

Bank Secrecy Act Examination Manual



Second Printing, September 1997

Inquiries or comments relating to the contents of this manual should be addressed to:

Director, Division of Banking Supervision
and Regulation

Board of Governors of the Federal Reserve System
Washington, D.C. 20551

Copies of this manual may be obtained from:

Publications Services

Division of Support Services

Board of Governors of the Federal Reserve System
Washington, D.C. 20551

The price is \$20.00 per copy. Remittance should be payable to the Board of Governors of the Federal Reserve System by check or money order, drawn on a U.S. bank; or by VISA or Master Charge. Updates are available at an additional charge. For information about updates or to order by credit card, call 202-452-3244.

Bank Secrecy Act Manual

Supplement 1—September 1997

The following is a summary of the revisions and/or additions that have been made to the Federal Reserve's Bank Secrecy Act Examination Manual since its initial distribution in January, 1995. You may replace the entire contents according to Tabs.

TAB 100—WORKPROGRAM

Anti-Money Laundering Procedures

The examination workprogram has been revised and is now entitled the "Financial Recordkeeping and Reporting Regulations Anti-Money Laundering Examination Workprogram." The changes were made as a result of the Money Laundering Suppression Act of 1994 that requires the examination procedures of bank regulators to be enhanced to determine whether money laundering schemes are being utilized at the financial institutions being examined. Specific examination procedures lead the examiner to determine whether the institution maintains adequate policies and procedures to identify and where appropriate, to report suspicious transactions related to possible money laundering activities.

Exemptions

The Treasury's interim exemption rules and associated examination procedures are detailed in the Workprogram.

Funds Transfer Rules

The Workprogram incorporates the examination procedures regarding the recordkeeping rules issued jointly by the Federal Reserve and the Treasury effective May 28, 1996. Procedures for examining the Treasury's travel rule, effective May 28, 1996, are also included.

Monetary Instruments

Effective October 17, 1994, the Treasury no longer requires the maintenance of a "monetary instrument log" for certain cash sales/purchases

of monetary instruments. The examination procedures have been revised to reflect the changes.

Office of Foreign Assets Control

The Treasury's Office of Foreign Assets Control ("OFAC") administers laws that impose economic sanctions against, including the restriction of transactions with, certain foreign countries, their nationals, or "specifically designated nationals." The Workprogram includes examination procedures to determine whether institutions are complying with the OFAC requirements.

TAB 200—BANK SECRECY ACT

Regulation

The manual reflects the changes and/or amendments made to the Bank Secrecy Act through August 31, 1997.

TAB 400—REPORTING FORMS

Currency Transaction Report

The revised Currency Transaction Report ("CTR"), effective October, 1995, has been included to replace the rescinded CTR.

Report of International Transportation of Currency or Monetary Instruments

The revised Report of International Transportation of Currency or Monetary Instruments ("CMIR") effective September, 1997, has been included to replace the rescinded CMIR.

Suspicious Activity Report

The new Suspicious Activity Report ("SAR"), effective April, 1996, is included in the Manual.

TAB 500—EXEMPTIONS

Interim Exemption Requirements

The Treasury's "interim exemption rule," effective May, 1996, but not yet finalized, is included.

TAB 900—DATABASES

Currency and Banking Reports System

Changes made effecting the Internal Revenue Service's Currency and Banking Reports System are included.

Suspicious Activity Report System

Information pertaining to the access by regulatory staff of the Suspicious Activity Report System is included.

TAB 1000—SUSPICIOUS ACTIVITIES

Suspicious Activity Reporting

The rules regarding the reporting of suspicious activity or fraud related matters using the rescinded Criminal Referral Form have been replaced by the new Suspicious Activity Report rules, effective April, 1996.

TAB 1100—PAYABLE THROUGH ACCOUNTS

Information and examination procedures previously unavailable at the January, 1995 printing of the *Manual*, is now included in this version.

TAB 1200—FOREIGN ACCOUNTS

U.S. Overseas Offices

Examination procedures for reviewing the operations of U.S. overseas offices for anti-money laundering compliance are included.

TAB 1300—PRIVATE BANKING

A new section detailing sound practices in private banking has been added to this manual.

TAB 1400—SUPERVISORY DIRECTIVES

Private Banking

A new directive regarding private banking issues has been added.

TAB 1500—OTHER INFORMATIONAL AREAS

Financial Action Task Force Recommendations

Effective November, 1996, the Financial Action Task Force ("FATF") revised the 40 recommendations. The revised document is included.

Currency Transaction Report Questions and Answers

The Treasury's document utilized to answer certain questions related to the revised CTR form, effective October, 1995, is included.

Funds Transfer Rules Questions and Answers

The Federal Reserve's/Treasury's document utilized to answer certain questions related to the new funds transfer recordkeeping and travel rules, effective May, 1996, is included.

Office of Foreign Assets Control

Information regarding the Office of Foreign Asset Control is included.

Interim Exemption Rule Questions and Answers

The Treasury's comments regarding the interim exemption rule are included.

Table of Contents

<i>Section</i>	<i>Section</i>		
000	INTRODUCTION	405	Report of Foreign Bank and Financial Accounts (90-22.1)
001	Introduction	406	Suspicious Activity Report
100	WORKPROGRAM	500	EXEMPTION HANDBOOK
101	Workprogram for Financial Recordkeeping and Reporting of Currency and Foreign Transactions Examinations (Cover Page)	501	Currency and Foreign Transactions Reporting Act—Exemption Handbook
102	Financial Recordkeeping and Reporting of Currency and Foreign Transactions Examination (Summary of Findings)	502	Interim Exemption Rule
103	Financial Recordkeeping and Reporting Regulations Examination Workprogram	600	KNOW YOUR CUSTOMER
200	BANK SECRECY ACT AND RELATED MATERIALS	601	Know Your Customer
201	Bank Secrecy Act	700	WIRE TRANSFERS
300	ADMINISTRATIVE RULINGS	701	Operations
301	Administrative Ruling 88-1	800	REGULATION H
302	Administrative Ruling 88-2	801	Amendment to Regulation H—Procedures for Monitoring Bank Secrecy Act Compliance
303	Administrative Ruling 88-3	802	Internal Compliance Program
304	Administrative Ruling 88-4	900	DATABASES
305	Administrative Ruling 88-5	901	Internal Revenue Service Currency and Banking Retrieval System
306	Administrative Ruling 89-1	902	Suspicious Activity Report Database
307	Administrative Ruling 89-2	903	Federal Reserve Enforcement Actions
308	89-3 Rescinded	904	FinCEN Advisories
309	89-4 Rescinded	1000	SUSPICIOUS ACTIVITIES
310	Administrative Ruling 89-5	1001	Check List to Identify Potential Abuses
311	Administrative Ruling 92-1	1002	SAR Regulation
312	Administrative Ruling 92-2	1100	PAYABLE THROUGH ACCOUNTS
400	REPORTING FORMS	1101	Introduction
401	Currency Transaction Report (4789)	1102	Examination Procedures
402	Report of International Transportation of Currency or Monetary Instruments (4790)		
403	Report of Cash Payments Over \$10,000 Received in Trade or Business (8300)		
404	Currency Transaction Report by Casinos (8362)		

<i>Section</i>		<i>Section</i>	
1200	FOREIGN ACCOUNTS	1500	OTHER INFORMATIONAL AREAS
1201	Report of Foreign Bank and Financial Accounts	1501	Basle Committee Statement of Principles
1202	Bank Secrecy Act Review for U.S. Overseas Examination Procedures	1502	Financial Action Task Force 40 Recommendations
1300	PRIVATE BANKING	1503	Currency Transaction Report Guidance
1301	Sound Practices Paper	1504	Funds Transfer Questions/Answers
1400	SUPERVISORY DIRECTIVES	1505	Office of Foreign Asset Control (OFAC)
1401	AD 93-56 (FIS) Treasury Rulings	1506	Interim Exemption Questions/Answers
1402	SR 95-10 (FIS) Payable Through Accounts	1600	WORKPAPERS
1403	SR 97-19 (SUP) Private Banking Activities	1601	Workpaper Content and Retention

Federal Reserve System personnel prepared the Bank Secrecy Act Examination Manual. The manual contains Federal Reserve policies and procedures designed to assist Federal Reserve Bank examiners in the review of financial recordkeeping practices and procedures of state member banks and foreign financial institutions operating within the United States.

