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February 15, 2006

Mr. William D. Langford, Jr.
Associate Director
Regulatory Policy and Programs Division
Financial Crimes Enforcement Network
U.S. Department of the Treasury
Post Office Box 39
Vienna, Virginia 22183

Dear Mr. Langford:

Further to our meeting on February 6, 2006 with you and your colleagues, I am enclosing a letter from Joseph T. McLaughlin at Heller Ehrman LLP that sets forth the new information you invited us to submit.

Very truly yours,



James D. Barnette

Enclosure

cc: Joseph T. McLaughlin, Esq.

HellerEhrman_{LLP}

February 15, 2006

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Via e-mail: regcomments@fincen.treas.gov

Mr. William D. Langford, Jr.
Associate Director, Regulatory Policy and Programs Division
Department of the Treasury
Financial Crimes Enforcement Network (FinCEN)
P.O. Box 39
Vienna, VA 22183

Re: Banco Delta Asia S.A.R.L. (RIN 1506-A83)

Dear Mr. Langford:

We appreciated the opportunity to meet with you and your colleagues on February 6 to discuss the proposed rulemaking with respect to our client, Banco Delta Asia S.A.R.L. (the "Bank"). We write to summarize the key points of our presentation.

As discussed during our meeting, we visited Macau and Hong Kong on January 20 and 21 and met with representatives of the Macau Monetary Authority, the Hong Kong Monetary Authority, the Administrative Committee, and Deloitte & Touche ("Deloitte").

I. Ernst & Young's Review

Ernst & Young ("E&Y") has concluded its review of the Bank's activities, including its prior business with North Korean and North Korean-related entities. E&Y submitted a report to the Administrative Committee on December 16, 2005. The Administrative Committee, in turn, submitted its report on the Bank to the Macau Monetary Authority.

We understand that E&Y's report may serve as a starting point for a possible criminal investigation into whether certain deposits at the Bank are connected to illegal activities. While we cannot speak for the Macau Monetary Authority, we understand that the Authority has not made E&Y's report public. We are passing on your request for the report to the Administrative Committee.

II. The Macau Government's Investigation

The Macau Monetary Authority has not made a decision as to the future of the Bank. It has the power to extend the tenure of the Administrative Committee beyond April 30, 2006,

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and will do so if it considers it necessary. Under the Macau Financial System Act (Decree Law No. 32/93), the Macau Monetary Authority has the authority to:

- Cause a sale of the Bank's equity interests;
- Return control of the Bank to its current equity holders;
- Revoke or suspend the Bank's banking license;
- Initiate judicial or non-judicial winding-up proceedings against the Bank;
- Order the Bank not to undertake certain specified operations or activities without the prior approval of the Macau Monetary Authority; and
- Order the temporary closure of service counters of the Bank.¹

As previously reported, the Bank closed its accounts with North Korean and North Korean-related entities and all funds in these accounts have been placed in a suspense account pending further directions from the Macau Monetary Authority. If the Macau Courts determine that they are connected to illegal conduct, the law requires that the funds be confiscated.² The total amount at issue was MOP 200 million (USD \$25 million) as of November 16, 2005. No interest is accruing on these funds. In any event, irrespective of what happens to the North Korean funds, the Bank has stated that it will not resume business with North Korean or North Korean-related entities.

III. The Status of the Bank

The Bank's deposits have stabilized, but the Bank has not regained the business it lost immediately following the publication of the notice of rulemaking. The Bank presently has approximately 30,000 customers and a deposit base of approximately MOP 1.5 billion (USD \$187 million). The Macau Monetary Authority continues to provide liquidity to the Bank.

Since the beginning of February, the Bank has been advised that two Japanese banks, Bank of Tokyo-Mitsubishi UFJ and Mizuho Corporate Bank, and three South Korean banks, Korea Exchange Bank, Shinhan Bank, and the National Federation of Fisheries Cooperatives have suspended all transactions with it as a result of FinCEN's notice. As a consequence, the

¹ In addition to these enumerated powers, the Macau Government may, through executive order, authorize the AMCM to carry out any actions deemed necessary to maintain the stability of the financial system in Macau (Art. 103).

