

The State of Compliance By: Jay Goodwin
(April 12, 2005)

The state of compliance is evolving rapidly. As difficult and onerous as Bank Secrecy Act (BSA) and USA PATRIOT Act regulations appear today, we must realize the future will bring even more scrutiny to bear. In order to prepare for the future, banks must be aware of what is happening, both in the regulatory environment, as well as in the compliance marketplace. With this important knowledge at hand, banks will be able to minimize and mitigate risk while meeting the growing expectations of regulators.

Recently, we have seen regulatory agencies such as the FDIC issue guidance calling for financial institutions to exercise a higher degree of due diligence when selecting compliance solutions. These agencies have observed the market growing rapidly in this area and have seen solutions in place that do not meet regulatory muster. Consequently, there has been an increasing prosecution rate of financial compliance offenses.

Today, regulators are becoming more sensitive to the increased difficulty banks have in meeting the letter of the law relative to new regulatory requirements. A New York State regulator recently said that their goal is not to play "Gotcha" with the banks, but simply to ensure banks have the most effective technology and methodology in place.

It is important that bankers understand that these technologies do exist and will provide a "system of record" for the bank. If properly administered, these technologies have the wherewithal to do the "heavy lifting" of financial compliance. These programs act as a data warehouse facilitating a wide variety of risk management solution requirements and views into the banking world. When a bank can demonstrate that it is looking at customers through individual profiles, peering profiles, transaction monitoring, "best practices" monitoring, and a variety of risk-weighting applications, it will have demonstrated to the regulators that there are methodologies in place that are designed to meet regulatory requirements.

Furthermore, regulators appear to be paying much more attention to training. Prime has recently partnered with a leading training content delivery service: B4nAfter Applications, Inc. B4nAfter helps financial institutions meet these ever-so-important training needs by allowing banks to deliver high-quality training across their organization and benchmark every element of training for both internal management and regulator scrutiny. B4nAfter uses an e-mail-based system that is developed by bankers, for bankers, and has a proven track record of effectiveness.

For more information, contact David DeMartino at ddemartino@primeassociates.com.

For more information on B4nAfter Applications, Inc., visit www.b4nafter.com.

OFAC Reporter Seminars: A Success! By: Beth D. Berenbaum
(June 3, 2005)

The first round of seminars was held May 17 through 20 in New York City, focused specifically on OFAC Reporter™. Registration was limited to a maximum of eight per session, and each session was full. Topics covered included: Security Maintenance, OFAC Reporter for the Compliance Department, OFAC BatchFilter Basics and OFAC BatchFilter Advanced, and OFAC Reporter for the End User. Feedback was very positive and reinforced our belief that training is vital for our users to fully understand and utilize the functionality our software provides. As one participant, who attended all sessions, told us, "I was very satisfied with the training, although I wish we received this type of training when we first contracted the system. In addition, I will recommend that our Business Unit Admin and our IT Admin attend any future training in order to gain the full benefit of the system." I want to thank those of you who participated in these first seminars. The next round of seminars will focus on BSA Reporter™ and is tentatively scheduled for the week of September 19. As we are planning to again hold this seminar in New York City, I would appreciate receiving feedback as to whether or not the dates and location are good for you.

Please remember that Prime now has an Educational Services Group that is devoted to training and education on all aspects of Compliance Manager™, as well as regulatory and compliance issues.

Contact Beth D. Berenbaum, Director of Educational Services, at bberenbaum@primeassociates.com or 732-574-0074, Extension 223, for information on the services we can provide for you.

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LATEST COMPLIANCE NEWS

Joint Statement on Providing Banking Services to Money Services Businesses

(March 30, 2005)

The Financial Crimes Enforcement Network (FinCEN), together with the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration (collectively, the Federal Banking Agencies) have issued the following statement:

Money services businesses are losing access to banking services as a result of concerns about regulatory scrutiny, the risks presented by money services business accounts, and the costs and burdens associated with maintaining such accounts. Concerns may stem, in part, from a misperception of the requirements of the Bank Secrecy Act, and the erroneous view that money services businesses present a uniform and unacceptably high risk of money laundering or other illicit activity.