The manual reflects amendments to the Bank Secrecy Act through 1997. Periodically, the

manual will be updated to reflect changes in supervisory policies and procedures. Accordingly, we solicit the input and contributions of all supervisory staff and others in refining and modifying its contents. Please address all correspondence to: Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Workprogram for Financial Recordkeeping and Reporting of Currency and Foreign Transactions Examinations Section 101.0

Financial Institution _____

Location _____

Date of Examination _____

Bank Secrecy Act Examiner _____

Assisting Examiner(s) _____

Examination Opened _____

Examination Closed _____

Bank Secrecy Act Examiner _____
Signature Date

Examiner-In-Charge _____
Signature Date

Financial Recordkeeping and Reporting of Currency
and Foreign Transactions Examination
Summary of Findings

Section 102.0

Work Program

Procedure Number

Findings

Institution Response

Findings Discussed With: _____ Date: _____

Examiner Present: _____

Introduction

The Workprogram serves as a guide for the examination of compliance with the Bank Secrecy Act (31 USC 5311, et seq. and 31 CFR Part 103, et. seq. (“BSA”)); Regulation H, Section 208.14;¹ and other related rules and regulations. In addition to ensuring that the institution is in compliance with applicable laws, rules, and regulations, an examiner should be cognizant of any unusual or suspicious activities. Activities of this nature, such as illegal acts or transactions conducted by employees or customers, may be an indication of general non-compliance in the institution.

The Money Laundering Suppression Act of 1994 requires regulatory authorities to develop examination procedures to determine whether money laundering schemes are being conducted at the financial institutions being examined. The Workprogram serves as a tool to determine whether financial institutions not only are in compliance with the technical reporting and recordkeeping requirements of the BSA, but that the institutions have developed policies and procedures to detect, deter and report unusual or suspicious activities related to money laundering.²

While the Workprogram is designed to maximize the efficiency of the review process (by using a sampling or by requiring the institution to perform an analysis), it is not designed to be all inclusive; therefore, specific situations or problems identified while conducting examinations may require additional procedures that would not otherwise be required.

The Workprogram includes examination procedures applicable to most situations that examiners encounter during a BSA and Regulation H, Section 208.14 compliance review. It is designed to lead an examiner through the compliance

review; therefore, the procedures must be followed numerically. Many procedures in the Workprogram need to be performed only if an examiner discovers problems or internal control weaknesses. Consequently, if the Workprogram procedures are not completed in numerical order, an examiner may perform more work than is necessary to adequately assess an institution’s overall compliance.

Several procedures in the Workprogram require sampling, which is either completed by an examiner or by an institution at the direction of the examiner. Because the Workprogram was developed for use in examinations of various sizes and types of banking organizations under Federal Reserve supervision, the time-frame of the sampling period varies depending on factors such as the type and size of the institution, the number of transactions the institution typically performs in the normal course of business, whether there have been previous compliance problems or problems are suspected, the strength of internal controls and the audit function, and whether the institution or its branches are located in an area known for money laundering activities. The sample should be large enough that the examiner can adequately answer the Workprogram procedure. For example, in a large institution that handles a considerable number of transactions, a short sample time-frame that includes numerous transactions may be sufficient to answer the Workprogram procedure. Likewise, in a small community bank, a longer sample period may be necessary to find a sufficient number of transactions to sample. The examiner should document in the workpapers the sampling time-frame along with support on how it was determined.

In the column on the right hand side of the Workprogram, provide a “yes,” “no,” or “not applicable” response. Some instances may require that you assign a “not reviewed” response. Additional space is also available in the column to provide comments. Comments are typically required to provide additional information about the deficiency when a “no” response is given. Providing a “no” answer in the column does not necessarily signify that a violation must be cited. However, numerous “no” responses may be indicative of internal control weaknesses or other problems that may evidence noncompliance with the BSA and/or Regulation H, Section

1. On March 31, 1997, the Board published in the *Federal Register* a notice of proposed rulemaking relating to Regulation H (see 62 FR 15272, 15280). In the proposal, the existing numbering of 208.14 is to be renumbered to 208.63. As the proposal is not final, 208.14 will be used throughout this manual.

2. The Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”), is providing to regulatory authorities and the financial community alike, periodic circulars regarding patterns and trends involving money laundering schemes. The FinCEN advisories are available via the Internet at the following address:
<http://www.ustreas.gov/treasury/bureaus/fincen/advis.html>

208.14. Numerous “no” responses should be discussed with the examiner in charge to determine an appropriate course of action.

Regulation H, Section 208.14 requires all banks to develop a written compliance program that must be formally approved by an institution’s board of directors. The compliance program must (1) establish a system of internal controls to ensure compliance with the BSA; (2) provide for independent compliance testing; (3) identify individual(s) responsible for coordinating and monitoring day-to-day compliance; and (4) provide training for appropriate personnel. Numerous “no” answers in the Workprogram may indicate noncompliance with one or more of the Regulation H, Section 208.14 requirements. For example, if numerous large currency transactions are discovered that were not reported as required, it may indicate that the institution does not have effective internal controls, an effective compliance testing program, or an adequate training program. Violations of Regulation H, Section 208.14, in most instances, will necessitate that formal supervisory action including Cease and Desist Orders and civil money penalties, be initiated against the institution as required by 12 U.S.C., Section 1818(s).

In situations where the institution has failed to take corrective action for deficiencies cited in previous examinations, formal supervisory action may also be warranted. All instances of “repeat” deficiencies or noncompliance with Regulation H, Section 208.14 compliance procedures should be discussed with an appropriate Officer at the Federal Reserve Bank after consultation with the examiner in charge.

The first section of the Workprogram involves off-site planning. The remaining sections of the Workprogram involve on-site examination procedures.

