With regard to indirect transactions, U.S. financial institutions are required, for example, to ensure that the correspondent or payable-through accounts they maintain in the United States for any foreign bank are not used by the foreign bank to provide banking services to Burmese banking organizations.

Due to heightened concerns with Myanmar Mayflower Bank and Asia Wealth Bank, the separate 311 special measures against these two banking organizations are more restrictive. Without exception, U.S. financial institutions are broadly prohibited from establishing, maintaining or administering correspondent accounts or payable-through accounts with Myanmar Mayflower Bank and Asia Wealth Bank.

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>.

For additional information about the imposition of special restrictions against these institutions, please contact our Banking Supervision and Regulation Department at (415) 974-2896.

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