The money services business industry provides valuable financial services, especially to individuals who may not have ready access to the formal banking sector. It is important that money services businesses that comply with the requirements of the Bank Secrecy Act and applicable state laws remain within the formal financial sector, subject to appropriate anti-money

laundering controls. FinCEN and the Federal Banking Agencies further believe it is essential that the money services business industry maintain the same level of transparency, including the implementation of a full range of anti-money laundering controls as required by law, as do banking organizations.

The Bank Secrecy Act does not require, and neither FinCEN nor the Federal Banking Agencies expect, banking institutions to serve as the de facto regulator of the money services business industry. Banking organizations that open or maintain accounts for money services businesses should apply the requirements of the Bank Secrecy Act on a risk-assessed basis, as they do for all customers, taking into account the products and services offered and the individual circumstances. Accordingly, a decision to accept or maintain an account with a money services business should be made by the banking institution's management, under standards and guidelines approved by its board of directors, and should be based on the banking institution's assessment of risks associated with the particular account and its capacity to manage those risks.

To read the article in its entirety, visit
<http://www.fincen.gov/bsamsbrevisedstatement.pdf>
where it was obtained.

Interagency Interpretive Guidance on Providing Banking Services to Money Services Businesses Operating in the United States

(April 26, 2005)

As a follow-up to the joint statement issued on March 30, 2005, this guidance sets forth the minimum steps that banking organizations should take when providing banking services to money services businesses. Additionally, this guidance provides assistance to banking organizations in assessing and minimizing the risk of money laundering posed by individual money services business customers. While banking organizations are expected to manage risk associated with all accounts, including money services business accounts, banking organizations will not be held responsible for their customers' compliance with the Bank Secrecy Act and other applicable federal and state laws and regulations.

To read the article in its entirety, visit
<http://www.fincen.gov/guidance04262005.pdf>
where it was obtained.

Interagency Interpretive Guidance on Customer Identification Program Requirements under Section 326 of the USA PATRIOT Act

(April 28, 2005)

This article from the Financial Crimes Enforcement Network (FinCEN) discusses frequently asked questions pertaining to USA PATRIOT Act regulations (Section 326) and Customer Identification Program (CIP) related topics.

To read this article, visit
<http://www.fincen.gov/faqsfinalciprule.pdf>
where it was obtained.

Prime Associates, Inc., a Metavante Company, is a leading provider of critical regulatory compliance solutions that detect money laundering activities, and OFAC & global sanctions monitoring and data services.



LATEST COMPLIANCE NEWS *continued*

Statements of William J. Fox, Director, before the United States House of Representatives, Committee on Financial Services, Subcommittee on Oversight and Investigations

(May 26, 2005)

The links below will direct you to two Financial Crimes Enforcement Network (FinCEN) articles that outline the specific goals of the Bank Secrecy Act and specify the importance of Section 314a of the USA PATRIOT Act. The articles speak of a “regime that demands a partnership and an on-going dialogue between the government and the financial industry to make our financial system safer and more transparent.”

To read both articles, visit
<http://www.fincen.gov/foxoraltestimony052605.pdf>
and
<http://www.fincen.gov/foxtestimony052605.pdf>
where they were obtained.

Dealers in Precious Metals, Stones, or Jewels Required to Establish Anti-Money Laundering Programs

To read this article, visit
<http://www.fincen.gov/nr060305.pdf>

FREQUENTLY ASKED QUESTIONS - Interim Final Rule - Anti-Money Laundering Programs for Dealers in Precious Metals, Stones, or Jewels

To read this article, visit
<http://www.fincen.gov/faq060305.pdf>

Financial Crimes Enforcement Network; Anti-Money Laundering Programs for Dealers in Precious Metals, Stones, or Jewels

(June 3, 2005)

To read this article, visit
<http://www.fincen.gov/antimoneylaundering060305.pdf>

LATEST PRIME NEWS

Prime Associates Announces Availability of Money Service Businesses List

Clark, N.J., April 13, 2005 – Prime Associates, Inc., a Metavante company and a leading provider of regulatory compliance solutions for financial institutions, has announced the availability of a new data list: the Money Service Businesses (MSB) List.

