

Commentary for Section 352 AMLP Regulations

Please accept this E-mail message as commentary for Section 352 Anti-Money Laundering Programs Regulations as set forth in the Federal Register / Vol. 67, No. 82 on April 29, 2002. The purpose of this message is to provide background information and commentary regarding the applicability of AMLP Regulations for our financial institution. We hope this will assist FinCEN in analyzing the money laundering risks associated with financial companies such as ours, and subsequently, affecting the resulting final regulations.

INTRODUCTION

Security Trust Company (STC) provides administrative and back-office services as trustee or custodian for retirement plans and individual trusts. We are not a federally insured depository institution, nor are we a broker/dealer under GLBA.

STC fully agrees with and supports the USA PATRIOT Act and desires to develop a meaningful compliance program to ensure the goals of the Act are met. We will address our analysis of AMLP based on the following points: 1) Upfront identity verification, and 2) Ongoing transaction monitoring.

UPFRONT IDENTITY VERIFICATION:

We believe that client identities and cash transactions should be verified, but verified one time at the front-end of establishing an account relationship. Assuming the first review is undertaken with proper due diligence, confirming an identity or verifying a transaction more than once is uneconomical and impractical. The appropriate firm to conduct this review is the initial contact firm (Bank, Broker/Dealer, Registered Investment Advisor, etc.). The responsibility of secondary and back office support institutions should be at most, to ensure that their front-line partners have implemented appropriate AML policies and procedures. Allow me to demonstrate the practicality of our position:

Personal Trust Accounts: STC is not in the business to manage investments and thus, we ally ourselves with the brokerage community to refer personal trust clients to us. Assets remain in the custody of that brokerage firm in which the client relationship originated. Therefore, the brokerage firm has already verified the identity of the client.

Retirement Plan Accounts: Third Party Administrator (TPA) firms perform the participant level accounting for retirement plans and refer their clients to us to use our daily valuation capability and our NSCC asset trading platform. It is impossible for these plan sponsors to conduct business with us without the existence of a bank depository account. Again, the bank will have already performed identity due-diligence prior to STC interacting with the client.

ONGOING TRANSACTION MONITORING:

Personal trusts accounts are created and governed by Wills and other trust documents. Those documents and fiduciary law control circumstances for incoming and outgoing funds. The results of that activity are reported to the IRS. Retirement plan transactions are limited by the plan/trust provisions and governed by ERISA and the Internal Revenue Code. All retirement plan transactions are reported to the IRS. Finally, all incoming and outgoing funds must pass through an account established with a "front-line" financial institution, which has already verified the client's identity and monitors the client's currency transactions for BSA compliance. In addition STC continues to maintain BSA large currency transaction reporting procedures in the event a client needs to conduct cash transactions directly with us.

CONCLUSION

Our analysis has identified one scenario that may require us to perform AMLP due diligence. Similar to bank depository accounts, personal investment agency accounts are not reported transaction by transaction directly to the IRS, nor are there typically any restrictions on money movement. We believe AMLP due diligence may be warranted when accepting new agency accounts if the relationship has not originated from a "front-line" business partner. (However, it is also worthy of note, that the client must still utilize a "front-line" institution to move funds to and from STC, and that institution would perform the identity verification due diligence.)

In summary, our institution contends that we should not be required to perform additional AMLP identity verification due diligence that the "front-line" institutions have already performed prior to that client conducting business with us. Furthermore, the risk of money laundering with the types of financial accounts we deal with is very low due to the structured nature of the accounts and the transaction by transaction reporting to the IRS. We are willing to perform reasonable due diligence with our business partners regarding their compliance with AMLP, and we are not unwilling to complete a full AMLP background investigation if a client opens an investment agency or custodial account that has not come to us through our "front-line" referral network.

Thank you for providing the financial community the opportunity to submit commentary for you to consider. Please contact me if you have any questions or comments.

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