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Banks Must Photostat Checks

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All banks in the United States will be required to keep photostatic records of almost every check made out by its customers starting July 1. The Chronicle has learned.

The copies could then be available for inspection by Federal officials through the subpoena process for criminal, tax and regulatory investigations.

Robert H. Fabian, senior vice president and general counsel of Bank of America, said his institution is now undertaking a study of what additional equipment it will need to comply with the stringent new Treasury Department regulations.

CHALLENGE

Henry Ramsey Jr., professor of law at the University of California's Boalt Hall and co-chairman of the legal committee of the American Civil Liberties Union of Northern California, said he and a group of other lawyers will challenge the constitutionality of the new requirements.

The Treasury Department announced the regulations April 5 in the Federal Register under the mild-sounding title, "Monetary Offices: Financial Recordkeeping and Reporting of Currency and Foreign Transactions."

It was not until some time later that an inspection of the rules revealed that the Treasury Department was not confining itself to foreign

LINES

After more than 500 lines of fine type, these lines appear in the April 5 announcement:

"With respect to each deposit or share account opened after June 30, 1972, by a person residing or doing business in the United States or a citizen of the United States, such bank shall secure and maintain a record of the taxpayer identification number of each person maintaining the account . . .

"Each bank shall, in addition, retain either the original or a microfilm or other copy or reproduction of each of the following:

"(1) Each document granting signature authority

"(2) Each statement . . .

"(3) Each check, clean

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draft or money order drawn on the account or issued and payable to it . . ."

The only exceptions listed in the checkkeeping records are those applying to large business firms rather than individual depositors. Banks are not required to keep duplicates of routine payroll checks issued by large companies, routine government checks, insurance claim checks and the like.

The rules apply not only to banks but to securities brokers, sellers of travelers'

checks and credit card systems whose cards can be used in foreign countries.

In addition to retaining records for at least five years, banks will be required to report unusually large currency transactions by their customers.

Two specific types of transaction must be reported directly to the Treasury Department:

• A withdrawal of \$10,000 or more in currency by a customer who would not ordinarily be expected to take that much money out of the bank.

• Any securities totaling \$5000 or more dispatched to a foreign country, including letters of credit, stock certificates and the like.

RULES

The regulations did not come as a complete surprise.

The Bank Secrecy Act, described as a means of cutting drug traffic and gold trading by keeping track of United States dollars in international transactions, was signed by President Nixon early in 1971.

Prior to its passage, bankers such as Bank of America's Fabian protested that the act would apply to domestic bank dealings as well. Fabian made an unsuccessful effort to persuade the Treasury Department to limit the measure's scope.

Rumors that the Treasury Department was about to implement the bill began circulating in March. The Treasury pounced on a factual error in the first reports—an assertion that the currency reporting limit was to be \$5000 (instead of \$10,000) —and on March 8 labeled the rumors as "absolutely false."

AGENTS

The new regulations continue the present requirements that banks will permit government agents to examine depositors' accounts only if the agents can produce valid subpoenas.

This is not a difficult requirement for some agents to meet. Treasury agents already have the authority to issue their own subpoenas and sign the order themselves.