Off-Site Examination Planning

The purpose of the Examination Planning Section is to determine if the subject institution exhibits a risk profile suggestive of: 1) noncompliance with the BSA; 2) ineffective internal compliance procedures (Regulation H, Section 208.14); or, 3) engaging in possible money laundering activities. Identifying institutions with such profiles should enable the examiner to use resources more effectively.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
1. Do the findings in the previous examination report indicate a general compliance with the BSA or Regulation H, Section 208.14? If not, briefly identify the deficiencies.			
2. If violations or serious deficiencies were noted, does correspondence indicate that corrective action was taken? If, because of previously noted deficiencies, the institution was required to perform analyses of: (a) currency flows and the reporting of large cash transactions; (b) exemption limits; (c) sales of monetary instruments; (d) funds transfers; or (e) suspicious activities, were such analyses adequately performed and documented? Be sure to review documentation.			
3. Do the findings in the previous examination report, in areas other than BSA compliance, indicate adequate internal controls and audit procedures? (If not, this may be indicative of deficiencies in the BSA compliance program).			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
4. Does a check of the Suspicious Activity Report database reveal that there is suspicious or alleged illegal activity surrounding this institution? If not, determine whether such information should alter the scope of the BSA examination. (Refer to <i>BSA Manual—Databases</i>).			
5. Does a listing of Currency Transaction Reports (CTRs) obtained from the Internal Revenue Service (IRS) database indicate that the institution or any branch had a significant change in the total volume of CTR filings compared to the previous examination? (Refer to <i>BSA Manual—Databases</i>).			
6. If cash services are provided to the institution by the Reserve Bank, are Cash Flow Reports and/or Intelligence Analysis available? If so, do the reports reveal unusual trends in volume and/or composition of cash shipments to and from the Federal Reserve Bank? (Refer to <i>BSA Manual—Databases</i>).			

Internal Compliance Programs and Procedures

Regulation H, Section 208.14, requires that financial institutions establish and maintain adequate internal procedures to assure and monitor compliance with the BSA (Refer to *BSA Manual*—Regulation H).

Advisory #1

You should be aware that, even if an institution maintains in books and documents what appears to be a viable internal compliance program, the internal compliance program is, possibly, not followed by the institution. Specific violations of the BSA, as may be discovered during the course of this compliance review, may evidence a lack, or the complete omission, of adequate internal compliance procedures.

Advisory #2

The sophistication and comprehensiveness of

the institution’s internal compliance program should be gauged by the type of activities engaged in by the institution and the quantity of transactions subject to the BSA and related rules and regulations. As an example, a “wholesale” institution that conducts no cash transactions needs only to have an internal compliance program that ensures that should a covered transaction be presented to the institution, the institution’s employees will have sufficient education to understand that the transaction may be subject to Bank Secrecy Act requirements and the employee has the means to obtain additional instructions from manuals or employees at other branches of the institution. As an alternative, an institution that conducts a retail operation needs to have specific and comprehensive internal compliance procedures. It is your responsibility to determine the appropriateness of the internal compliance program based on the institution’s activities. Keep in mind that all institutions, throughout the organization, should maintain a program to detect, and where necessary, report unusual or suspicious activities possibly related to money laundering.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
7. As of the previous examination, had the institution established adequate internal compliance programs and procedures as required by Regulation H, Section 208.14? If not, list the violations cited or deficiencies noted.			
8. Has the institution developed a written compliance program as required by Regulation H—Section 208.14?			
9. If applicable, does the written BSA compliance program, as required by Regulation H, provide for the following: <ul style="list-style-type: none"> a. A system of internal controls to ensure ongoing compliance (Section 208.14(c)(1)). b. Independent testing for compliance to be conducted by either bank personnel or an outside party. List person(s) designated to conduct independent testing (Section 208.14(c)(2)). 			

	Y	N	Comments
<p>c. Designation of a qualified individual(s) responsible for coordinating and monitoring day-to-day compliance. List individual(s) responsible for compliance and the appropriateness of qualifications (i.e. training, experience) (Section 208.14(c)(3)).</p> <p>d. Training for appropriate personnel (Section 208.14(c)(4)).</p> <p>10. Was the compliance program approved by the institution's board of directors and approval noted in the minutes? If a foreign institution, was the compliance program approved at the highest level of United States management as well as by the home office board of directors?</p>			
<p>11. Does the institution's written compliance program include procedural guidelines for the detection, prevention and reporting of suspicious transactions related to money laundering activities?</p>			
<p>12. Does the institution's compliance program include written procedural guidelines for meeting the reporting and recordkeeping requirements of the BSA regulations and provide for the following, as applicable?</p> <p>a. The filing of a report of each deposit, withdrawal, exchange of currency or other payment or transfer, by, through or to the financial institution, which involves a transaction in currency of more than \$10,000 (CTR, IRS Form 4789) (31 CFR 103.22(a)(1)).</p> <p>b. The maintenance of a centralized list containing each exemption granted, with the supporting information prescribed in 31 CFR 103.22(f). Each exemption granted after October 27, 1986, shall be accompanied by the required statement and attendant language in 31 CFR 103.22(d) (31 CFR 103.22(b)(2)). (Refer to Advisory #5 for further information regarding exemptions.)</p>			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>c. The filing of a report (U.S. Customs Form 4790) of each shipment of currency or other monetary instrument(s) in excess of \$10,000 out of the United States or into the United States on behalf of the institution (not its customers), except via common carrier, by, or to the institution, (31 CFR 103.23(a)). In most cases, this refers to the institution's cash shipments. (Refer to <i>BSA Manual</i>—Administrative Ruling 88-2).</p> <p>d. The filing of an annual report, Report of Foreign Bank Financial Accounts, (Treasury Form 90-22.1) by the institution, where the institution has a financial interest in, or signature authority over, bank, securities or other financial accounts in a foreign country prior to April 8, 1987. (Settlement between branches and affiliates via Due To/Due From (“Nostro”) accounts are exempt from filing 90-22.1) (Section 103.24). (Refer to <i>BSA Manual</i>—Foreign Activities.)</p> <p>e. The maintenance of required records for each monetary instrument purchase/sale for currency in amounts between \$3,000 and \$10,000 inclusive, with the supporting information prescribed in 31 CFR 103.29 (31 CFR 103.29(a)).</p>			
<p>13. Do the procedural guidelines include provisions for the retention of either the original, microfilm, copy or other reproduction of the items listed below, and is each item retained for a period of at least five years:</p> <p>a. Each Currency Transaction Report (CTR, IRS Form 4789).</p> <p>b. Documentation to support each exemption and a requirement to retain such documentation for a period of five years from the date it was discontinued (31 CFR 103.22(d)).</p> <p>c. Each extension of credit in an amount over \$10,000, except when the extension is secured by an interest in real property (31 CFR 103.33(a)).</p>			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>d. Each advice, request, or instruction received regarding a transaction which results in the transfer of funds, currency, checks, investment securities, other monetary instruments or credit, of more than \$10,000, to a person, account or place outside the United States (31 CFR 103.33(b)).</p> <p>e. Each advice, request, or instruction given to another financial institution or other person located within or outside the United States, regarding a transaction intended to result in a transfer of funds, currency, checks, investment securities, other monetary instruments or credit, of more than \$10,000, to a person, account or place outside the United States (31 CFR 103.33(c)).</p> <p>f. Each payment order that a financial institution accepts as an originator's, intermediary, or beneficiary's bank with respect to a funds transfer in the amount of \$3,000 or more (31 CFR 103.33(e)).</p> <p>g. A list of each individual, including the name, address and account number, who holds a deposit account for which the bank has been unable to secure a taxpayer identification number from that person after making a reasonable effort to obtain the number (31 CFR 103.34(a)(1)(ii)).</p> <p>h. Each document granting signature authority over each deposit account (31 CFR 103.34(b)(1)).</p> <p>i. Each statement, ledger card or other record of each deposit account showing each transaction involving the account, excepting those items listed in 31 CFR 103.34(b)(3) (31 CFR 103.34(b)(2), (3) and (4)).</p> <p>j. Each document relating to a transaction of more than \$10,000 remitted or transferred to a person, account or place outside the United States (31 CFR 103.34(b)(5) and (6)).</p> <p>k. Each check or draft in an amount in excess of \$10,000 drawn on or issued by a foreign bank which the domestic bank has paid or presented to a nonbank drawee for payment (31 CFR 103.34 (b)(7)).</p>			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>l. Each item relating to any transaction of more than \$10,000 received on any one occasion directly and not through a domestic financial institution, from a bank, broker or dealer in foreign exchange outside the United States (31 CFR 103.34(b)(8) and (9)).</p> <p>m. Records prepared or received by a bank in the ordinary course of business which would be needed to reconstruct a demand deposit account and to trace a check in excess of \$100 deposited in such demand deposit account (31 CFR 103.34(b)(10)).</p> <p>n. A record containing the name, address and taxpayer identification number, if available, of any person presenting a certificate of deposit for payment, as well as a description of the instrument and the date of the transaction (31 CFR 103.34(b)(12)).</p> <p>o. Each deposit slip or credit ticket reflecting a transaction in excess of \$100 or the equivalent record for direct deposit or other wire transfer deposit transactions. The slip or ticket shall record the amount of any currency involved (31 CFR 103.34(b)(13)).</p>			

