



INSTITUTE NEWS

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SENIOR POLICY MAKERS AND INDUSTRY LEADERS ADDRESS INSTITUTE'S ANNUAL WASHINGTON CONFERENCE



Rep. Michael G. Oxley, Chairman, House Financial Services Committee.



Sen. Chuck Hagel, Senate Banking Committee.



Roger W. Ferguson, Jr., Vice Chairman, Federal Reserve Board.



John D. Hawke, Jr., Comptroller of the Currency.



Randal Quarles, Assistant Treasury Secretary-Designate for International Affairs and U.S. Executive Director, IMF.



Maurice R. Greenberg, Chairman and Chief Executive Officer, American International Group, Inc.

Disaster recovery and business continuity planning in the aftermath of September 11th, efforts to combat terrorist financing, issues arising from the collapse of Enron, the financial crisis in Argentina and the proposed New Basel Capital Accord were among the topics addressed by senior governmental policy makers, industry leaders and other private sector experts at the Institute's Annual Washington Conference (March 4-5) at the Four Seasons Hotel. *Speaker presentations are available on the Institute's web site at www.IIB.org.*

This year's conference, attended by approximately 250 representatives of member institutions as well as other interested professionals and invited governmental guests, included a breakfast address on Monday, March 4th by Roger W. Ferguson, Jr., Vice Chairman of the Federal Reserve Board, who provided a supervisory perspective on disaster recovery and business continuity issues. Discussing the lessons learned from September 11th, Vice Chairman Ferguson said that while business continuity planning at many institutions had improved

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INSTITUTE'S ANNUAL TAX SEMINAR TO BE HELD ON JUNE 19TH AND 20TH

Arrangements are being completed for the Institute's annual two-day seminar on the U.S. taxation of international banks, to be held on Wednesday, June 19th and Thursday, June 20th at the Grand Hyatt New York (Park Avenue at Grand Central Station). As in past years, this comprehensive seminar will feature government officials and private-sector experts (including representatives of Institute member banks and member firms of our Professional Liaison Committee), who will address the latest developments affecting international banks operating in the United States.

The program will include discussions of key issues that tax professionals need to consider with their senior management as well as practical "how-to" sessions for tax specialists and other interested professionals.

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USA PATRIOT ACT SEMINAR ON MAY 20TH WILL FOCUS ON IMPLEMENTATION DEVELOPMENTS

The Institute will hold a seminar on the continuing implementation of anti-money laundering provisions of the USA Patriot Act and the implications for international banks on Monday, May 20th from 9:00 a.m. to 12:30 p.m. at the

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INSTITUTE SEMINAR ON OPERATIONAL RISK ISSUES IS SCHEDULED FOR APRIL 24TH

The Institute will hold a seminar on operational risk issues on Wednesday, April 24th from 9:00 a.m. to 12:30 p.m. at the James B.M. McNally Amphitheater at Fordham University School of Law (140 West 62nd Street).

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The Institute's mission is to solve the many special legislative, regulatory and tax issues confronting internationally headquartered financial institutions that engage in banking, securities and/or insurance activities in the United States.

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John A. Ross, Chairman Lawrence R. Uhlick, Executive Director

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Stanley Fischer,
Vice Chairman,
Citigroup Inc.



David Green, Head
of International
Policy, Financial
Services Authority,
U.K.



Randall S. Kroszner,
Member of the
President's Council of
Economic Advisers.



Paul M. Dudek, Chief,
Office of International
Corporate Finance,
Securities and
Exchange Commission.



Jeffrey P. Neubert,
President and Chief
Executive Officer,
New York Clearing
House.



Sandra L. Boss, Principal
and Co-Head, Global
Wholesale and Investment
Banking Practice,
McKinsey & Company.

as a result of Y2K preparations, such planning did not fully take into account “the potential for wide-spread disasters and for the major loss or inaccessibility of critical staff.” In terms of the steps regulators are taking, “we are talking to institutions about the robustness of their disaster-recovery planning but are stopping short of setting detailed regulatory standards at this point,” Vice Chairman Ferguson said. “Although I anticipate that we will issue updated supervisory guidance and examination procedures for business continuity before long, I am not certain that we want to approach this issue with a checklist,” he added.

The Monday program also featured a luncheon address by Rep. Michael G. Oxley, Chairman of the House Financial Services Committee, who discussed a broad range of issues, including Trade Promotion Authority legislation, the implementing regulations under the USA Patriot Act, the legislative response to accounting and other issues arising from Enron, as well as legislation for a federal terrorism insurance program – a topic that was also addressed during the morning program by Maurice R. Greenberg, Chairman and Chief

Executive Officer of American International Group, Inc.

