Fedwire, (202) 452–2934, Division of Reserve Bank Operations and Payment Systems; Oliver Ireland, Associate General Counsel, (202) 452–3625, or Elaine M. Boutilier, Senior Counsel, (202) 452–2418, Legal Division, Board of Governors of the Federal Reserve System. For the hearing impaired *only*, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202) 452– 3544.

SUPPLEMENTARY INFORMATION: The statute generally referred to as the Bank Secrecy Act (Pub. L. 91-508, codified at 12 U.S.C. 1829b and 1951-1959, and 31 U.S.C. 5311-5329) authorizes the Secretary of the Treasury to require financial institutions to keep records and file reports that the Secretary determines have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The primary purpose of the Bank Secrecy Act is to identify the source, volume, and movement of funds into and out of the country and through domestic financial institutions. The Bank Secrecy Act was amended by the Annunzio-Wylie Anti-Money Laundering Act of 1992, Title XV of the Housing and Community Development Act of 1992, Pub. L. 102-550 (referred to hereafter as the 1992 Amendment) to specifically authorize the Treasury and the Board jointly to prescribe regulations to require maintenance of records regarding domestic and international funds transfers.

The 1992 Amendment authorizes the Board and the Treasury to promulgate recordkeeping requirements for domestic wire transfers by insured depository institutions whenever the agencies determine that such records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. In addition, the 1992 Amendment requires the Treasury and the Board to issue final regulations with regard to international transactions. The recordkeeping requirements for international transactions will apply to financial institutions as defined in 31 CFR 103.11(i),¹ which include insured depository institutions, brokers and dealers in securities, as well as other businesses that provide money transmitting services. In prescribing these required regulations, the Board and the Treasury considered the usefulness of these records in criminal, tax, or regulatory investigations or proceedings and the effect on the cost and efficiency of the payment system.

The Board and the Treasury decided that it would be simpler to issue regulations for both domestic and international funds transfers simultaneously, because the recordkeeping requirements will be substantially the same.

The number of wire transfers completed is substantial. For example, more than 71 million funds transfers with an aggregate dollar value of approximately \$208 trillion were made over Fedwire in 1993. More than 42 million funds transfers with a value of approximately \$266 trillion were made over the Clearing House Interbank Payments System (CHIPS). Nonbank providers of money transmitting services make an estimated 12.7 million transmittals annually.

Money laundering is a vital component of drug trafficking and other criminal activity throughout the world, and Federal law enforcement agencies believe that a significant amount of the money laundered involves wire transfers. Proceeds from illegal activities may be processed through money laundering schemes involving domestic and/or international payments by wire transfers. Such activity has been documented in several recent investigations conducted by the Treasury and other Federal law enforcement agencies.

In August 1993, the Treasury and the Board jointly issued for public comment a proposal to enhance the recordkeeping requirements relating to certain wire transfers by financial institutions (58 FR 46014, August 31, 1993). Based on the comments received, the Treasury and the Board have modified the proposed rule to reduce the burden associated with the rule, while maintaining the usefulness of the rule to law enforcement agencies. The Board and the Treasury believe that maintenance of these records will have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. Further, the Board and the Treasury believe that these recordkeeping requirements will not have a significant adverse effect on the cost or the efficiency of the payments system.

Codification of the Rule

To minimize potential confusion by affected entities regarding the scope of this joint rule and its interaction with other anti-money laundering regulations, the substantive requirements of the rule will be codified with other Bank Secrecy Act regulations, as part of the Treasury's regulations in 31 CFR Part 103. Because the Board is required to prescribe these regulations jointly with the Treasury, the Board is adding a new subpart B to 12 CFR Part 219, which will crossreference the jointly prescribed requirements in 31 CFR Part 103. The current text of 12 CFR Part 219, concerning reimbursement to financial institutions for assembling and providing financial records pursuant to the Right to Financial Privacy Act, will become subpart A of 12 CFR Part 219.

Summary Description of the Rule

The Joint Notice, published elsewhere in today's Federal Register, provides an extensive description of the substantive requirements of the rule. While the Board is authorized to promulgate jointly with the Treasury recordkeeping and reporting requirements with regard to domestic wire transfers by insured depository institutions, the Board specifically is required to promulgate jointly with the Treasury recordkeeping and reporting requirements for international wire transfers by both insured depository institutions and nonbank financial institutions. The Board is not authorized to promulgate recordkeeping and reporting requirements for domestic wire transfers by nonbank financial institutions. (The Treasury has this authority under other statutory provisions.) This limitation is reflected in the Board's subpart B of 12 CFR Part 219. The Board's recordkeeping and reporting requirements for international wire transfers by nonbank financial institutions, however, are identical to those adopted by the Treasury for domestic and international wire transfers by nonbank financial institutions. Therefore, compliance by nonbank financial institutions with the requirements will not be affected by this limitation in the Board's regulatory authority.

Regulatory Flexibility Analysis

Three requirements of a final regulatory flexibility analysis (5 U.S.C. 604), (1) a succinct statement of the need for and the objectives of the rule, (2) a summary of the issues raised by the public comments, the agency's assessment of the issues, and a statement of the changes made in the final rule in response to the comments, and (3) a description of significant alternatives to the rule that would minimize the rule's economic impact on small entities and reasons why the alternatives were rejected, are discussed in the Joint Notice.

Competitive Impact Analysis

In considering an operational or legal change that would affect a Federal Reserve Bank priced service, the Board

¹When this rule becomes effective, the citation for the definition of financial institution will be 31 CFR 103.11(n).