Internal Audit/Independent Review

testing for BSA compliance to be conducted by bank personnel or an outside party (Refer to *BSA Manual*—Regulation H).

Regulation H, Section 208.14, requires that financial institutions provide for independent

	Y	N	Comments
<p>14. Review the institution’s written internal audit/independent review procedures and determine that the internal audit function provides for review for compliance with the BSA and related anti-money laundering laws and regulations. If the institution does not have an internal audit function, determine that a program of management reviews or self audits has been established which include the requirements of the BSA. Do the audit procedures/independent reviews:</p> <ul style="list-style-type: none"> a. confirm the integrity and accuracy of the systems for the reporting of large currency transactions? b. include a review of tellers’ work and Forms 4789 and 4790? c. confirm the integrity and accuracy of the institution’s recordkeeping activities, as detailed in Workprogram procedure 12? d. encompass a test of adherence to the in-house record retention schedule, as detailed in Workprogram procedure 13? e. include steps necessary to ascertain that the institution is maintaining documentation of exempt customers as required by the regulations? f. provide a test of the reasonableness of the exemptions granted? (non-interim) g. include steps necessary to ascertain that the institution is conducting an ongoing training program? h. require the auditor to ascertain that the institution has filed a Report of Foreign Bank Financial Accounts, (Treasury Form 90-22.1) declaring interests in foreign financial accounts? 			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
i. include steps necessary to ascertain that the institution has procedures in place for obtaining and maintaining required information for the sale/purchase of monetary instruments for cash in amounts between \$3,000 and \$10,000 inclusive, and that appropriate customer identification measures are in place?			
15. If there were any violations or deficiencies noted from the previous examination, has your review determined that the violations or deficiencies have been corrected?			

Advisory #3

Evidence of violations of, or noncompliance with, specific provisions of the BSA may be indicative of a systemic failure of the internal audit program. As you complete the following examination procedures, you must determine whether apparent violations were caused by misinterpretations, oversight, or technical matters rather than by an inadequate compliance program. If you feel the institution’s compliance program is inadequate, you may want to enhance

your BSA examination (i.e. use a larger sampling of transactions).

Education

Regulation H, Section 208.14 requires that financial institutions provide BSA training for appropriate personnel, including, but not limited to, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel (Refer to *BSA Manual*—Regulation H).

	<i>Y</i>	<i>N</i>	<i>Comments</i>
16. Review the institution’s program for educating appropriate employees regarding the BSA to determine if the established program includes the following: a. Reporting of large currency transactions. b. Exemptions from large currency transaction reporting. c. Identifying and reporting of suspicious activity or alleged criminal conduct. d. Record retention requirements. e. Sale/purchase of monetary instruments. f. Review of internal policies/procedures.			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>g. Examples of money laundering cases and the methods in which activities can be detected/resolved/reported.</p> <p>h. Overview of the different forms that money laundering can take (deposit accounts, wire transfer loans, etc.).</p> <p>i. Wire (fund) transfer activity.</p> <p>j. “Know Your Customer” procedures.</p>			
<p>17. Review the scope and frequency of training meetings to determine what importance management places in ongoing education and training. In reviewing the institution’s policies and procedures, determine the:</p> <p>a. Appropriateness of the scope and frequency.</p> <p>b. Level of compliance.</p>			
<p>18. Question the BSA compliance individual(s) and other operations personnel (i.e., tellers, platform officers, branch managers) to determine whether they are sufficiently knowledgeable concerning the BSA and operating procedures to assure compliance. Does this training address money laundering schemes?</p>			
<p>19. Interview personnel from other areas of the institution which deal in currency such as trust, loan and international departments, private banking units, discount brokerage units, cash control centers and specialized foreign exchange units to determine that they are knowledgeable regarding the BSA requirements, possible money laundering schemes, and the identification of suspicious or unusual activities. List in the “Comments” section of this page the personnel interviewed in both Workprogram procedures number 18 and 19, and document their level of knowledge of BSA-related issues and how they acquired this knowledge.</p>			
<p>20. If there were any violations or deficiencies regarding education noted during the previous examination, has your review determined that the violations or deficiencies have been corrected?</p>			

Anti-Money Laundering Program

Advisory #4

A financial institution’s compliance with the BSA should include a thorough understanding of money laundering and its implication on the

institution. In the review of the BSA compliance program, the examiner should determine whether written policies and procedures have been implemented covering the detection and prevention of money laundering activities. If no such policies and procedures exist, make reference to this in the report of examination.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
21. If applicable, do the anti-money laundering policies address the following: <ul style="list-style-type: none"> a. define money laundering in its different forms (e.g. placement, layering, integration). b. provide compliance with BSA and related anti-money laundering laws and regulations. c. establish a “Know Your Customer” program. d. identify high risk activities, businesses and foreign countries (those commonly associated with money laundering). 			
22. If applicable, do the anti-money laundering policies extend to the following institution operations: <ul style="list-style-type: none"> a. retail operations. b. trust department. c. loan department. d. private banking operation. (Refer to <i>BSA Manual—Private Banking</i>.) e. sale of monetary instruments. f. wire transfer room. g. teller and currency operations. h. safe deposit box activity. i. international department. j. correspondent banking area. k. discount brokerage department. l. subsidiary activities (i.e. money transmitter/check cashier). m. section 20 operations. 			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
23. Determine whether management has implemented a high level of internal controls to minimize the risk of money laundering. These controls should include, but not be limited to, the following: <ul style="list-style-type: none"> a. money laundering detection procedures b. identification and monitoring of non-bank financial institutions that are depositors of the institution and that engage in a high volume of cash activity (i.e. money transmitters and check cashing businesses). c. periodic account activity monitoring. d. internal investigations, monitoring and reporting of suspicious transactions. 			

