For firms, post-9/11 rules bring uncertainty

Patriot Act’s fine print is coming into effect

BY DOUGLAS HAMPS II
"The Herald"

Americans may have adjusted to lines at the airport, a shadowy sense of security, and the other drawbacks of the post-9/11 era. Businesses, though, have a considerable amount of adjusting yet to come.

The Bush administration rushed through an anti-terrorism bill in the weeks after Sept. 11, 2001, but the fine print for many of the new business rules arrived only recently. Other changes for the private sector will arrive in coming months, while others are flowing in regulatory limbo — testing companies to guess at what 9/11 will ultimately mean for their operations.

Some sources of uncertainty:
- Travel agents, real estate brokers and others are waiting to see if they will have to scrutinize their clients under the Treasury Department’s new efforts to dry up terrorism funding.
- The government’s promise to back terrorism insurance policies expires in 2006, meaning many large office buildings seeking insurance may face the gamble of going without coverage for an attack.
- December will bring a new crackdown on food imports to fill many restaurants with biochemical terrorism, and South Florida shipments are scrambling to ready growers across Latin America for the crop of paperwork required.
- The government wants to know the farm where the mangos were grown. Who owns it? Where is it located? Where they were packed, and what trucking company moved them from the farm to the packinghouse, said Anne Beaucor, executive vice president of the Florida Cattlemen’s Association. “It will be a major change for the industry. Every day we get new regulations.”
- Much of the uncertainty stems from the Patriot Act, the Bush administration’s sweeping anti-terrorism bill governing everything from wiretaps to passports. The bill, passed 24 days after the 2001 attacks, also included money-laundering provisions that are only now being implemented.
- Regulations issued this year require stock.

For many companies, Patriot Act rules bring uncertainty

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brokers, casinos and credit-card companies to give the kind of scrutiny to large transactions that banks already practice as part of the financial sector’s compliance with money-laundering laws. Officials have also proposed adding travel agencies, real estate brokers, jewelry dealers and others to the list of businesses governed by the law.

“We call the Treasury Department almost every week to see if they’ve responded to industry concerns about the proposed rules,” said Eileen Donan, vice president of communications for the American Society of Travel Agents. “To date, they have not.”

Even banks aren’t sure how to comply with new wrinkles from the Patriot Act.

The law bars them from accepting funds from foreign corruption, meaning they could be prosecuted for sheltering money from crooked banks in 35 states and their “close associates,” said Bowman Brown, a partner at Miami’s Shutts & Bowen law firm who specializes in banking law.

Some regulations implementing the Patriot Act don’t go into effect until Oct. 1, which is when banks will begin seeing how regulators will interpret the anti-corruption provisions.

Adding to the uncertainty is a new federal task force in Miami dedicated to rooting out laundered funds from corrupt regimes.

“What’s a close associate? That’s a pretty broad, general term,” Brown said. “I think banks are struggling with that.”

Uncertainty over the future of terrorism insurance has that industry rattled, with federal backing of the policies set to expire at the end of 2002.

While owners of most buildings have opted not to buy terrorism insurance, lenders and commercial investors often require the policies for large “trophy” buildings seen as potential targets. President Bush signed a bill last year committing the government to pay most terrorism claims, saying the commercial real estate industry faced paralysis without it.

“Insurers don’t know whether Congress will extend the law, which expires Dec. 31, 2005, and waives of dire financial consequences if it doesn’t,” said Michael Clark, chief economist for the Insurance Information Institute, a trade group. “Two of those events in a given year could destabilize much of this industry.”

Already hurt by a crush of new inspections and safeguards, South Florida’s ports are facing the start of a new regulatory era Dec. 12, when the post-9/11 Act of 2002 takes effect. The law seeks to protect the American food supply by scrutinizing perishable imports and requires detailed records for each foreign shipment — down to the origin of the grapes used to make a jar of jelly.

“People have talked to me saying this is sort of a train wreck in the making,” said David Wernick, head of the Knight Ridder Center at Florida International University’s College of Business Administration. He is finishing a study with the Greater Miami Chamber of Commerce on the impact of terrorism safeguards on South Florida’s economy.

South Florida’s role as an international hub means efforts to secure American borders hurt this region more than most, Wernick said.

His research found that almost every sector of South Florida’s economy has been hurt by anti-terrorism measures — from hospitals losing foreign patients to visa restrictions, to cargo companies seeing inspections increase from 25 containers a month to about 1,200.

And despite a yearlong study, Wernick said he still doesn’t know the full impact of Sept. 11, since the government continues to enact new anti-terrorism rules.

“It’s still evolving,” he said. “It’s definitely a work in progress.”