

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

December 17, 2004

**BANKING SUPERVISION AND REGULATION:  
USE OF FREE AND OPEN SOURCE SOFTWARE**

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

**FFIEC Guidance on use of Free and Open Source Software (SR 04-17)**

The federal banking, thrift, and credit union regulatory agencies have published guidance for examiners, financial institutions, and technology service providers on the acquisition and use of free and open source software (FOSS).

FOSS refers to software that users are permitted to run, study, modify, and redistribute without paying a licensing fee. Some of the most well-known examples of FOSS are the Linux operating system, Apache web server, and MySQL database. The use of FOSS is increasing within the information technology and financial services industries.

The agencies are of the opinion that the use of FOSS does not pose risks that are fundamentally different from risks presented by proprietary or self-developed software. However, the acquisition and use of FOSS necessitates implementation of unique risk management practices. This guidance supplements the FFIEC IT Examination Handbook, *Development and Acquisition Booklet*<sup>1</sup> by addressing strategic, operational, and legal risk considerations in acquiring and using FOSS.

**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 FFIEC guidance, please contact our Banking Supervision and Regulation Department at (415) 974-2927.

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[Attachment: SR 04-17: Risk Management of Free and Open Source Software](#)