

**Suggested Transmittal Letter**

**To:** Chief Executive Officers of all State Member Banks, Bank Holding Companies and Foreign Banking Organizations

**Subject:** Supervisory Guidance on Required Absences from Sensitive Positions

One of the many basic tenets of internal control is that a banking organization ensure that employees in sensitive positions be absent from their duties for a minimum of two consecutive weeks. Such a requirement enhances the viability of a sound internal control environment because most frauds or embezzlements require the continual presence of the wrongdoer.

In light of recent events involving significant trading losses caused by illegal activities, we are reemphasizing the need for sound internal controls and offering the attached supervisory guidance to financial institutions regarding required absences from sensitive positions.

In brief, the guidance is intended to ensure that each banking organization conducts an assessment of significant risk areas. After conducting this assessment, the organization should, with few exceptions, require that employees in sensitive key positions, such as trading and wire transfer, not be allowed to transact or otherwise carryout, either physically or through electronic access, their assigned duties for a minimum of two consecutive weeks. The prescribed period of absence should, under all circumstances, be of sufficient duration to allow all pending transactions to clear. It should also require that an individual's daily work be processed by another employee during the employee's absence.

Should you have any questions on the supervisory guidance for required absences from sensitive positions, please contact \_\_\_\_\_ at the Federal Reserve Bank of \_\_\_\_\_.

*Attachment*