



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

February 1, 2000

The Honorable John D. Dingell
Ranking Member
Committee on Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Dingell:

Thank you for your recent letter in which you expressed concern that Treasury's Financial Crimes Enforcement Network (FinCEN) has not issued regulations requiring securities broker-dealers to file suspicious activity reports (SARs).

I agree with you that it is critical to extend SAR regulations to the securities industry. One of the action items of the National Money Laundering Strategy, which the Attorney General and I announced on September 23, 1999, is the extension of SARs to this industry. In fact, Treasury has been working toward this goal well before the Strategy was announced and has made considerable progress in moving forward with a proposed rule.

FinCEN has been consulting with the Securities and Exchange Commission (SEC), the self-regulatory organizations, and the industry to devise an effective and practical system for securities broker-dealers to detect and report suspicious transactions. A comprehensive proposed SAR rule and industry guidance document have been drafted and shared with the SEC, and our goal is to issue a proposed SAR rule for securities firms later this year.

Our work in extending SARs to non-bank financial institutions has not been limited to the securities industry. FinCEN has already proposed rules that would extend SARs to casinos and money services businesses. As reflected in the National Strategy, we expect to issue final SAR rules for these industries later this year.

I think it is important to keep in mind that the current SAR system for banks is still relatively new, having been established in 1996. We have learned a lot from our experience with the banks and want to make sure that we take these lessons into account in extending SARs.

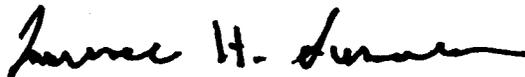
One of the most important of these lessons is the need to provide appropriate guidance to the relevant industries on how to recognize and report suspicious transactions. This guidance must take into account the differences among financial sectors. What may be suspicious activity at a bank, may be normal, day-to-day activity for a check casher. We believe the time we take for

industry outreach is well spent and will help ensure the success of the reporting regime we put into place.

You have also expressed an interest in knowing whether or not the insurance industry will be included in this effort. At the present time, because we are focusing our efforts and resources on applying SARs regulations to the above-mentioned industries, we do not have a specific program in place to extend SARs to the insurance industry. Although, in light of the passage of the Financial Services Modernization Act of 1999, we have begun preliminary discussions directed at the vulnerabilities to money laundering with the industry.

I want to thank you for your interest in our anti-money laundering efforts. Treasury is committed to extending suspicious activity reporting to the securities industry as well as other non-bank financial institutions. I think we have made important progress in accomplishing this goal. Should you or your staff like additional information, we would be happy to have FinCEN provide a more detailed briefing on its regulatory agenda.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence H. Summers", written in a cursive style.

Lawrence H. Summers