In his luncheon remarks, Chairman Oxley also discussed the Comptroller of the Currency’s proposed amendment to the International Banking Act that would give the Comptroller discretion in the application of “capital equivalency deposit” – or asset pledge – requirements to branches and agencies of international banks (see related article in the March issue of *International Banking Focus*). In response to a question, Chairman Oxley also said his committee plans to hold hearings later this year on a federal insurance charter. Later in the day, Senator Chuck Hagel, a member of the Senate Banking Committee, provided his perspective on a number of economic and financial market issues.

The financial crisis in Argentina was the subject of remarks by Stanley Fischer, Vice Chairman of Citigroup Inc. and formerly First Deputy Managing Director of the International Monetary Fund. Mr. Fischer said the impact of the crisis on the rest of Latin America should be fairly small if Argentina can restart its economy by the end of the year, although there are a

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Tax Panel (from left): Michael Caballero, Attorney-Advisor, Office of the Deputy International Tax Counsel, Department of the Treasury; William Chip, Principal, Deloitte & Touche LLP; Marvin S. Michelman, Director, Deloitte & Touche LLP; John M. Staples, Associate Chief Counsel (International), Internal Revenue Service; Patricia A. Brown, Deputy International Tax Counsel, Department of the Treasury; Yaron Z. Reich, Partner, Cleary, Gottlieb, Steen & Hamilton; and Lawrence R. Uhlick, Executive Director and General Counsel, Institute of International Bankers.



Regulatory panel (from left): Annette L. Nazareth, Director of Market Regulation, Securities and Exchange Commission; Jonathan L. Fiechter, Senior Deputy Comptroller for International and Economic Affairs, Office of the Comptroller of the Currency; Richard Spillenkothen, Director of Banking Supervision and Regulation, Federal Reserve Board; and Lawrence R. Uhlick, Executive Director and General Counsel, Institute of International Bankers.

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number of difficult steps that Argentina must take to emerge from the crisis.

Randal Quarles, Assistant Secretary-Designate for International Affairs at the Department of the Treasury and U.S. Executive Director of the IMF, addressed U.S. and international efforts to combat terrorist financing, including the anti-money laundering provisions of the USA Patriot Act. He said the Treasury Department and other agencies are drafting implementing regulations and receiving public comments. "It is very important that you share your views with us for that is the way we can strike a balance between the need to act aggressively against a wide array of crimes for which this law has been designed and avoid unnecessarily burdensome

regulations or invasion of privacy interests," he said. In other remarks on the challenges facing the global economy and financial markets, Mr. Quarles said signs of a recovery are beginning to emerge in the U.S., but he warned that it is "no longer practical or healthy for countries to rely unduly on the U.S. economy to lead global recovery." Later in the morning, conference attendees heard Randall S. Kroszner, a member of President Bush's Council of Economic Advisers, who said he was "heartened" by revised GDP data for the fourth quarter, but cautioned that the slowdown in Europe will take a little more time to reverse itself. He added that the Japanese economy probably faces a small contraction this year.

The proposed New Basel Capital Accord was the focus of remarks by Comptroller of the Currency John D. Hawke, Jr., who expressed concerns about the way in which it

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From left: David Green, Head of International Policy, Financial Services Authority (U.K.); John D. Hawke, Jr., Comptroller of the Currency; and John A. Ross, Corporate Chief Operating Officer, Deutsche Bank Group, and Institute Chairman.



Geoffrey Milton (left), General Manager, Arab Banking Corporation, and Secretary of the Institute, and Rep. Michael G. Oxley, Chairman of the House Financial Services Committee.



From left: Robert O'Sullivan, Senior Vice President, Bank Supervision, Federal Reserve Bank of New York; James M. Stewart, Senior Advisor, Danske Bank A/S, and Chairman of the Institute's Legislative and Regulatory Policy Committee; and Richard Spillenkothen, Director of Banking Supervision and Regulation, Federal Reserve Board.



Lawrence R. Uhlick (left), Executive Director and General Counsel, Institute of International Bankers, and Howard Pitkin, Administrator of Depository Institutions, Connecticut Department of Banking.

