

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

June 30, 2004

**BANKING SUPERVISION AND REGULATION:
FOREIGN BANKING BUSINESS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Banking Accounts for Foreign Governments, Embassies, and Political Figures (SR 04-10)

The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, and National Credit Union Administration, in coordination with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), have issued the attached interagency advisory concerning the embassy banking business and related banking matters. The purpose of the advisory is to provide general guidance to banking organizations regarding the treatment of accounts for foreign governments, foreign embassies, and foreign political figures.

The joint interagency statement advises banking organizations that the decision to accept or reject an embassy or foreign government account is theirs alone to make. It goes on to advise that financial institutions should be aware that there are varying degrees of risk associated with such accounts depending on the customer and the nature of the services provided, and that they should take appropriate steps to manage such risks consistent with sound practices and applicable anti-money laundering laws and regulations. The advisory also encourages banking organizations to direct questions about embassy banking to their primary federal bank regulators.

In addition to the issuance of the advisory by the banking agencies, the U.S. Departments of State and Treasury have issued the attached joint statement on embassy banking.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about the above matter, please contact our Banking Supervision and Regulation Department at (415) 974-2896.

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Attachments:

Interagency Advisory: Guidance on Accepting Accounts from Foreign Governments, Foreign Embassies and Foreign Political Figures (<http://www.federalreserve.gov/boarddocs/SRLETTERS/2004/SR0410a1.pdf>)

Statement of Policy on Accepting Accounts from Foreign Governments, Foreign Embassies and Foreign Political Figures (<http://www.federalreserve.gov/boarddocs/SRLETTERS/2004/SR0410a2.pdf>)