Exemptions

Advisory #5

As of July 1, 2000, new Treasury exemption procedures allowing financial institutions to

exempt transactions of certain businesses from the requirement to report transactions in currency in excess of \$10,000 (Currency Transaction Report (CTR)) became fully effective. After July 1, 2000, only exemptions granted pursuant to the new exemption procedures will be valid.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
24. Has the institution designated any “exempt persons” as defined in the regulations? <i>If no, the examiner should waive the following steps and proceed to the next section of the Work Program. If yes, answer the following questions:</i>			
25. Does the bank have sufficient procedures related to exemptions?			
26. Does the bank have adequate and knowledgeable personnel sufficient to maintain the exemption process?			
27. Does the bank maintain appropriate and sufficient documentation to support each exemption?			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p><i>Answer the following questions with respect to each exempt person. If the bank has more than 50 exempt persons, a reasonable sample should be selected.</i></p>			
28. Does the bank take appropriate steps to adequately determine and verify the eligibility of exemptions?			
29. Do all Phase I exemptions meet the established criteria?			
<ul style="list-style-type: none"> a. Bank b. Government Agency c. Listed Business d. Subsidiary of a Listed Business 			
30. Do all Phase II “non-listed business” exemptions meet the established criteria?			
<ul style="list-style-type: none"> a. Maintained a transaction account with the bank for at least 12 months? b. Frequently engaged in currency transactions in excess of \$10,000? c. Is incorporated or organized under US or State law or is registered and is eligible to do business within the US or a State? 			
31. Do all Phase II “payroll customer” exemptions meet the established criteria?			
<ul style="list-style-type: none"> a. Maintained a transaction account with the bank for at least 12 months? b. Operates a firm that regularly withdraws more than \$10,000 in order to pay its US employees in currency? c. Is incorporated or organized under US or State law or is registered and is eligible to do business within the US or a State? 			
32. For each exempt person, has the bank filed a “Designation of Exempt Person” form completely and within 30 days of the first reportable transaction that was exempted?			

103.0 Financial Recordkeeping and Reporting Regulations Anti-Money Laundering Examination Workprogram

	<i>Y</i>	<i>N</i>	<i>Comments</i>
33. For Phase II exemptions, has the bank filed a "Designation of Exempt Person" biennially by March 15 beginning the second calendar year following the original designation?			
34. Does the bank review and verify each exemption at least annually?			
35. Are the volumes, amounts and frequency of the large currency transactions for each exempt person consistent with what is normal and expected and commensurate with lawful activity?			
36. Does the bank have a system to monitor the currency transactions of exempt persons for suspicious activity?			
37. Is the monitoring system adequate to identify suspicious activity?			
38. Has the bank's internal audit department reviewed the exemption process?			
39. Have there been any outstanding issues involving exemptions and if so, have they been resolved?			

Advisory #6

If the answers to Workprogram procedures 24 through 39 are substantially unsatisfactory, you (or you may direct the institution to do so) should perform Workprogram procedures 40 to 42. As an alternative, you may wish to perform

a sampling of the Workprogram procedures 40 to 42 and then instruct the institution to complete the remainder of the review for these two Workprogram procedures. If answers to 24 through 39 are generally satisfactory, you may proceed to the Know Your Customer section.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
40. Review of Statements of Accounts			
a. Obtain customer statements of account for a sixty day period for all exempted customers.			
b. Review customer statements of account to determine whether any daily deposit or withdrawal amounts (either individual amounts or aggregated amounts) exceed \$10,000. (The amounts on the statements of account may include cash and/or checks).			

Advisory #7

If a customer's cash deposit or withdrawal amounts on the statements of account do not exceed \$10,000 on a regular and frequent basis (refer to *BSA Manual—Exemption Handbook* for meaning of "regular and frequent") the customer does not qualify for an exemption

status. (Note that the \$10,000 limitation refers to cash only. The information may not be readily available when reviewing the statement of account). Discuss the customer's status with institution management. Workprogram procedures 41 and 42 regarding Review of Deposits and Withdrawals is not required for these ineligible customers.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
41. Review of Deposits			
a. Obtain a hard copy of deposit tickets for customer accounts to be tested. Actual deposit tickets may be available if the institution does not mail the deposit tickets back to the customer. If actual deposit tickets are not available, request that the institution print a hard copy of deposit tickets from microfilm or microfiche.			
b. Determine whether the cash portion of the deposits is sufficient to qualify the customer for an exemption based upon the Internal Revenue Service's "regular and frequent" requirement for a deposit exemption.			
c. Determine whether established dollar limits are reasonable by reviewing the customer's cash deposit activity. Discuss any unreasonable dollar limits with institution management.			

Advisory #8

Exemption procedures permit unilateral exemption withdrawals for payroll purposes from an existing account by an established depositor who is a United States resident and operates a firm that regularly withdraws more than \$10,000

in order to pay its employees in currency. The exemption is limited to withdrawals by employers that actually pay employees with the currency withdrawn. The exemption is not available to employers who pay employees by check and then offer a check cashing service to the employees.

	Y	N	Comments
<p>42. a. Determine the method used by exempt customers to withdraw currency in excess of \$10,000.</p> <ul style="list-style-type: none"> • If checks payable to “cash” are used, review canceled checks cleared during the current statement cycle and identify those items and amounts. • If counter currency withdrawal tickets or counter checks are used, review tickets or checks and identify those items and amounts. 			
<p>b. Determine whether the cash portion of the withdrawals is sufficient to qualify the customer for an exemption based upon Treasury’s “regular and frequent” requirement for a withdrawal exemption.</p> <p>c. Determine whether established dollar limits are reasonable by reviewing the customer’s cash withdrawal activity. Discuss any unreasonable dollar limits with institution management.</p>			

Advisory #9

Department of the Treasury Administrative Ruling 88-3 states that banks may not exempt “cash back” transactions (transactions involving the deposit of checks where a portion of the deposit is remitted in cash) from the CTR reporting requirements. Therefore, cash received by the customer on “cash-back” transactions should not be included in the exemption limit review. (Refer to *BSA Manual—Administrative Rulings*).

Know Your Customer Policy

Advisory #10

While “Know Your Customer” policies and procedures are not currently required by regulation, institutions should strongly be encouraged to develop and maintain such policies and procedures (Refer to *BSA Manual—Know Your Customer Policy Standards*).

	Y	N	Comments
43. Does the bank have policies and procedures which require that “reasonable efforts” be made to ascertain the true identity of individual customers and/or the stated business purpose of each commercial enterprise with whom the bank conducts business (Refer to <i>BSA Manual—Know Your Customer Policy Standards</i>)?			
44. Does the institution’s “Know Your Customer” policy include the following, when opening an account: <i>Personal Accounts</i> a. Procurement of proper identification (e.g., driver’s license with photograph, U.S. passport, etc.)? b. Consideration of customer’s residence or place of business? c. Consideration of source of funds/wealth used to open the account? d. Check with service bureau, if applicable, for undesirable situations involving customer (kiting, NSF, etc.)? <i>Business Accounts</i> e. Verification of legal status of business (i.e., sole proprietorship, partnership, etc.)? f. Verification of name of business, if applicable, with a reporting agency? g. Verification that business exists and is conducting the stated business?			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>h. For foreign business accounts, is there proof that the business is registered in the country of origin (e.g. articles of incorporation, etc.)?</p> <p>i. Procurement of the following information for large commercial accounts:</p> <ul style="list-style-type: none"> • Financial statement? • Description of customer's principal line of business? • Description of business operations, i.e., retail vs. wholesale? 			
45. Does the bank's employee education training program provide detailed instruction in the identification and reporting of "suspicious" transactions? A no answer may indicate a training deficiency and should be so noted in question #16 (Refer to <i>BSA Manual—Suspicious Activities</i>).			
46. Does the bank have adequate ongoing monitoring systems in place to identify "suspicious" transactions (structuring, concentration accounts, transactions inconsistent with the nature of a customer's stated business purpose, unusual wire transfer activities)?			
47. Does the bank have adequate testing of its systems to identify suspicious transactions?			
48. If the institution uses fictitious names for customers on the general ledger or other institution documents, does the institution maintain files containing the customers' real names and other identifying information and does the institution have knowledge of these customers' activities (The use of fictitious names is customarily found in private or foreign banking)?			

