



United States Department of the Treasury  
Financial Crimes Enforcement Network

# FinCEN Advisory

**Subject:  
Transactions  
Involving  
Nauru**

**Date:  
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2002**

**Advisory:  
Issue 21A**

This Advisory is being issued to supplement the Financial Crimes Enforcement Network (FinCEN) Advisory 21, issued in July 2000, regarding the Republic of Nauru. Although Nauru has enacted some legislative reforms to address the deficiencies noted in Advisory 21, the Treasury Department has determined that the reforms are not sufficient, especially with regard to its offshore banking sector. As a result, FinCEN is issuing this further Advisory to remind U.S. financial institutions of their statutory obligation to terminate any correspondent account provided to a foreign shell bank, including any foreign shell bank licensed by Nauru.

Therefore, in addition to the enhanced scrutiny recommended in Advisory 21, U.S. banks and other financial institutions are reminded of their obligations pursuant to 31 U.S.C. 5318(j), as added by Section 313 of the USA PATRIOT Act of 2001, with respect to correspondent accounts with foreign shell banks. Under this new provision, U.S. financial institutions, as well as other financial institutions operating in the United States, are required to terminate any correspondent accounts provided to foreign shell banks, and they must take reasonable steps to ensure that correspondent accounts held by foreign banks are not being used to provide banking services indirectly to foreign shell banks. A shell bank is a bank with neither a physical presence in any jurisdiction nor an appropriate affiliation with a regulated, non-shell bank. The Treasury Department has issued both an Interim Guidance as well as a Notice of Proposed Rulemaking that further outline the requirements of this new section. *See* 66 Fed. Reg. 59,344 (Nov. 27, 2001); 66 Fed. Reg. 67,460 (Dec. 28, 2001).

The issuance of this Advisory does not mean that U.S. financial institutions should curtail legitimate business with Nauru, but rather, particular caution should be exercised to ensure compliance with applicable U.S. law.



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Director

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