MSBs are firms that specialize in wire transfers and check cashing transactions. In addition to current sanctioned and non-sanctioned party data from around the world, Prime now offers a database of all national MSBs. Using this information would enable financial institutions to identify MSBs that are customers or prospective customers. Once MSBs have been identified, a financial institution must assess and manage their level of risk and deal with such customers accordingly.

“In addition to offering premium compliance software components, Prime is recognized as a superior provider of data services and sanctioned party lists within the compliance industry,” said Salvatore Cangialosi, president, Prime Associates. “Prime’s data lists will enhance current sanctions filtering efforts and integrate seamlessly with all compliance applications.”

With certain exceptions, MSBs are required to register with the U.S. Financial Crimes Enforcement Network (FinCEN) if they provide one or more of the following services: money orders, check cashing, travelers’ checks, currency dealing or exchange, and money transmission. Prime’s MSB List includes all money service businesses that have registered with FinCEN. Continued Cangialosi, “Due to the nature of their business, MSBs require more scrutiny and special attention. It is up to banks conducting financial dealings with such entities to ‘know their customers’ and identify any potential suspicious activity that may take place.”

“MSBs provide a valuable service within the financial industry. However, the nature of their transactions can represent a heightened risk that should be appropriately addressed by any bank servicing MSBs. Prime’s latest database offering makes this task significantly easier for our banking customers,” said Cangialosi.

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To read this and other press releases from Prime Associates, visit www.primeassociates.com.

Metavante’s Prime Associates Delivers Data Services to DST Systems to Enhance Regulatory Compliance Safeguards

Clark, N.J., June 29, 2005 - Prime Associates, Inc., a Metavante company and a leading provider of regulatory compliance solutions for financial institutions, today announced that DST Systems, Inc., a technology solutions provider for the financial services industry, will implement several data lists offered by Prime Associates into its existing sanctions filtering efforts. The data lists include Politically Exposed Persons (PEPs), Office of the Superintendent of Financial Institutions (OSFI), European Union (EU), and Financial Action Task Force on Money Laundering identifying noncooperative countries and territories (FATF-NCCT). These lists are essential tools to effectively comply with USA PATRIOT Act and other international regulatory compliance requirements.

“DST takes a proactive approach to helping our clients comply with the numerous governmental regulations of the industry,” said Frank Imgrund, director of systems development at DST Systems. “This solution helps our clients go above and beyond what the regulations require and, we believe, it represents an industry-leading approach to the regulatory challenge.”

Prime’s data lists are designed to integrate seamlessly with Prime’s applications as well as other products. Prime’s compilation of data lists is called the Prime’s Compliance Databank™.

“As the leading provider of record-keeping services to mutual funds, DST is setting the standard for regulatory due diligence among firms within the financial services industry. We will deliver our compliance databases to DST, which will integrate it with its core business systems,” said Salvatore Cangialosi, president, Prime Associates, Inc.

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To read this and other press releases from Prime Associates, visit www.primeassociates.com.

Take a Moment to Check Out PrimeIQ

Have you taken a moment to visit www.primeiq.com to test drive our Internet-based compliance tool, PrimeIQ™?

PrimeIQ is a convenient way to identify financial fraudsters, politically exposed persons, financially exposed persons, and those on government sanctions lists. It provides enhanced due diligence to financial institutions worldwide through the Internet, allowing cost-effective access to databases previously only available at a very high cost. It is also one of the newest compliance tools that is completely browser-based and offers you the convenience of checking a customer’s name against a full database of individuals, organizations, or vessels you need to avoid doing business with.

PrimeIQ offers a financial institution an extensive database at minimal cost for your day-to-day queries.

To test drive, sign up for your 30-day free trial by visiting www.primeiq.com.

Then click on the “Free Trial” option. When filling out your information, be sure to enter “73204” as your Access Code and you will be entitled to a 30-day free trial of PrimeIQ.