Currency Flows and Reporting of Large Cash Transactions

	Y	N	Comments
49. Review the cash totals shipped to and received from the Federal Reserve Bank, correspondent banks, or between branch offices for a reasonable period of time (generally no less than three months). You should determine, through discussion with management, the cause of any unusual activity noted (i.e. material variance in totals of currency shipped or received or large denomination currency exchanged). You should also determine if the volume of CTR filings during the period is consistent with any changes in the patterns of cash activity. (Refer to <i>BSA Manual—Databases</i>).			

Advisory #11

The sample size of CTRs you should review will depend upon several factors such as the size and location of the institution, the detail and accuracy of reports, and your comfort level

with the institution's internal control procedures. If the institution has an automated system for identifying large currency transactions, you should proceed to Workprogram procedure 50. If not, proceed to Workprogram procedure 51.

	Y	N	Comments
50. Ascertain whether the bank has an automated system in place to capture cash transactions (individual and/or multiple transactions) in excess of \$10,000 on the same business day by or on behalf of the same individual, or by account. Determine whether the internal audit/independent review has adequately tested the accuracy and validity of the automated large transaction identification system and that the system is comprehensive with regard to all points of cash entry and exit. Determine whether the discount brokerage, private banking, trust, or any other departments within the bank engage in currency transactions subject to the regulations, and if so, that aggregation systems cover such activities. If the system has not been verified, proceed to ADVISORY #13. You should also perform the procedures contained in Workprogram procedures 52 and 53.			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>51. If the bank does not make use of an automated large transaction identification or aggregation system, does the internal audit program or other independent review include a sample test check of tellers' cash proof sheets or tapes to determine if large cash transactions are being reported? If not, proceed to ADVISORY #13. You should also perform the procedures contained in Workprogram procedures 52 and 53.</p>			
<p>52. Review a sample of completed CTRs, whether hard copy or from computer generated filings, to determine that:</p> <ul style="list-style-type: none"> a. CTRs are properly completed in accordance with Internal Revenue Service instructions. b. Transaction amounts are consistent with the type and nature of business or occupation of the customer. c. CTRs are filed for large cash transactions identified by tellers' proof sheets, automated large currency transaction system, or other type of aggregation system, unless an exemption exists for the customer. However, CTRs must be filed for customers who exceed their exemption limits. d. CTRs are filed within 15 calendar days after the date of the transaction (25 days if magnetically filed). 			
<p>53. Review any correspondence received from the Internal Revenue Service relating to incorrect or incomplete CTRs and determine whether the institution has taken appropriate corrective action.</p>			

Advisory #12

If the review of the bank’s handling of currency flows and large cash transactions is satisfactory, proceed to the funds transfer section of the Workprogram. If the review was not satisfactory, or deficient in any respect, proceed to ADVISORY #13.

Advisory #13

If the bank’s internal audit/independent review has not sufficiently tested the validity of the automated or manual systems to identify large currency transactions (i.e. performed a test check of tellers’ proof sheets for large cash transactions), the bank may be in violation of Regulation H, Section 208.14. The examiner in charge should be notified that the integrity of the reporting system for large currency transactions cannot be verified. Depending upon the circumstances, the examiner in charge must choose one of the following options:

- The examiner in charge may instruct the bank to perform a self-assessment of its compliance with the reporting requirements of BSA. Specifically, the bank must conduct a review of its cash activities since the previous examination “sufficient in scope” to satisfy the examiner that no other violations of the BSA have occurred. The scope of such a review should include a detailed test check of each teller’s cash proof sheets since the previous BSA examination. The bank must provide a report to the examiner detailing the scope of the review (i.e. number of days of teller’s work reviewed and the number of tellers reviewed) and the findings that result from the review. (The report from the institution should, at a minimum, include any previously unreported large currency transactions.)
- Where you suspect willful nonreporting of violations and an attempt to cover up such transactions, then you should perform Workprogram procedures 54 through 58.

	Y	N	<i>Comments</i>
54. Review tellers’ cash proof sheets for suspected nonreporting of large currency transactions for periods of time of suspected violations.			
55. If the bank has an automated system in place to capture individual or multiple cash transactions of less than \$10,000, review an appropriate sample of transactions to ascertain the following information. <ul style="list-style-type: none"> a. Evidence of structured transactions. b. Evidence of “concentration accounts” (accounts which have frequent cash deposits aggregating less than \$10,000 on any business day, and relatively few transfers of large amounts out of the accounts, by check or wire). c. Customers with frequent cash transactions of less than \$10,000 who have not provided tax identification numbers. d. Customers with frequent cash transactions that have provided either a foreign address or post office box as an address or have requested that the bank hold monthly statements. e. Other suspicious or unusual activities. 			

	Y	N	Comments
<p>56. If available, obtain copies of the following internally generated reports for review:</p> <ul style="list-style-type: none"> a. Suspected Kiting Reports—These reports identify excessive activity in accounts and should be reviewed for cash activity. (The account profile of an account used for money laundering can be similar to that of an account used for check kiting, i.e. high volume of activity, matching deposits and withdrawals, low average balances in relation to activity.) b. Demand Deposit Activity Reports—These reports cover all customer and employee accounts. They generally show daily balances and accumulate deposits and withdrawals over a 30-day period. Careful review will show accounts that have changed, either in average balance or in numbers of transactions. c. Large Transaction or Cash-In and Cash-Out Reports—Most institutions prepare reports of deposits and withdrawals, either in cash or by check that exceed a certain amount that is less than the over \$10,000 reporting requirement. Such reports can help identify customers who may be structuring transactions to avoid CTR reporting or who have unusual or suspicious activity in their accounts. d. Incoming and Outgoing Wire Transfer Logs—These logs can identify transfers of funds out of the country or to remote banks, transfers funded by cashier's checks and/or money orders in amounts under the CTR filing threshold (over \$10,000) and other suspicious patterns for non-customers as well as accountholders. Additionally, review incoming and outgoing facsimile logs for payment instructions related to funds transfers. e. Loans Listed by Collateral—Review for "significant" loans collateralized by cash (certificates of deposit, bank accounts). Review situations in which collateral was received by funds transfer and the collateral, such as certificates of deposits, are from offshore institutions. Inquire as to the purpose and terms of loans secured largely with cash and whether payments on such loans are often received in cash, if at all. Look for loans from which the proceeds are immediately used to purchase CD's. 			