² Penal Code (Decree Law No. 58/95M).

Bank has now lost correspondent banking relationships with U.S., European, and Asian banks. Thus, it appears that both domestic and foreign financial institutions are treating FinCEN's notice of proposed rulemaking as if it were a final rule.

IV. Deloitte's Review of the Bank's AML Program

We previously submitted an outline of Deloitte's three-phase program for revising the Bank's anti-money laundering ("AML") policies and procedures. Deloitte has completed Phase One of the program, which involved the development and approval of a proposed AML risk framework for the Bank. Under this framework, the Bank will identify and assess risks according to geography, client type, product, channels of distribution, and other relevant factors.

Deloitte is presently completing Phase Two, which involved the development and approval of a framework for the Bank's new AML policies and procedures. Deloitte has proposed a framework, which contains AML objectives, organizational and governance mandates, and procedures for client identification, account and transaction monitoring, training, and record keeping. On February 7, Deloitte met with all nine of the Bank's departments to discuss and finalize the framework. Deloitte is working on a final implementation plan that is to be completed by the Bank and Deloitte jointly. In the final phase, the Bank will work with Deloitte to, among other things, analyze the gap between the Bank's current policies and procedures and the new policies and procedures, develop a plan to implement the new policies and procedures, and identify necessary resources, timing, and other factors relevant to implementation.

V. Search for New Compliance and Internal Audit Staff

The Administrative Committee remains in charge of the Bank and the monitors appointed by the Committee for each of the Bank's operating departments remain in their posts. The Bank is working with Deloitte to hire appropriately qualified individuals to fill the posts of Chief Compliance Officer and Head of the Internal Audit. As we explained, however, it may take some time to find such individuals.

VI. Macau's Proposed AML and CFT Legislation

The new draft Macau AML and combating the financing of terrorism ("CFT") legislation is in the political process. We understand that the legislators have agreed, but have not formally voted, to adopt the AML and CFT legislation. We further understand that details of the language are now being discussed by members of the Macau Legislative Assembly and it is anticipated that formal adoption of the legislation will occur in April.

VII. Delta Asia Credit Limited

The Hong Kong Monetary Authority's appointed manager, KPMG, remains in charge of the Bank's Hong Kong subsidiary, Delta Asia Credit Limited ("DAC"). The Hong Kong Monetary Authority is awaiting the outcome of FinCEN's rulemaking process and the Macau Monetary Authority's investigation. It has made no independent determination with respect to DAC, having appointed a manager to protect Hong Kong customers in light of the disruption of DAC's business arising from FinCEN's notice of rulemaking.

* * *

The Bank continues to make progress on developing new AML and related policies and procedures and is searching actively for appropriately qualified individuals to head its Compliance and Internal Audit functions. The Macau Government continues to investigate the North Korean funds held in the suspense account and the Macau legislature is moving towards the adoption of new AML and CFT laws. In sum, both the Bank and Macau are working towards resolving constructively the issues raised in FinCEN's notice of rulemaking.

We understand that FinCEN will consider the evidence supporting its findings in the notice of rulemaking as well as evidence supporting the remedial measures taken by the Bank and Macau in determining what ultimately to do. We share FinCEN's concern that this matter should not be prolonged unduly. We are concerned that entities including U.S. and foreign banks have treated the notice of proposed rulemaking as if it were a final rule requiring cessation of their relationships with the Bank, and will continue to do so unless and until FinCEN's notice of proposed rulemaking is revoked. This has a growing negative effect on the Bank's ability to do business.

In light of the Bank's cooperation and progress, we respectfully submit that FinCEN's goal of protecting the U.S. financial system has been accomplished. While there is still work to be done, as there was in the case of the Ukraine, we ask FinCEN to revoke the notice of proposed rulemaking. See 68 Fed. Reg. 19,071 (Apr. 17, 2003). We will continue to update FinCEN on the progress of the matters identified in this letter and may request a further meeting to discuss additional information that we believe will be helpful to FinCEN in its decision-making process.

Finally, we request that FinCEN accept this letter in connection with its rulemaking and post the letter on its website.

Very truly yours,

Joseph T. McLaughlin /m.c.

Joseph T. McLaughlin