

August 2, 2006

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1258; Threshold for
Retaining and Transmitting Information
on Funds Transfers

Dear Ms. Johnson:

Navy Federal Credit Union provides the following comments in response to the Federal Reserve Board and the Financial Crimes Enforcement Network's (the agencies) advance notice of proposed rulemaking on reducing or eliminating the threshold for retaining and transmitting funds transfer information. Navy Federal is the nation's largest natural person credit union with over \$25 billion in assets and 2.7 million members.

We applaud the agencies' decision to publicly raise this issue first as an advance notice of proposed rulemaking (ANPR). Lowering or eliminating the funds transfer threshold for both recordkeeping and transmittals would be a substantive change to the existing Bank Secrecy Act/Anti-Money Laundering (BSA/AML) rules for financial institutions. We believe that the release of this ANPR gives the agencies and other affected parties time to gather important data on the potential benefits and burdens of such a change.

Of the funds transfers Navy Federal originates each year, approximately 45 percent are for amounts less than \$3,000, 34 percent are for amounts less than \$2,000, and 30 percent are for amounts less than \$1,000. Navy Federal only originates funds transfers for those who qualify as "established customers" pursuant to 31 CFR 103; therefore, we do not have any practices that are different for established versus non-established customers. Our policies differ solely based on the dollar amounts of the funds transfers. For funds transfers in amounts of \$3,000 or more, we require our account holders to provide the payees' addresses, and we retain these addresses as part of our recordkeeping procedures. We also transmit these addresses with the funds transfers. We do not require account holders to provide payee addresses, nor do we include the addresses in the transmittals, for transfers in amounts less than \$3,000.

Simply reducing or eliminating the \$3,000 threshold would not substantially impact the price and type of funds transfer services Navy Federal currently offers. For example, requiring

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our account holders to provide payee addresses for transfers in amounts below \$3,000 would require relatively minor system changes, staff training, and revisions to our procedures. We anticipate that such changes would have little impact on our ability and desire to offer funds transfer services to our members at existing service levels.

Even though modifying the \$3,000 threshold would have little impact on the funds transfer services Navy Federal makes available, such a change would impact Navy Federal's overall BSA/AML compliance program. We believe it is critical for the agencies to gather more data on how this information could prove valuable to law enforcement prior to issuing any future rulemaking. We believe that law enforcement already has access to a wealth of information during investigations. Further, while Navy Federal strongly supports the purposes of the BSA/AML statutes, regulations, and guidance, the compliance burden on financial institutions is becoming more and more time-consuming. Taking into consideration the existing requirements, such as suspicious activity monitoring, reporting, staff training, and customer due diligence, we believe that financial institutions are already straining under the weight of full compliance with both the spirit and the letter of BSA/AML. Reducing or eliminating the \$3,000 threshold would add another ongoing task to financial institutions' already "full plates."

Therefore, we believe it is extremely important for the agencies to measure the potential benefits of such a change to law enforcement before imposing additional funds transfer recordkeeping and information transmittal requirements on financial institutions. Further, we urge the agencies to analyze the suspicious activity and currency transaction report data that they are already receiving to the fullest extent possible before promulgating new BSA/AML compliance requirements. We also encourage the agencies to focus any new requirements on the areas of most benefit to law enforcement with the least possible burden on financial institutions.

Navy Federal is also concerned that eliminating or lowering the \$3,000 threshold could be a precursor to a new, ongoing reporting requirement for funds transfer information. At this time, we oppose such a reporting requirement. A reporting requirement for funds transfer information, particularly if reporting were required in real-time, would be extremely burdensome on financial institutions. We also are concerned that the agencies may not be equipped to analyze the sheer volume of information that would be generated from such a reporting requirement. If the agencies intend to pursue rulemaking on funds transfer information reporting, we encourage them to collect more data on whether the burden on the agencies and on financial institutions of such a requirement would outweigh the potential benefits to law enforcement.

The agencies also request comments on how this ANPR would affect financial institutions' cross-border funds transfer compliance requirements. We anticipate that simply reducing or eliminating the \$3,000 threshold for cross-border funds transfers would have little impact on Navy Federal's funds transfer services. However, it is our understanding that the

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agencies are considering implementing an information reporting requirement specifically for cross-border funds transfers. At this time, we continue to oppose such a reporting requirement, particularly a real-time reporting requirement. Instead, we encourage the agencies to pursue more in-depth analysis of the information they are already collecting. We also encourage them to gather data from law enforcement on the potential benefits of such a reporting requirement so that the agencies can accurately weigh that data against the potential compliance burden on financial institutions. If the agencies intend to pursue rulemaking on cross-border funds transfers, we urge them to first issue an ANPR to gather data on the benefits and burdens to all affected parties.

We appreciate the opportunity to provide comments in response to the agencies' ANPR on the funds transfer recordkeeping and information transmittal threshold.

Sincerely,



W. A. Earner
Acting President/CEO

WAE/sb