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**Sikorsky**

A United Technologies Company

Edward N. Lennig
Senior Attorney

April 9, 2003

Financial Crimes Enforcement Network
U.S. Department of Treasury
Washington, D.C.

Re: ATTN: ANPRM - - Sections 352 and 326 – Vehicle Seller Regulations

Dear Mr. Sloan:

Sikorsky Aircraft Corporation, a subsidiary of United Technologies Corporation, proposes that government contractors with sales in excess of \$50 million per year to the federal government be exempt from coverage under Sections 352 and 326 of the Patriot Act. Government contractors are subject to strict financial and cost controls required under government contracts and programs. Government contractors of this size establish effective compliance programs designed to prevent and detect violation of laws and regulations, as well as codes of ethics which commit the companies to the highest standard of legal and ethical conduct in their business transactions. Such companies also maintain financial controls which require their business units in the course of credit evaluation to review a number of sources of information regarding prospective customers. A typical financial control would be to segregate the responsibility for invoicing and application of cash. For example, the person who creates an invoice will not direct the customer's cash payment to the customer's account. The result of such compliance programs and financial controls is that the employees of such companies (1) know their customers and the other parties with whom they do business and (2) are alert to and correctly act on the red flags of money laundering. Accordingly, it is submitted that the risk of money laundering in the business transactions of such companies is minimal and does not warrant the imposition of a regulatory burden.

If, however, it is determined that such government contractors should be subject to Sections 352 and 326, Sikorsky proposes that the following categories of sales be exempted from such requirements:

1. Purchases pursuant to Foreign Military Sales (FMS) – Government to government sales of defense articles and services pursuant to which the U.S. Government purchase defense articles and services from Sikorsky: Pursuant to the Arms Export Control Act, the U.S. Government sells defense articles and services to foreign governments and international organizations through foreign military sales (FMS) agreements. Because acquisitions by the U.S. Government from suppliers such as Sikorsky to support such sales are conducted under the same acquisition and contract management procedures

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as all other defense acquisitions, the money laundering risk is negligible. This category of transactions thus warrants exemption from the requirements of Sections 352 and 326.

2. Purchases pursuant to FMS Direct Credit and Guaranteed Loan Financing: This category of transactions warrants exemption from the requirements of Sections 353 and 326 for the same reasons as specified in 1. Above.
3. Sales of articles and services controlled by the International Traffic in Arms Regulations: The ITAR control the export of services and articles, including military aircraft, found on the Munitions List administered by the State Department. These items cannot be exported without a license issued by the State Department. The State Department authorizes the sale of munitions items such as military aircraft only to allies and other friendly nations. Before issuing a license, the State and Defense Departments and, at times, the intelligence community, scrutinize the circumstances of the sale, including the end user (i.e., customer) and proposed end use of the item, to ensure it supports U.S. national security. Although this detailed review does not examine *per se* the sale's money laundering potential, it serves as an effective proxy for such analysis. In short, given the tight government controls and extensive reviews accompanying the sale and direct export of military aircraft, the money laundering risk associated with such transactions is extremely low. This category of transaction thus warrants exemption from the requirements of Sections 352 and 326.
4. Sale of goods and technology which require a license pursuant to the Export Administration Regulations administered by the Bureau of Industry and Security of the U.S. Commerce Department. The EAR cover goods and technology that might have a military use. The EAR effect the authority under the Export Administration Act to restrict the export of goods and technology for (1) national security reasons, (2) foreign policy reasons and (3) short supply of goods which are necessary to protect the domestic economy. For similar reasons as advanced in 3. above, because of the government review of transactions requiring a license, the money laundering risk associated with such transactions is low. This category of transaction thus warrants an exemption from the requirement of Sections 352 and 326.

If there are any questions regarding these comments, please contact Mr. Jeremy Preiss at 202-336-428 or the undersigned.

Very truly yours,

SIKORSKY AIRCRAFT CORPORATION



Edward N. Lennig