

## Memorandum for the Record

By: Deborah Silberman  
Assistant Director  
Office of Regulatory Policy  
Financial Crimes Enforcement Network  
Re: Meeting with counsel and representatives of VEF Bank  
Date: May 3, 2005

Attendees: For VEF Banka: Dennis Foreman, Senior Counsel, Dudinsky & Associates; Michael Sauls, Senior Vice President, Dudinsky & Associates; Steven Rubin, Breschel & Rubin; Alexey Durandin, Chairman of Council, VEF Banka; Alexander Durandin, Chemistry Professor, New York University, Valeri Gandelman, Advisor to the Chairman, VEF Banka; Alexander Durandin Jr., Acting Translator for Chairman, VEF Banka. For FinCEN: Deborah Silberman, Assistant Director, Office of Regulatory Policy; Judith Starr, Chief Counsel; Koko Ives, Regulatory Policy Specialist, FinCEN; Joshua Kaptur, Regulatory Policy Specialist.

Comments by Mr. Foreman on behalf of VEF:

1. VEF does not agree with everything in the Notice of Proposed Rulemaking but does not want to leave the impression of non-cooperation. VEF is anxious to cooperate. The bank may not survive the next thirty days. VEF is eager to hear FinCEN's solution to problems, if it has any, and to cooperate so that VEF could be the first bank to cooperate and reform under the Patriot Act instead of being the first to be closed by it.
2. VEF would like to address the issues of international banking, offshore shell corporations, and the documentation and identification of stockholders.
3. Documents verifying identity are needed to open any bank account at VEF, in compliance with Latvian law. The US has expressed concerns about forgery but under Latvian law the bank is obliged to accept any document that is notarized as fact. Does FinCEN have any suggestions to address this?
4. Given Latvia's history and geography it is understandable that VEF would have a high number of non-Latvian account holders. VEF feels that the country's history and geography should have been considered and included in the Notice.
5. Since issuance of the Notice, much has changed; many clients have been closing their accounts. Much business has been lost. VEF hopes that one possible result of this meeting is to "halt the bleeding of VEF." They request that the Department of the Treasury issue a press release verifying that VEF met with officials at FinCEN.

6. VEF questions why FinCEN did not contact it before this Notice was issued.
7. Mr. Foreman asked if FinCEN and Treasury could act on VEF's concerns before the 30-day Public Comment period is over. Ms. Starr replied that FinCEN is not in a position to make any representations on behalf of Treasury at this meeting.. Ms. Silberman noted that the points made by VEF will be made a part of the public record.

Comments by Mr. Rubin on behalf of VEF:

1. VEF is concerned that it cannot wait 30 days for the Comment Period to close. The government of Latvia, customers and partners took the Notice very seriously and the bank has been losing banking relationships ever since.
2. VEF requests a statement from the United States saying that the bank is trying to resolve deficiencies.
3. VEF has retained Price Waterhouse Coopers to audit the bank's anti-money laundering program.

Comments by Mr. Alexey Durandin on behalf of VEF:

1. VEF would like to make the point that Latvian law does not permit access to accounts by third parties unless those parties have a legal right to know the information.
2. Latvia and the United States have a mutual recognition agreement regarding notarized documents, in that a document notarized in one country will be accepted in the other.
3. VEF has always been a strong bank. After the collapse of the Soviet Union, many banks became unstable but VEF endured those turbulent times. Latvia is still in its infancy in the banking sector when compared with the rest of the world and some mistakes are unavoidable.
4. VEF has been proactive in the review of its anti-money laundering measures. For the last three years Deloitte Touche has audited the programs; Price Waterhouse has been retained for 2005. VEF has never had any problems with the Latvian government before, and was recognized as Bank of the Year. Thus the Notice was unexpected and has had devastating effects no one could foresee. The chairman wants to cooperate and address deficiencies fully and will provide any documents FinCEN might request.
5. As of today, 700 account holders are Latvian with only 200 being foreigners.

6. It is VEF's opinion that the Notice addresses deficiencies within the Latvian banking system rather than with VEF and contends that this countrywide criminality is not associated with the bank. VEF requests access to the information underlying references in the Notice that VEF has been used to "facilitate money laundering." VEF was never contacted by Interpol or any international organizations about illicit activity. If FinCEN has information about suspect accounts or transactions, then VEF will freeze accounts, but without this information VEF will be forced to close these accounts.
7. Regardless of whether an account is opened over the internet or in person, VEF still needs documentation to verify the identity of the account holder. Anonymous credit or debit cards do not exist and VEF does not have its own credit card. Other cards are given to a small amount of people with a limit of no more than \$10,000.
8. Until VEF has resolved its issues with FinCEN it will not open any new internet accounts. VEF would like to continue internet banking but in a way that is acceptable to Treasury.
9. VEF contends it has no knowledge of the carding indictment mentioned in the Notice and needs more information to properly handle the situation.
10. VEF has procedures in place to monitor an account if a lot of money is withdrawn, and to report any suspicious activity.
11. VEF has cooperated with many Latvian and international organizations and would be happy to cooperate with FinCEN.