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treats operational risk. “A one-size-fits-all approach to operational risk – such as a formulaic capital charge based on some percentage of gross revenues or a percentage of the charge for credit risk – while simple to apply, would disadvantage the best managed banks and provide undeserved advantage to the worst managed,” he said. For this reason, Comptroller Hawke said operational risk “is particularly well suited for a Pillar 2 approach.” The new accord is built on three pillars – minimum capital, supervisory review, and market discipline.

Providing a European regulatory perspective, David Green, Head of International Policy at the Financial Services Authority in the U.K., talked about changes in regulatory structures in the U.K. and throughout the European Union and plans for enhancing the single financial market in the E.U. In his remarks, Mr. Green noted that there have been some calls for a single, integrated regulator for financial services in the E.U. and more so for a single capital market regulator analogous to the U.S. Securities and Exchange Commission. Mr. Green added, however, that such developments would require major constitutional change.

Paul M. Dudek, Chief of the SEC’s Office of International Corporate Finance, discussed changes in corporate disclosure regulations, including accelerated filing deadlines, and other policy initiatives that are being undertaken in response to the collapse of Enron. The Monday afternoon program also featured a presentation by Jeffrey P. Neubert, President and Chief Executive Officer of the New York Clearing

House, on the future of the international payments system and correspondent banking activities in the aftermath of September 11th. Sandra L. Boss, Principal and Co-Head of McKinsey & Company’s Global Wholesale and Investment Banking Practice, discussed the future of international branch banking in the U.S.

The Tuesday program consisted of panel discussions of tax and regulatory developments of interest to internationally headquartered financial institutions. Key issues discussed by Treasury and IRS officials participating on the tax panel included interest expense, the Qualified Intermediary (QI) system and global dealing regulations. Participants on the regulatory panel discussed a number of issues arising from the collapse of Enron, including the use of special purpose entities by banks and borrowers, as well as issues concerning asset quality and the Foreign Banking Organization (FBO) program.

The Sunday evening welcoming reception was sponsored by Cleary, Gottlieb, Steen & Hamilton; the Monday evening reception for conference attendees and the Washington community was sponsored by Ernst & Young LLP; and the breakfasts and refreshments on Monday and Tuesday were sponsored by Clark/Bardes Consulting-Banking Practice. We are grateful to the sponsors for their generous support.

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From left: Robert H. McCormick, Senior Advisor and Executive Vice President, UFJ Bank Limited; Robert R. Bench, Managing Partner, Regulatory Advisory Services, PricewaterhouseCoopers LLP; and Joseph Sciortino, Review Examiner, Federal Deposit Insurance Corporation.



Chester B. Feldberg (left), Chairman, Barclays Americas, and Institute Trustee, and Teresa M. Curran, Vice President and Managing Director, Policy, Analysis & Applications, Federal Reserve Bank of San Francisco.

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RECEPTIONS

The Institute's welcoming reception, sponsored by Cleary, Gottlieb, Steen & Hamilton, was held on Sunday evening at the Four Seasons Hotel. On Monday evening, the Institute's reception for conference attendees and the Washington community, sponsored by Ernst & Young LLP, was held at the Galleria at Lafayette Centre.



Waldo M. Abbot (left), General Manager, Royal Bank of Canada, and Institute Trustee, and Robert C. O'Brien, Managing Director, Credit Suisse First Boston, and Chairman of the Institute's Strategic Planning Committee.



Charles M. Vollmer (left), Executive Vice President, Bank Polska Kasa Opieki S.A., and Institute Trustee, and Dante Pasqualini, Senior Vice President and Manager, UniCredito Italiano SpA.



Carlo Persico (left), Executive Vice President & General Manager, SANPAOLO IMI Bank, and Alexander Voller, Executive Vice President and Branch Manager, Banca di Roma.



Kiseung Jung (left), Chief Representative, Financial Supervisory Service of Korea, and Robert L. Tortoriello, Partner, Cleary, Gottlieb, Steen & Hamilton.



From left: Charles W. Llewellyn, Vice President and Senior Attorney, UFJ Bank Limited; Teresa M. Curran, Vice President and Managing Director, Policy, Analysis & Applications, Federal Reserve Bank of San Francisco; and David R. Sahr, Partner, ShawPittman LLP.



From left: Nancy P. Jacklin, Partner, Clifford Chance Rogers & Wells LLP; Sam Y. Cross; and Geoffrey L. Bell, President, Geoffrey Bell and Company, Inc.

USA PATRIOT ACT SEMINAR

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James B.M. McNally Amphitheater at Fordham University School of Law (140 West 62nd Street).

