

## **Paulson to Offer Plan to Ease AML Regulation**

By Cheyenne Hopkins

WASHINGTON — Treasury Secretary Henry Paulson is expected to unveil an initiative Friday to lessen the burden of anti-laundersing compliance at financial institutions, sources said.

Mr. Paulson's plan has at least two prongs, they said. He is expected to say federal regulators and the Financial Crimes Enforcement Network have begun a review to develop a better risk-based exam process for small institutions, essentially agreeing that the burden on community banks is too great.

He also is expected to say that regulators are seeking to narrow the definition of money-services businesses, which currently includes most businesses that deal with a significant amount of cash.

The plan, to be announced at Fincen's headquarters in Vienna, Va., is part of Mr. Paulson's drive to find ways to make U.S. businesses more competitive. Industry observers said they are hopeful his personal involvement will lead to real relief.

"Secretary Paulson is a very serious man and for him to do this means he has taken a personal policy interest in the way" the Bank Secrecy Act "works and the need to relieve the burden where possible," said Stephen Kroll, a former Fincen official and Democratic counsel for the Senate Banking Committee.

Details of the plan are still being worked out, and Treasury officials, including new Fincen Director James Freis, are expected to say that the process for relieving bank burden has just begun.

Much of the focus so far appears to be on small banks, which argue that they do not have the same resources to devote to fighting laundering as large banks and pose less of a risk for laundering or terrorist financing.

The plan is expected to call on regulators to revise their anti-laundersing compliance manual originally published in 2005 with an eye toward examining small banks on a

more risk-focused basis. It was not immediately clear how the Treasury and the regulators planned to define a small bank, sources said.

Also, the plan will focus on providing more guidance on money-services businesses. Companies have complained that the 2005 guidance, which designated such businesses as posing a higher laundering risk, has caused many large banks to sever relationships with them.

The term itself is broadly defined, including tens of thousands of businesses that run the gamut from check cashers to convenience stores. Mr. Paulson and Mr. Freis are expected to say regulators are seeking to narrow the definition, so that businesses such as convenience stores, for example, are not included.

Mr. Freis has already met with senior officials at the banking and thrift agencies to discuss the plan, sources said. He and Mr. Paulson also have invited several trade groups, including the American Bankers Association, the National Money Transmitters Association, America's Community Bankers, and the Independent Community Bankers of America, to meet Friday at Fincen to be briefed on the initiative. The Treasury will then hold a press conference to discuss more details.

Spokespeople for Fincen and the Treasury declined to comment.

It appears unlikely that Mr. Paulson will tackle one of the most controversial anti-laundering areas: bank filings. Last year banks filed more than 567,000 suspicious activity reports, and Fincen received about 17 million SARs and currency transaction reports from all industries. Bankers complain that the filings are not used by law enforcement officials — a claim officials at the Federal Bureau of Investigation, among others, have denied. Banks have pushed to raise the \$10,000 limit for CTRs to help relieve regulatory burden.

At Friday's event, Mr. Paulson is expected to emphasize that such filings are useful to law enforcement officials, and his plan is not expected to result directly in fewer filings, sources said.

That likely will prove disappointing for industry representatives, several said.

"Clearly the burdens that the industry has addressed are SARs and CTR filings," said **David Caruso**, the chief executive officer and managing director of **Dominion Advisory Group LLC**. If Mr. Paulson's efforts "are not about at least one of those two issues, the industry will take this skeptically."

Regardless of the scope of the announcement, some industry representatives said it would be significant, because it would be coming from Mr. Paulson.

"It's very significant that Paulson is going to Fincen ... so that in of itself is a significant step to show its support of the agency," said Robert Serino, a counsel with Buckley Kolar

LLP. "If the secretary is putting his weight behind a regulatory reduction, then that's very positive, because what the boss wants can flow down to the other agencies."

Carmina Hughes, executive director of Daylight Forensic and Advisory LLC and a former Federal Reserve Board anti-laundering official, agreed.

"The industry will feel they are getting an audience with the people who matter and I think that's very welcome, " she said.