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Government Update

The Bank Secrecy Act calls for a liaison group between our Government regulatory and enforcement agencies and the industries that are covered by the Act. Hence, the Bank Secrecy Act Advisory Group (BSAAG), which had a semi-annual meeting a few days ago. It serves as a forum for industry and government to exchange ideas on regulatory questions, problem areas and anticipated direction. A couple of things took place that I'd like to share with you:

The first is general. One purpose of the Act is to help financial institutions detect and prevent money laundering. Another is to get information to the enforcement agencies. This BSAAG meeting focused on transmitting information, particularly Suspicious Activity Reports (SARs), and on identifying the beneficial owners that control a customer's business. Dealers in precious metals and stones are encouraged to file SARs but not required to do so. But the Rule stipulates that FinCEN might require SARs in the future.

The industry has filed very few SARs. So far, this seems to be of little concern, perhaps because FinCEN might have had its hands full with SAR filings from the banks. This may be about to change.

Eighteen months ago, Justice Department formed the Organized Crime Drug Enforcement Task Force Fusion Center to streamline responses to enforcement agency requests for information held at FinCEN and other intelligence units. FinCEN's appetite for SARs might well increase with the Government's ability to handle information.

We brought up a more specific matter: **We proposed a rule-change that would drop a number of precious metals companies from being covered by the Act.** When first proposed in 2002, the rule covered companies buying and selling precious metals—which were defined as containing more than "500 parts per thousand" precious metals. So, 10K gold is exempt and 14K gold is covered.

But in the "Interim Final" version of the rule that now applies, another standard was added: if a finished product derives more than 50% of its value from precious metals, it is also covered. This means 10K gold, gold clad copper sheet, thick film paste, some chemical compounds and a number of other items were pulled right back under coverage—even though they present no particular exposure to money laundering or terrorist finance and even though it was contrary to FinCEN's original intent.

Our proposal was to eliminate precious metals from coverage by the "value" standard. I'll keep you posted as to how that progresses.

Questions? Do you need to know more about how to set up or improve your anti-money laundering program? We can help. And our precious metals and jewelry industry professionals are also accredited by the Association of Certified Anti-Money Laundering Specialists (ACAMS). Call me, Mike Riess, at: (203)661-6715 or reach me by e-mail at: MRIESS@MAT-MGT.COM

To find out more about the Patriot Group of Materials Management Co. and about our AML programs and services, visit our website at: WWW.MATERIALSMANAGEMENT.NET. There you'll also find the final regulations and a wealth of background information.

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We will be here for ongoing advice and to update our AML programs... free of charge.



