

FEDERAL RESERVE BANK
OF NEW YORK

At Circ. No. 8926

October 1, 1980

**"LAUNDERING" OF PROCEEDS OF
ILLEGAL DRUG TRAFFIC**

*To the Chief Executive Officer of Each State Member Bank, Bank Holding Company,
U.S. Branch and Agency of a Foreign Bank, and Edge and Agreement Corporation
in the Second Federal Reserve District:*

As you are no doubt aware, there has recently been increasing public concern that illegal drug traffic is being made easier, and more difficult to trace, by the laundering of drug money through commercial banks and other financial institutions. Clearly, this situation undermines public confidence in the Nation's financial institutions.

While we have no knowledge of any recent incidents involving Second District financial institutions, every financial institution is vulnerable to becoming unwittingly involved. We ask you to make every effort to ensure that your institution is in full compliance with laws and regulations designed to limit unusual currency activities. In particular, we remind you of your responsibilities under the Currency and Foreign Transactions Reporting Act of 1970 and the implementing regulations issued by the Treasury Department in 1972. One of the purposes of that Act is to assist law enforcement authorities in combating illegal drug traffic, most of which is conducted on a cash basis. The Treasury's regulations, which set forth recordkeeping and reporting requirements for currency transactions, apply to all financial institutions. We suggest that senior management at each institution review and confirm the adequacy of internal controls, audit procedures, and employee training to ensure that the institution is in compliance with the Act and its implementing regulations.

If you have any questions regarding this matter, please contact A. John Maher, Assistant Chief Examiner in our Bank Examinations Department (Tel. No. 212-791-5194).

ANTHONY M. SOLOMON,
President.