	Y	N	Comments
<p>57. Obtain copies of the bank statement for the institution's major correspondent bank for a period of at least two months, together with reconciliation sheets and general ledger sheets covering the same period. Review large transactions reflected on either the institution's or the correspondent's records to determine its nature, as indicated by copies of credit or debit advices, or general ledger tickets. Note the following items and determine the reason(s) for such transactions:</p> <ul style="list-style-type: none"> a. Advice of credit from a correspondent bank that cash has been transmitted to the correspondent for credit to the account of the customer initiating the cash shipment on the books of the institution under examination. b. Cashier checks, money orders or similar instruments drawn on other institutions in amounts under \$10,000, more than one of which have been deposited into the same deposit account, or into accounts controlled by the same person, at the institution under examination, and possibly transferred elsewhere in bulk amounts. Traces of such transactions may be found in correspondent account statements, customer account records or in telex records. Note whether the instruments under \$10,000 are sequentially numbered. 			
<p>58. Review incoming mail of the institution to determine if the institution is receiving currency deposits via mail, courier services or internal deliveries. Does the institution have procedures to ensure that CTRs are filed and proper records are maintained?</p>			

Funds Transfers (Refer to *BSA Manual*—
Wire Transfer Operations)

Advisory #14

If this Workprogram is being used for institutions other than commercial banks, foreign branches, Edge Act corporations and agreement

corporations, refer to 31 CFR 103.33 (e) and (f) for the applicable requirements. Also, a copy of the new wire transfer rules is located in the BSA Regulations 31 CFR 103.11 and 103.33.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
59. Is there adequate separation of duties or compensating controls to ensure proper authorization for sending and receipt of transfers, correct posting to accounts and an audit trail of activities?			
60. Does the institution accept cash for funds transfers and, if so, does the institution require identification, maintain documentation, and file CTRs, if applicable?			
61. Does the institution send or receive fund transfers to/from financial institutions in other countries, especially countries with strict privacy and secrecy laws, and, if so, are amounts, frequency, and countries of origin/destination consistent with the nature of the business or occupation of the customer?			
62. Does the institution have procedures to monitor for accounts with frequent cash deposits and subsequent wire transfers of funds to a larger institution or out of the country?			

Responsibilities for Originating Banks

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>63. For funds transfer originations of \$3,000 or more, does the institution retain the following records (this information may be with the payment order or in the institution's files if the originator has an established relationship with the institution¹) (31 CFR 103.33(e)(1)(i))</p> <ul style="list-style-type: none"> a. The name and address of the originator; b. The amount of the funds transfer; c. The date of the funds transfer; d. Any payment instructions received from the originator with the payment order; e. The identity of the beneficiary's bank; and f. As many of the following items as are received with the payment order:² <ul style="list-style-type: none"> (1) The name and address of the beneficiary; (2) The account number of the beneficiary; and (3) Any other specific identifier of the beneficiary. <p>64. For funds transfers of \$3,000 or more for originators that do not have an established relationship with the institution,¹ in addition to the requirements in question 63:</p> <ul style="list-style-type: none"> a. If the payment order is made in person, does the institution verify the required noncustomer identification³ and retain a record of this verified information? [31 CFR 103.33(e)(2)(i)] 			

1. A customer has an established relationship with a financial institution if the customer has a loan, deposit, or other asset account, or is a person with respect to which the institution has on file the person's name and address, as well as taxpayer ID number, or, if none, alien identification number or passport number and country of issuance, and to which the institution provides financial services relying on that information.

2. For funds transfers effected through the Federal Reserve's Fedwire funds transfer system, only one of the items is required to be retained, if received with the payment order, until such time as the bank that sends the order to the Federal Reserve Bank completes its conversion to the expanded Fedwire message format.

3. Information required from noncustomers includes the name and address; the type of identification reviewed; and the number of the identification document (*e.g.*, driver's license); as well as a record of the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance; or a notation in the record of the lack thereof).

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>b. If the institution has knowledge that the person placing the payment order is not the originator, does the institution obtain and retain a record of the originator's taxpayer identification number (e.g., social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, if known by the person placing the order, or a notation in the record of the lack thereof? (31 CFR 103.33(e)(2)(i)) Does the institution verify the identity of the person placing the order on behalf of a third party?</p> <p>c. If the payment order is not made in person, does the institution obtain and retain a record of name and address of the person placing the payment order, as well as the person's taxpayer identification number (e.g., social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof, and a copy or record of the method of payment (e.g., check or credit card transaction) for the funds transfer? (31 CFR 103.33(e)(2)(ii))</p>			
65. Is the information that the institution must retain for originators retrievable by reference to the name of the originator? If the originator is an established customer of the institution and has an account used for funds transfers, is the information also retrievable by account number? ⁴ (31 CFR 103.33(e)(4))			
66. For transmittals of funds of \$3,000 or more, does the institution include in the transmittal order ⁵ (31 CFR 103.33(g)(1)):			
<p>a. The name and, if the payment is ordered from an account, the account number of the transmittor?</p> <p>b. The address of the transmittor, except for transmittal orders through Fedwire until such time as the bank that sends the order to the Federal Reserve Bank completes its conversion to the expanded Fedwire format;</p>			

4. Account number being the actual account used in the funds transfer transaction at the time of the transfer. If the institution has merged with another financial institution, the transfer must be retrievable by the old account number.

5. See 31 CFR Part 103, Section 103.11 for definitions of terms.

Responsibilities for Intermediary Banks

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<ul style="list-style-type: none"> c. The amount of the transmittal order; d. The date of the transmittal order; e. The identity of the recipient's financial institution; f. As many of the following items as are received with the transmittal order:² <ul style="list-style-type: none"> (1) The name and address of the recipient; (2) The account number of the recipient; and (3) Any other specific identifier of the recipient; and either the name and address or numeric identifier of the transmitter's financial institution. 			
67. For funds transfers of \$3,000 or more, if the institution is acting as an intermediary bank, does the institution retain either the original or a microfilm, other copy, or electronic record of the payment order? (31 CFR 103.33(e)(1)(ii))			
68. For transmittals of funds of \$3,000 or more, does the institution include in the transmittal order to the next receiving financial institution the following, if received from the sender ⁴ (31 CFR 103.33(g)(2)): <ul style="list-style-type: none"> a. the name and account number of the transmitter; b. The address of the transmitter, except for transmittal orders through Fedwire until such time as the bank that sends the order to the Federal Reserve Bank completes its conversion to the expanded Fedwire format. c. The amount of the transmittal order; d. The date of the transmittal order; e. The identity of the recipient's financial institution; 			

2. For funds transfers effected through the Federal Reserve's Fedwire funds transfer system, only one of the items is required to be retained, if received with the payment order, until such time as the bank that sends the order to the Federal Reserve Bank completes its conversion to the expanded Fedwire message format.

4. Account number being the actual account used in the funds transfer transaction at the time of the transfer. If the institution has merged with another financial institution, the transfer must be retrievable by the old account number.

Responsibilities for Beneficiary Banks

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>f. As many of the following items as are received with the transmittal order:²</p> <p>(1) The name and address of the recipient;</p> <p>(2) The account number of the recipient; and</p> <p>(3) Any other specific identifier of the recipient; and either the name and address or numeric identifier of the transmitter's financial institution.</p>			
69. For each payment order of \$3,000 or more that an institution accepts as a beneficiary's bank, does the institution retain either the original or a microfilm, other copy, or electronic record of the payment order? (31 CFR 103.33(e)(1)(iii))			
70. In addition to the requirements in question 68, for payment orders of \$3,000 or more received for a beneficiary that does not have an established relationship with the institution: ¹			
<p>a. If the proceeds are delivered in person to the beneficiary or its representative or agent, does the beneficiary's bank verify the identity of the person receiving the proceeds and obtain and retain a record of that information?³ (31 CFR 103.33(e)(3)(i))</p>			

1. A customer has an established relationship with a financial institution if the customer has a loan, deposit, or other asset account, or is a person with respect to which the institution has on file the person's name and address, as well as taxpayer ID number, or, if none, alien identification number or passport number and country of issuance, and to which the institution provides financial services relying on that information.

