



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

DIVISION OF BANKING  
SUPERVISION AND  
REGULATION

**SR 07-4 March 22, 2007**

TO THE OFFICER IN CHARGE OF SUPERVISION AND  
APPROPRIATE SUPERVISORY AND EXAMINATION STAFF  
AT EACH FEDERAL RESERVE BANK AND EACH  
DOMESTIC AND FOREIGN BANKING ORGANIZATION  
SUPERVISED BY THE FEDERAL RESERVE

SUBJECT: Imposition of Special Measures against Banco Delta Asia SARL

The Board of Governors of the Federal Reserve System is issuing this SR letter to advise banking organizations under its supervision that the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) has imposed special measures against Banco Delta Asia SARL, Macau, Special Administrative Region, China (Banco Delta Asia). These measures create obligations for U.S. banking organizations with regard to this institution.

On March 14, 2007, FinCEN issued a final rule that imposes special measures under section 311 of the USA PATRIOT Act (31 U.S.C. 5318A)<sup>1</sup> against Banco Delta Asia. These special measures apply only to Banco Delta Asia and its branches, offices, and subsidiaries operating in Macau or in any other jurisdiction. They do not apply to its parent company, Delta Asia Group (Holdings) Ltd., or any of the parent company's other subsidiaries. The final rule specifically identifies eight branches operating in Macau; five offices, including a representative office in Tokyo; and two wholly owned subsidiaries, Delta Asia Credit Limited and Delta Asia Insurance Limited. This final rule is effective April 18, 2007; it can be found at ([http://www.fincen.gov/reg\\_section311.html](http://www.fincen.gov/reg_section311.html)).

The final rule prohibits all covered financial institutions<sup>2</sup> from opening or maintaining a correspondent account in the United States for, or on behalf of, Banco Delta Asia or its branches, offices, and subsidiaries. Covered financial institutions are also required to apply special due diligence to their correspondent accounts for foreign banks that is reasonably designed to guard against the indirect use of such accounts by Banco Delta Asia.

At a minimum, special due diligence under the final rule must include two elements:

- First, a covered financial institution must notify its correspondent account

holders that the account may not be used to provide Banco Delta Asia with access to the covered financial institution. The final rule requires a covered financial institution to document its compliance with this notice requirement.

- Second, a covered financial institution must take reasonable steps to identify any indirect use of its correspondent accounts by Banco Delta Asia, to the extent that such indirect use can be determined from transactional records maintained in the covered financial institution's normal course of business.

The final rule states that a covered financial institution must take a risk-based approach based on factors such as the type of services offered by, and the geographic locations of, its correspondent account holders when deciding what, if any, additional due diligence measures it should adopt to guard against the indirect use of its correspondent accounts by Banco Delta Asia. Pursuant to the final rule, a covered financial institution that obtains knowledge that a correspondent account is being used by a foreign bank to provide indirect access to Banco Delta Asia must take all appropriate steps to prevent such indirect access, including, when necessary, terminating the correspondent account.

Reserve Banks are asked to distribute this SR letter to domestic and foreign banking organizations supervised by the Federal Reserve as well as to supervisory and examination staff. For questions regarding these special measures, please contact Suzanne Williams, Manager, BSA/AML Risk (202) 452-3513.

Roger T. Cole  
Director

**Notes:**

1 For background information on section 311, refer to the "Special Measures" section of the *Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering Examination Manual*, available at [http://www.ffiec.gov/bsa\\_aml\\_infobase/](http://www.ffiec.gov/bsa_aml_infobase/).

2 Section 103.193(a)(3) of the rule defines covered financial institution to include all of the following: an insured bank (as defined in section 3(h) of the Federal Deposit Insurance Act (12 U.S.C. 1813(h))); a commercial bank; an agency or branch of a foreign bank in the United States; a federally insured credit union; a savings association; a corporation acting under section 25A of the Federal Reserve Act (12 U.S.C. 611 *et seq.*); a trust bank or trust company that is federally regulated and is subject to an anti-money laundering program requirement; a broker or dealer in securities registered, or required to be registered, with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*), except persons who register pursuant to section 15(b)(11) of the Securities Exchange Act of 1934; a futures commission merchant or an introducing broker registered, or required to be registered, with the Commodity Futures Trading Commission under the Commodity Exchange Act (7 U.S.C. 1 *et seq.*), except persons who register pursuant to section 4(f)(a)(2) of the commodity Exchange Act; and a mutual fund, which means an investment company (as defined in section 3(a)(1) of the Investment Company Act of 1940 ("Investment Company Act") (15 U.S.C. 80a-3(a)(1))) that is an open-end company (as defined in section 5(a)(1) of the Investment Company Act (15 U.S.C. 80a-5(a) (1))) and that is registered, or is required to register, with the SEC pursuant to the Investment Company Act.