

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 301

[REG-105316-98; REG-161424-01]

RIN 1545-AW67; 1545-BA43

Information Reporting for Qualified Tuition and Related Expenses; Magnetic Media Filing Requirements for Information Returns; Correction**AGENCY:** Internal Revenue Service (IRS), Treasury.**ACTION:** Correction to proposed regulations.

SUMMARY: This document contains a correction to proposed regulations (REG-105316-98; REG-161424-01) which were published in the **Federal Register** on Monday, April 29, 2002 (67 FR 20923). The proposed regulations relate to the information reporting requirements under section 6050S for payments of interest on qualified education loans, including the filing of information returns on magnetic media.

FOR FURTHER INFORMATION CONTACT: Guy R. Traynor, Regulations Unit, (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION:**Background**

The proposed regulations that are subject to this correction are under section 6050 of the Internal Revenue Code.

Need for Correction

As published, these proposed regulations (REG-105316-98; REG-161424-01) contain an error that may prove to be misleading and is in need of clarification.

Correction of Publication

Accordingly, the publication of proposed regulations (REG-105316-98; REG-161424-01) which were the subject of FR Doc. 02-9932, is corrected as follows:

§ 1.6050S-1 [Corrected]

1. On page 20931, column 3, § 1.6050S-1(b)(2)(vii), *Example 4.* (iii), line 14, the language “2004. Under paragraph (b)(2)(v) of this” is corrected to read “2003. Under paragraph (b)(2)(v) of this”.

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DEPARTMENT OF THE TREASURY

31 CFR Part 103

RIN 1506-AA29

Financial Crimes Enforcement Network; Due Diligence Anti-Money Laundering Programs for Certain Foreign Accounts**AGENCY:** Financial Crimes Enforcement Network (FinCEN), Treasury.**ACTION:** Notice of proposed rulemaking.

SUMMARY: Treasury and FinCEN are issuing a proposed regulation to implement section 312 of the USA PATRIOT Act of 2001, which requires U.S. financial institutions to establish due diligence policies, procedures, and controls reasonably designed to detect and report money laundering through correspondent accounts and private banking accounts that U.S. financial institutions establish or maintain for non-U.S. persons.

DATES: Written comments may be submitted to FinCEN on or before July 1, 2002.

ADDRESSES: Submit comments (preferably an original and four copies) to FinCEN, P.O. Box 39, Vienna, VA 22183, Attn: Section 312 Regulations. Comments may also be submitted by electronic mail to regcomments@fincen.treas.gov with the caption in the body of the text, “Attention: Section 312 Regulations.” Comments may be inspected at FinCEN between 10 a.m. and 4 p.m. in the FinCEN Reading Room in Washington, DC. Persons wishing to inspect the comments submitted must request an appointment by telephoning (202) 354-6400 (not a toll-free number).

FOR FURTHER INFORMATION CONTACT: Office of the Assistant General Counsel for Enforcement (Treasury), (202) 622-1927; the Office of the Assistant General Counsel for Banking and Finance (Treasury), (202) 622-0480; or Office of the Chief Counsel (FinCEN), (703) 905-3590 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:**I. Background**

On October 26, 2001, President Bush signed into law the USA PATRIOT Act of 2001, Public Law 107-56 (the Act). Title III of the Act, captioned “International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001,” includes certain amendments to the Bank Secrecy Act (BSA), 31 U.S.C. 5311 *et seq.*, intended to aid in the prevention, detection, and prosecution of international money laundering and terrorist financing.

Section 312 of the Act adds new subsection (i) to 31 U.S.C. 5318. This provision requires each U.S. financial institution that establishes, maintains, administers, or manages a private banking account or a correspondent account in the United States for a non-U.S. person to take certain anti-money laundering measures with respect to such accounts. In particular, financial institutions must establish appropriate, specific, and, where necessary, enhanced, due diligence policies, procedures and controls that are reasonably designed to enable the financial institution to detect and report instances of money laundering through those accounts.

In addition to this general requirement, which applies to all correspondent and private banking accounts for non-U.S. persons, section 312 of the Act specifies additional standards for certain correspondent accounts. For a correspondent account maintained for a foreign bank operating under an offshore license or a license granted by a jurisdiction designated as being of concern for money laundering, a financial institution must take reasonable steps to identify the owners of the foreign bank, to conduct enhanced scrutiny of the correspondent account to guard against money laundering, and to ascertain whether the foreign bank provides correspondent accounts to other foreign banks and, if so, to conduct appropriate related due diligence.

Section 312 also sets forth minimum standards for the due diligence requirements for a private banking account for a non-U.S. person. Specifically, a financial institution must take reasonable steps to ascertain the identity of the nominal and beneficial owners of, and the source of funds deposited into, the private banking account, as necessary to guard against money laundering. The institution must also conduct enhanced scrutiny of private banking accounts requested or maintained by or on behalf of senior foreign political figures (or their family members or close associates). Enhanced scrutiny must be reasonably designed to detect and report transactions that may involve the proceeds of foreign corruption.

Section 312(b)(2) provides that subsection 5318(i) takes effect on July 23, 2002, and applies with respect to accounts covered by the requirement, regardless of when they were opened.

II. The Proposed Rule

The proposed rule, which was developed by Treasury in consultation with the staffs of the Federal functional