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CORPORATE COMPLIANCE

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May 9, 2006

Financial Crimes Enforcement Network
P. O. Box 39
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RE: RIN 1506-AA85

Dear Sir/Madam:

Thank you for providing us with the opportunity to comment on the advanced notice of proposed rulemaking related to banking services for Money Services Businesses (MSBs) published in the Federal Register on March 10, 2006.

Our institution is a \$44 billion bank holding company with eight locally-controlled banks with offices located in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington. Our affiliated banks offer varying levels of services to MSBs as determined by each bank's local policies. Two of our banks have closed most of their accounts with MSBs and only open new relationships on an exception basis. The other six banks have closed few accounts and generally accept new relationships.

We are providing two representative responses to your questions from our banks. Response A represents our banks that continue to bank existing and open new MSB relationships but are concerned about the additional risk, due diligence, and monitoring for these accounts. Response B represents our banks that have closed nearly all MSB relationships and do not open new relationships without specific executive approval. Approval is generally reserved for larger, well-know companies.

Questions

1. What requirements have banking institutions imposed on MSBs to open or maintain account relationships since the issuance of the joint guidance by us and the Federal Banking Agencies in April 2005?

Response A: To register as required, to provide copies of AML policies, to allow inspections/audits of compliance with their policy, to pay for the additional cost to monitor according to guidance.

Response B: All new business account customers are questioned concerning MSB services. Those that indicate MSB activity are asked to provide:

1) A copy of FinCEN registration and acknowledgement letter - verified (if possible) by FinCEN MSB database

- 2) A copy of their AML program, policies, procedures and information concerning controls to ensure compliance with MSB BSA rules
- 3) Service agreements, if applicable (to document agent status for money orders/transmissions)
- 4) Most recent independent AML audit report or IRS compliance exam, if available
- 5) AML training program information (outline of training, who is trained, and how often)

In addition, all new MSB accounts must be reviewed by the Compliance and Operations and approved by a senior bank manager before establishing the account relationship.

2. Describe any circumstances under which MSBs have been provided or have been willing to provide the information specified in the guidance issued by us to MSBs in April 2005, concerning their obligations under the BSA, and yet have had banking institutions decline to open or continue account relationships for the MSB?

Response B: The bank recently turned down a request for multiple bank accounts from a large, international MSB. The accounts would be opened in the name of the MSB but deposits (anticipated to be primarily in cash) would be made by local agents of the MSB (i.e., convenience stores, liquor stores, & other businesses using the MSB for money remittance services.) Although the MSB was willing to provide all information requested, the bank felt it had insufficient internal resources to appropriately monitor the significant high-risk, cross border transfers anticipated in the relationship, nor did we feel we could be certain of what activity generated the cash deposits at the various agent locations. The bank has also turned down at least 2 other MSB account requests as it appeared the MSB owner was not aware of the need to maintain written AML/BSA program or other minimal requirements of the BSA requirements (other than registration with FinCEN).

3. Have BSA-related grounds been cited for why banking institutions have decided not to open, or have decided to not continue to maintain account relationships for MSBs since the issuance of the guidance to MSBs and to banking institutions in April 2005?

Response A: Guidance continues to indicate a risk assessment needs to be completed assessing the likelihood and risk for AML by a MSB. However, the real risk assessment being implied by regulator comments is there is less of a differential in high risk MSB's than one would believe. A MSB in Rural Midwest America should not be considered as risky as a MSB in south Florida. Yet the regulators are not allowing for a lower risk in rural Midwest America. Furthermore banks are being forced to assess the ability to comply with the requirements for continuous monitoring of MSBs and the penalties for failure to do so with the benefits for having these accounts. At this time, the potential penalties far exceed the financial benefits.

Response B: Yes. The bank has closed the accounts of multiple MSB customers. Most customers were closed due to failure to properly register with FinCEN (SARs were filed). In addition, the bank determined that the cost of continual monitoring and review of these MSB accounts exceeded any potential profitability of the account to the bank.

4. Would additional guidance (including, if applicable, clarification of existing guidance) to the banking industry regarding the opening and maintenance of accounts for MSBs within the BSA regulatory framework be beneficial? If so, what specifically should such guidance address?

General Comment: The question remains as to why FinCEN cannot keep an updated list of registered MSBs on its website. We are continually reminded that the FinCEN list is not updated regularly. Banks should have a reliable centralized list to be able to validate its customers' registration status. FinCEN should implement procedures to provide access to accurate information.

Response A: Additional guidance to the industry is of no benefit if the inferred or implied action by regulators continues at a zero tolerance level. All the rhetoric from senior officials within the regulating bodies does not change the fact the line personnel continue with the zero tolerance approach.

Response B: Current due diligence recommendations seem more appropriate for larger MSBs with the resources to create and maintain formal policies, procedures, controls and training programs. It might minimize impacts if clarification regarding true expectations for small "mom and pop" MSBs were provided. Very few small businesses engaged in check cashing as a convenience, for example, have extensive written policies, procedures or training manuals. Most are surprised at the request for independent audit reports of AML practices. Clarification regarding reasonable AML expectations for small, local, MSB owners could be helpful.

5. Would additional guidance (including, if applicable, clarification of existing guidance) to MSBs regarding their responsibilities under the BSA as it pertains to obtaining banking services be beneficial? If so, what specifically should such guidance address?

Response B: Additional training and outreach to small MSB owners is needed. Businesses providing MSB services as a primary line of business seem well aware of AML/BSA requirements. Small MSB owners often seem surprised that such extensive rules exist.

6. Are there steps that could be taken with regard to regulation and oversight under the BSA that could operate to reduce perceived risks presented by MSBs?

Response A: Banks should not become the defacto regulators for MSBs. The current process/regulations/guidance have the practical affect of making the banks the regulator. Banks should be able to rely on the actual regulators of MSB's to ensure the MSB's are in compliance with AML requirements.

Response B: Remove banks from being caught between regulatory agencies and MSBs. The current perception is that the banking industry is expected to ensure AML compliance by MSB owners and report those MSBs potentially out of compliance.

7. Since the March, 2005 hearing and the issuance of guidance in April, 2005, to banks and to MSBs, has there been a an overall increase or decrease in the provision of banking services to MSBs? Please offer any thoughts as to why this has occurred.

Response A: Overall there has been a decrease in banking services provided to MSBs in terms of actual account closing or increasing the fees on MSB accounts to a point where the business cannot justify the cost to maintain the account.

Response B: Our bank has significantly decreased its services to MSB customers. Our current perception of the regulatory environment is that an oversight or error in the management or monitoring of MSB customer accounts will have a negative impact on the bank's own AML/BSA program and exam rating.

Again, thank you for providing us with an opportunity to comment on this proposed rule. If you have any questions concerning our comments, please contact the undersigned at nmerritt@zionsbank.com.

Sincerely,

Norman Merritt
Director of Corporate Compliance