The Institute's seminar is timed to follow several recent and expected developments that should have important implications for international banks:

- Treasury is expected to release in April proposed regulations implementing Section 312 of the Patriot Act, which effective July 23rd will require due diligence and enhanced due diligence procedures for correspondent accounts and private banking accounts.
- Treasury is expected to issue shortly final regulations under Sections 313 and 319(b) of the Patriot Act, which deal with the recordkeeping obligations of U.S. correspondents with respect to their correspondent accounts for non-U.S. respondents and prohibitions on correspondent accounts for shell banks.
- Treasury has issued proposed regulations (including rules adopted on an interim basis) regarding information sharing among financial institutions and between financial institutions and U.S. governmental authorities under the Patriot Act.
- Treasury is expected to promulgate by April guidance concerning the mandatory anti-money laundering programs that apply to all "financial institutions" under the Bank Secrecy Act, effective April 24th.

In addition to these key expected developments in the implementation of the Patriot Act, private sector best practices are expected to continue to evolve, particularly in the areas of anti-money laundering compliance for non-bank affiliates of international banks, such as broker-dealers.

Officials from the Treasury Department, the Federal Reserve, the OCC and the New York State Banking Department are being invited to speak at the seminar. Other speakers will include experts from leading professional firms as well as from our member institutions. The format of the seminar is being designed to encourage audience members to ask questions and for the panelists and seminar participants to engage in an active dialogue on the many important issues for international banks under the Patriot Act and its implementing regulations. Additional information, including a detailed program, will be distributed in the near future.

NEW MEMBER INSTITUTION

CDC IXIS North America, Inc., the U.S. subsidiary of CDC IXIS (Caisse des Depots Group) has joined the Institute as a new member. Luc de Clapiers is President and Chief Executive Officer of CDC IXIS North America.



Mr. de Clapiers has been responsible for implementing the early development plans of the CDC Group in the United States, which include capital market activities (CDC IXIS Capital Markets North America) and asset management functions.

*Luc de Clapiers,
President & Chief
Executive Officer, CDC
IXIS North America.*

ANNUAL TAX SEMINAR

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Last year's seminar was attended by approximately 200 member bank representatives and tax professionals from both the United States and head offices and was very well received. Given the importance of these tax issues to your bottom-line results, all member institutions are encouraged to be represented at the seminar.

This year's seminar is being co-chaired by Institute Tax Committee members John Rozsa (The Dai-Ichi Kangyo Bank, Ltd.) and Jeff Karp (TD Securities (USA) Inc.) and is being organized in conjunction with the Institute's professional staff, Tax Committee Chairman Andrew Barkin (UFJ Bank Limited), and Yaron Reich (Cleary, Gottlieb, Steen & Hamilton), the Institute's tax counsel.

OPERATIONAL RISK SEMINAR

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Topics to be covered at the seminar include examiners' expectations for what banks should be doing to identify and manage their operational risks, the Basel Committee's efforts to incorporate operational risk into the risk-based capital framework and the use of insurance to mitigate operational risk.

Speakers at the seminar will include officials from the Federal Reserve and the Office of the Comptroller of the Currency as well as representatives from our member institutions, Swiss Re, and other private-sector experts.

All members are encouraged to send one or more representatives to the seminar. The program and registration material are available on the Institute's web site (www.IIB.org).

SCHEDULE OF EVENTS THROUGH JUNE 2002

All interested officers of member institutions are urged to put these dates on their calendars. In particular, we encourage you to make plans to attend the Institute's Annual General Meeting and Membership Luncheon on June 10th at the Waldorf-Astoria Hotel.

Wednesday, April 24, 2002
9:00 a.m. - 12:30 p.m.

Institute Seminar on Operational Risk Issues, at the James B.M. McNally Amphitheater, Fordham University School of Law (140 West 62nd Street).

Monday, May 20, 2002
9:00 a.m. - 12:30 p.m.

Institute Seminar on Continuing Implementation of Anti-Money Laundering Provisions of the USA Patriot Act, at the James B.M. McNally Amphitheater, Fordham University School of Law (140 West 62nd Street).

Monday, June 10, 2002
12:00 noon

Institute's Annual General Meeting and Membership Luncheon, at the Waldorf-Astoria Hotel.

Wednesday, June 19-
Thursday, June 20, 2002

Institute's Annual Seminar on the U.S. Taxation of International Banks, at the Grand Hyatt New York.

Dates for additional seminars, workshops and other events
will be provided in the near future