2. For funds transfers effected through the Federal Reserve's Fedwire funds transfer system, only one of the items is required to be retained, if received with the payment order, until such time as the bank that sends the order to the Federal Reserve Bank completes its conversion to the expanded Fedwire message format.

3. Information required from noncustomers includes the name and address; the type of identification reviewed; and the number of the identification document (*e.g.*, driver's license); as well as a record of the person's taxpayer identification number (*e.g.*, social security or employer identification number) or, if none, alien identification number or passport number and country of issuance; or a notation in the record of the lack thereof).

	<i>Y</i>	<i>N</i>	<i>Comments</i>
<p>b. If the institution has knowledge that the person receiving the proceeds is not the beneficiary, does the institution obtain and retain a record of the beneficiary's name and address, as well as the beneficiary's taxpayer identification number (e.g., social security or employer identification number) or, if none, alien identification number or passport number and country of issuance, if known by the person receiving the proceeds, or a notation in the record of the lack thereof? (31 CFR 103.33(e)(3)(i)) Does the institution verify the identity of the individual receiving the funds on behalf of a third party?</p> <p>c. If the proceeds are delivered other than in person, does the institution retain a copy of the check or other instrument used to effect payment, or the information contained thereon, as well as the name and address of the person to which it was sent? (31 CFR 103.33(e)(3)(ii))</p>			
<p>71. Is the information that the institution must retain for beneficiaries retrievable by reference to the name of the beneficiary? If the beneficiary is an established customer of the institution and has an account used for funds transfers, is the information also retrievable by account number? (31 CFR 103.33(e)(4))</p>			

Purchases/Sales of Monetary Instruments

Section 103.29 of the BSA requires that financial institutions maintain certain information regarding sales in currency of bank checks or drafts, cashier’s checks, money orders or traveler’s checks for \$3,000 to \$10,000, inclusive. (Effective October 17, 1994, financial institutions are no longer required to maintain the necessary information on a “monetary instrument log.”)

\$10,000 inclusive, and where the institution requires deposit-holders to buy monetary instruments only through the use of their deposit accounts (e.g. debit memo, check, etc.), the institution is not required to separately maintain the information pursuant to Section 103.29. However, the institution must have adequate controls and proper training in place to ensure that if a transaction is completed that inadvertently does not comply with the stated policy (i.e. teller mistakenly sells \$5,000 in traveler’s checks to nondeposit-account-holder for cash), the required information will be properly recorded on whatever records or systems that the bank chooses (e.g. on the copy of the instrument purchased). If the institution’s policies are adequate and therefore the institution does not maintain a log, you may proceed to ADVISORY #18.

Advisory #15:

If the institution’s stated policy is not to sell monetary instruments for cash to nondeposit-account-holders in amounts between \$3,000 and

	<i>Y</i>	<i>N</i>	<i>Comments</i>
72. Do the financial institution’s records include the following required information for purchasers who have deposit accounts (as defined in Section 103.11) with the institution: <ul style="list-style-type: none"> a. The name of the purchaser. b. Date of purchase. c. The type(s) of instrument(s) purchased. d. The serial number(s) of each of the instrument(s) purchased. e. The dollar amount(s) of each of the instrument(s) purchased in currency. f. Method of verification of identity (either at time of purchase or when deposit account opened). 			
73. Do the financial institution’s records include the following required information for purchasers who do not have deposit accounts with the institution: <ul style="list-style-type: none"> a. The name and address of the purchaser. b. The social security or alien identification number of the purchaser. c. The date of birth of the purchaser. 			

	<i>Y</i>	<i>N</i>	<i>Comments</i>
d. The date of purchase.			
e. The type(s) of instrument(s) purchased.			
f. The serial number(s) of each of the instrument(s) purchased.			
g. The dollar amount(s) of each of the instrument(s) purchased.			
h. Method of verifying identity of purchaser and specific identifying information (e.g. State of issuance and number of driver's license).			
74. Are the financial institution's records retrievable, upon request from the Treasury, within a reasonable period of time.			
75. Does the institution have a system for capturing multiple sales of monetary instruments in one day, in amounts totalling \$3,000 or more?			
76. Does the institution use manual or automated systems for identifying cash sales of monetary instruments? Note type of system used.			

Advisory #16

If the review of the records of the purchases/sales of monetary instruments shows unusual or suspicious patterns of purchases/sales activity

that might be associated to money laundering, perform Workprogram procedures 77 through 79. If not, proceed to Workprogram procedure 80.

	<i>Y</i>	<i>N</i>	<i>Comments</i>
77. If the institution uses manual systems, proceed to Workprogram procedure 79. If the institution uses automated systems, proceed to Workprogram procedure 78.			
78. If the institution relies upon automated systems for identifying such transactions, does the internal audit/independent review adequately test the accuracy and validity of the cash purchases/sales identification system and is the system comprehensive with regard to all points of purchase/sale? If the internal audit/independent review has verified the integrity of the system, then stop. If the integrity of the automated system has not been verified, proceed to Workprogram ADVISORY #17.			
79. If the institution relies upon manual systems for identifying such transactions, do the institution's records provide an audit trail sufficiently detailed to identify the method of payment for all purchases/sales of monetary instruments? a. Does the internal audit/independent review include a test check of teller's proof sheets to the original record of purchases/sales to determine that required information is properly obtained and retained? b. If the integrity of the manual system is verified by internal audit/independent review and ensures that all purchases/sales have been properly documented, then stop. If the integrity of the manual system has not been verified, proceed to Workprogram ADVISORY #17.			

Advisory #17

If the institution's internal audit/independent review has not sufficiently tested the validity of the automated or manual systems for identification of cash sales, the examiner in charge should be notified that internal audit or control may be inadequate and the institution may be in violation of Regulation H, Section 208.14. Depending upon the circumstances, the examiner in charge may request that the institution conduct a review of all sales of monetary instruments since the previous examination and indicate in a report to the examiner the source of payment for each purchase/sale between \$3,000 and \$10,000. A plan for implementation of adequate internal safeguards to assure proper record retention should also be presented.

Office of Foreign Assets Control

Advisory #18

The U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") administers laws that impose economic sanctions against foreign countries to further U.S. foreign policy and national security objectives. OFAC is also responsible for making regulations that restrict transactions by U.S. persons or entities (including banks), located in the U.S. or abroad, with certain foreign countries, their nationals or "specially designated nationals." OFAC regularly provides to banks, or banks may subscribe to certain databases or other informational providers (including the *Federal Register*), current listings of foreign countries and designated nationals that are prohibited from conducting business with any U.S. entity or individual (refer to Section 1505 of the *BSA Manual*).

	Y	N	Comments
80. Does the institution have policies and procedures in place for complying with OFAC laws and regulations?			
81. Does the U.S. bank maintain a current listing of prohibited countries, entities and individuals?			
82. Is the OFAC information disseminated to foreign country offices?			
83. Are new accounts compared to the OFAC listings prior to opening?			
84. Are established accounts regularly compared to current OFAC listings?			

Payable Through Accounts

Advisory #19

If the institution being examined engages in payable through account activities, refer to the section of the *BSA Manual* dealing with such accounts.