

BULLETIN

Stewart Title Guaranty Company

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NL000135

Date: October 21, 2002

To: All Issuing Offices

From: National Legal Department

Re: USA Patriot Act – Money Laundering; Executive Order and Terrorists Activities

Dear Associates;

Two recent developments require changes in your standard closing practices:

1. the USA Patriot Act, to prevent money laundering.
2. Executive Order No. 13224, prohibiting transactions with persons who commit, threaten to commit, or support terrorism.

USA PATRIOT ACT AND MONEY LAUNDERING

The USA Patriot Act requires the U.S. Department of Treasury (Treasury) to prescribe regulations for financial institutions. For purposes of the USA Patriot Act, financial institutions may include title insurance, and also may include real estate closings. Treasury has adopted or proposed regulations for many other financial institutions, but has not yet proposed regulations for title insurance or for real estate closing. When it does so, we will supplement this Bulletin.

The USA Patriot Act requires Treasury to prescribe regulations that impose new requirements to prohibit money laundering:

1. Treasury must prescribe regulations that require financial institutions to verify the identity of any person seeking to open an account. Treasury has not yet proposed regulations requiring title insurers or real estate closers to adopt identity verification procedures.
2. Treasury must prescribe regulations that require financial institutions to maintain records of the information used to verify the person's identity, including name, address and other identifying information. Treasury has not yet proposed regulations requiring title insurers or real estate closers to adopt procedures for identity verification and records maintenance.
3. Treasury must prescribe regulations that require the financial institution to consult lists of known or suspected terrorist or terrorist organizations provided to the financial institution by any governmental agency. Treasury has not yet proposed regulations for title insurers or real estate closers. However, by separate Executive Order 13224 (Executive Order), you must currently consult the Specially Designated Nationals and Blocked Persons list described below before closing real estate transactions.
4. Some financial institutions are required to report suspicious transactions. Treasury encourages all financial institutions to file reports when appropriate, but Treasury regulations do not impose any requirements on title insurers or real estate closers.
5. The USA Patriot Act prohibits disclosure to parties to the transaction of any report the financial institution makes of suspicious transactions
6. Treasury must prescribe regulations that require financial institutions to establish anti-money laundering programs. The anti-money laundering programs must include: (a) internal policies, procedures and controls; (b) designation of a Compliance Officer; (c) ongoing employee training program; and, (d) independent audit function (which may be done by employees who do not include the Compliance Officer)

to test programs. . Treasury has not yet proposed regulations requiring title insurers or real estate closers to adopt anti-money laundering programs. However, you should continue to comply with our prior guidelines on cash reporting (NL000057). We also recommend that you consider declining to accept cash.

EXECUTIVE ORDER

The Executive Order blocks any transactions involving Specially Designated Nationals and Blocked Persons (SDN List). That list is maintained by the Office of Foreign Assets Control (OFAC).

You should verify, for each closing that you conduct, that the parties to the closing (including a seller, buyer, borrower, individual or foreign lender, or other party receiving any significant funds from closing) are not shown on the SDN List. You should also verify that parties receiving payments from you on claims settlement are not shown on the SDN List.

In order to facilitate your compliance with this Executive Order if you close real estate transactions, we recommend that you require the parties (including those acting through agents), such as individual sellers, buyers, lenders and borrowers whom you sign up or who receive funds from you or disburse funds to you, to furnish to you current government issued photographic identification, such as driver license or passport.

You may use the new Stewart Title Guaranty Company searchable database in order to verify that the parties to each transaction are not on the SDN List. This database is searchable and easy to use. The Stewart SDN List is available at <http://patriots.stewart.com/sanctionsForm.jsp>

The U.S. Department of the Treasury also maintains the OFAC SDN List and other information. The list is alphabetical but does not contain a search feature. The OFAC SDN List is available on the Treasury site at <http://www.ustreas.gov/offices/enforcement/ofac/sdn/index.html> and OFAC also addresses many questions at http://www.treas.gov/offices/enforcement/ofac/faq/index.html#gen_ques.

When you review a name on the list, you must compare it with the exact name of the party to the transaction and their address. You do not have a “match” if the name and address are not the same. For example, according to one OFAC representative, you may not have a match of a common name if the address of the party to the transaction according to government issued identification (such as a driver license) or other documentary evidence of address (such as mail, bills, etc. with an address) shows a U.S. address and the SDN List shows another street address, city or country as the location of the location of the blocked person.

If you find an exact match of name after review of the SDN List or other circumstances reasonably arouse your suspicion, call OFAC at 1-800-540-6322 or 202-622-2490 for further instructions before either closing or refusing to close. Do not simply refuse to close before calling OFAC and never tell the parties to the transaction that you have a match with a name on the SDN List.

If necessary and after discussion with OFAC, you should file any applicable forms for reporting blocked transactions. Those forms are available at <http://www.ustreas.gov/offices/enforcement/ofac/forms/index.html>.

THIS BULLETIN IS FURNISHED TO INFORM YOU OF CURRENT DEVELOPMENTS. OUR UNDERWRITING AGREEMENTS DO NOT AUTHORIZE OUR ISSUING AGENTS TO ENGAGE IN SETTLEMENTS OR CLOSINGS ON BEHALF OF STEWART TITLE GUARANTY COMPANY. THIS BULLETIN IS NOT INTENDED TO DIRECT YOUR ESCROW OR SETTLEMENT PRACTICES OR TO CHANGE PROVISIONS OF APPLICABLE UNDERWRITING AGREEMENTS.

References

Bulletins Replaced:	None
Related Bulletins:	NL000110 Executive Order Freezing Assets; NL000057 Federal Reporting Update: 1099-S, FIRPTA, and Over \$10,000 Cash
Underwriting Manual:	None
Exceptions Manual:	None
Forms:	None