

April 10, 2003

Chairman
F. O'NEILL
Hyundai

President
T. MacCARTHY

MEMBERS

Honda
Hyundai
Isuzu
Kia
Mitsubishi
Nissan
Saab
Subaru
Suzuki
Toyota

ASSOCIATES

Aston Martin
Bosch
Delphi
Denso
Hitachi
Ferrari/Maserati
Peugeot
Renault

Financial Crimes Enforcement Network (FinCEN)
U.S. Department of Treasury
P.O. Box 39
Vienna, VA 22183

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

Dear Sir/Madam:

The Association of International Automobile Manufacturers, Inc. hereby submits its comments to the Advance Notice of Proposed Rulemaking of the Financial Crimes Enforcement Network of the Department of Treasury regarding "Anti-Money Laundering Programs for Businesses Engaged in Vehicle Sales." (See *Federal Register* dated February 24, 2003 (Volume 68, Number 36), pp. 8568-8571.)

The Association of International Automobile Manufacturers (AIAM) is a trade association representing 15 motor vehicle manufacturers who account for 40 percent of all passenger cars and 20 percent of all light trucks sold annually in the United States. AIAM members have invested over \$26 billion in U.S.-based production facilities, have a combined domestic production capacity of 2.8 million vehicles, directly employ 75,000 Americans, and generate an additional 500,000 U.S. jobs in dealerships and supplier industries nationwide.

AIAM submits that there is no potential money laundering risk posed by the sale by manufacturers and distributors (hereinafter collectively "manufacturers") of motor vehicles to dealers for resale to the public. There is a similar lack of risk with regard to sales to dealers through auctions of vehicles whose lease or credit-term has concluded. AIAM therefore urges that motor vehicle manufacturers be exempted from coverage under Sections 352 and 326 of the Patriot Act. The reasons for this position are set forth below.

First, the sale of a motor vehicle, whether new (the most frequent case) or used (such as a previously leased vehicle whose title was held by the manufacturer's related finance company), to a dealer is not a cash transaction. Rather, it involves financing provided either by a third party entity such as a bank (separately subject to Patriot Act as well as other federal and/or state regulatory regimes including the Bank Secrecy Act) or a manufacturer-related financing entity similarly subject to governmental regulatory regimes. Normally, the acquisition of vehicles by a dealer is financed through the dealer's "floor plan the dealer's line of credit, extended by a bank or similar financial institution." The absence of cash



ASSOCIATION OF INTERNATIONAL AUTOMOBILE MANUFACTURERS, INC.
1001 19TH STREET NORTH ■ SUITE 1200 ■ ARLINGTON, VA 22209
TELEPHONE 703.525.7788 ■ FAX 703.525.8817 ■ www.aiam.org

transactions between manufacturers and dealers at the wholesale level, therefore, indicates there is, at most, little risk that money could be “laundered” during such transactions.

Second, all of the dealers to which the manufacturer sells vehicles are parties to a distribution agreement with the manufacturer, commonly referred to as the “franchise agreement”, which is normally of long duration and subject to a vast array of state laws (see e.g., 320 Florida Statutes and Wisconsin Statutes 218). Such laws typically govern many of the terms and conditions of such agreements, including the method of amendment and the ability to and grounds for termination. The existence of these franchise agreements effectively regulates all transactions between manufacturers and dealers, and again precludes money laundering opportunities.

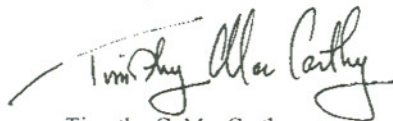
Third, both the manufacturer and its franchised dealer are required to be licensed in each state in which they do business. In the case of a dealer, the license also entails routine state oversight of the dealer’s operations by the states department of motor vehicles or similar regulatory agency. Such oversight adds to the protections provided by franchise agreements and adds a further safeguard against money laundering.

Finally, given the nature of financial transactions between manufacturers and dealers at the wholesale level, subjecting manufacturers to the Patriot Act regulatory regime would impose unwarranted costs on those companies and, ultimately, new car purchasers, without any corresponding benefit. The record keeping and reporting burdens also entailed in complying with the regulations would, given the penalties for noncompliance, require the commitment of substantial resources by manufacturers and again produce no corresponding benefit.

For the reasons outlined above, AIAM submits that there is no potential money laundering risk posed by the sale by manufacturers of motor vehicles to dealers for resale to the public, and we respectfully urge that manufacturers be exempted from coverage under Sections 352 and 326 of the Patriot Act.

We appreciate the opportunity to comment on this important issue. Please do not hesitate to contact me if you have any questions regarding our views and/or the content of this statement.

Sincerely,



Timothy C. MacCarthy
President and CEO