Jonestown Bank
and Trust Company

Compliance Office
421 East Penn Avenue
Cleona, PA 17042
vlg@jonestownbank.com

www.jonestownbank.com

Phone: 717 274-5180 Ext 327
Fax: 717 279-8012

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Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429

Subject: Reducing Regulatory Burden in Money Laundering, Safety and Soundness, and Securities Rules

Dear Mr. Feldman:

We appreciate this opportunity to submit comments on reducing regulatory burden relating to the subject regulations. We are a local community bank of $212 million in assets and just over 100 employees with 8 branches located in non-metropolitan areas. We recognize the need for cooperation of financial and government entities in this post 9/11 world and you can be assured that we are willing to do our part in the fight against terrorist activity, money laundering, and drug traffickers.

The anti-money laundering and Bank Secrecy Act regulations are some of the most taxing compliance regulations we must address on a daily basis. They are also the ones with significant penalties and stiff consequences if we make a mistake. We offer for your consideration the following recommendations, which we feel would reduce the burden without losing the objectives of the regulations:

Anti-money laundering

I. Bank Secrecy Act Compliance (12CFR Part 326, Subpart B)
   A. Thresholds – We recommend that the reporting threshold for both CTR reporting and monetary instruments recordkeeping be indexed to inflation and adjusted at least once every three years. In the twelve month period from 4/1/04 through 3/3/105 we filed 715 CTRs. Of these only 251 (35%) were greater than $20,000.

B Exemptions – There are several areas related to CTR exemptions that need to be changed

1 Permit the exemption of personal accounts held by a sole proprietorship Many small "mom and pop" entities use both business accounts with EINs and personal accounts with SSNs to manage business transactions Currently, personal accounts are not eligible for exemption

2 Remove the eligibility period to qualify for exempt status Established business that are changing from one bank to another clog the system with CTRs on what would otherwise be exemptible activity because of the requirement that the entity be a customer for at least 12 months before it can be considered for exemption Banks should be permitted to make the decision to exempt an accountholder based on the bank's knowledge of the business or the business owner and other qualifiers, such as the history of the entity, the reputation of the entity in the community, or a credit reporting agency report on the entity

3 Eliminate the requirement to renew exemptions every two years The initial designation of exemption should be sufficient Banks are monitoring annually or more frequently the activity of exempt customers Biennial renewal with the Treasury Department is redundant and meaningless. We are not required to notify the Treasury Department when an exemption is revoked. Why require notification if it continues?

C MSBs – While it is appropriate for banks to monitor account activity of MSBs, file CTRs, and report suspicious activity as we do with any other accountholder, it is unreasonable to expect banks to ensure that the MSB has a BSA Program that meets the requirements of the regulation and that it is being followed We recommend that the monitoring and examination of entities defined as Money Services Businesses be the responsibility of the Treasury Department When an entity is "approved" for business by the Treasury Department the entity should be posted on a web site and/or the business given documentation to present to the bank when opening an account. Any future suspension of their authority by the Treasury Department should be communicated to banks using the current FinCEN Point of Contact

In addition, the definition of a check cashing business should be revised. Some non-check cashing businesses may cash a check greater than $1,000 This occasional activity should not be construed to mean that the entity is in the business of cashing checks thus elevating them to the status of MSB

II Reports of Crimes or Suspected Crimes (12CFR Part 353)

A Reporting Threshold – Under Section 353.3(a)(4) banks are required to file a Suspicious Activity Report for transactions aggregating $5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act Based on the resources available in the banking industry and in law enforcement this dollar amount is clearly too low We realize that one bank may not be able to see the whole picture and that multiple SARs put together could result in an arrest However, the threshold should reflect an amount that is reasonably expected to launch an investigation In addition, it is unclear for what time period transactions must be aggregated

B Duplicate investigation – Last year FinCEN reduced the reporting burden by agreeing to eliminate the filing of SARs on OFAC hits This was welcomed relief, but it did not go far enough Banks are expected to research account activity when an OFAC hit occurs or a subpoena is received If suspicious activity is detected, the bank must file a SAR If law enforcement has initiated an investigation, it is repetitive and burdensome for the bank to research and report additional suspicious activity on a person or entity already under investigation Law enforcement can use the 314(a) requests for information process as a means to find out bank account information about the subject of an active investigation.

C Repetitive filing – When a SAR is filed and the account is not closed, banks are required to continue to monitor the account That is reasonable However, what useful purpose is served by repeat filings on the same type of activity every 90 days? This requirement should be dropped

D Documentation of potential SAR activity investigated, but not reported – The decision to file or not file a SAR is based on the circumstances surrounding the account and the activity Very often what at first glance appears to be unusual is found to be normal for that customer, i e , type of business, seasonal changes in cash demands, etc Although the regulation does not require this research be documented, it is in the bank's best interest to retain documentation for reference in the event the activity occurs again It is burdensome, however, to try to document this in such a way that a future examiner will concur with the conclusion drawn at the time of the initial investigation. Joint agency guidance would be helpful in establishing appropriate documentation in this area and controls to prevent examiners second guessing the determination made by the bank.

Thank you for this opportunity to submit comments on reducing regulatory burden relating to Money Laundering, Safety and Soundness, and Securities Rules

Sincerely,

Vicki L Garrett

Vicki L Garrett
Compliance and Loan Review Officer