

FEDERAL RESERVE BANK OF SAN FRANCISCO

101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

July 15, 2005

BANKING SUPERVISION AND REGULATION: BANK SECRECY ACT/ANTI-MONEY LAUNDERING MANUAL

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

New Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering Examination Manual (SR 05-12)

The Federal Financial Institutions Examination Council (FFIEC) has issued the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual. The manual is the result of a collaborative effort of the federal banking agencies and the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN).¹ BSA/AML experts from the Reserve Banks contributed to the drafting of the manual and were instrumental in field testing the procedures.

The manual does not set new standards; instead, it is a compilation of existing regulatory requirements, supervisory expectations, and sound practices in the BSA/AML area. To foster consistency, the manual includes the examination procedures that will be used by each agency's examiners and will be provided to state banking agencies.

Federal Reserve examiners should immediately begin using the examination procedures as set forth in the manual for all BSA/AML examinations. The manual has been field tested by each of the federal banking agencies and several state banking agencies. In addition, two outreach events were held to discuss the manual with banking industry members of the Treasury Department's Bank Secrecy Act Advisory Group. With the release of the manual, the *1997 Bank Secrecy Act Examination Manual* is now retired.

The attached letter from the principals of each federal banking agency and FinCEN is directed to chief executive officers at banking organizations. It underscores the importance of banking organizations effectively managing their BSA/AML risk (i.e., the risk of abuse by money launderers or terrorist financiers) by developing BSA/AML compliance programs tailored to their organizations' risk profiles. Similarly, banking organizations should establish risk-based programs to comply with the requirements of the Office of Foreign Assets Control (OFAC). The development of strong, risk-based programs should enable banking organizations to assure effective risk management and efficient use of resources.

In order to provide examiners the ability to tailor each examination to the profile of a specific banking organization, the manual uses a "core" and "expanded" format. The core sections are the foundation for all BSA/AML reviews. They include guidance and procedures for examination scoping and planning and for reviewing the components of the BSA compliance program, other BSA/AML requirements, and policies and procedures to support compliance with the sanctions administered by OFAC.²

The expanded sections allow an examiner to tailor the examination scope by selecting procedures relevant to the risk profile of the banking organization. The expanded sections provide detailed guidance and discussions on specific lines of business, products, or entities that may present unique BSA/AML challenges and exposures for which banks should appropriately tailor policies, procedures, and processes. Importantly, the expanded procedures include a section on enterprise-wide BSA/AML compliance, which is increasingly important for large banking organizations that provide a wide variety of financial services.

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 examination manual, please contact our Banking Supervision and Regulation Department at (213) 683-2707.

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Attachments:

*Bank Secrecy Act/Anti-Money Laundering Examination Manual
Letter from Federal Banking Agencies Principals*

1. The federal banking agencies are the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision. In addition, through the Conference of State Bank Supervisors, the state banking agencies played a consultative role.
2. The federal banking agencies consulted with OFAC in the development of these sections of the manual.