FDIC
Federal Deposit Insurance Corporation
Washington, DC 20429

Division of Bank Supervision

BANK SECRECY ACT COMPLIANCE

BL-16-87
May 18, 1987

TO: CHIEF EXECUTIVE OFFICERS OF
INSURED STATE NONMEMBER BANKS

SUBJECT: Guidelines for Monitoring Bank Secrecy Act Compliance

MINIMUM REQUIREMENTS: On January 27, 1987, the FDIC adopted a rule requiring all insured state nonmember banks, including insured state branches of foreign banks, to establish and maintain procedures to assure and monitor compliance with the Bank Secrecy Act (BSA). By April 27, 1987, banks must have a compliance program that, at a minimum, provides for:

(1) A system of internal controls to assure ongoing compliance;
(2) Independent testing of compliance by bank personnel or by an outside party;
(3) A designated individual or individuals responsible for coordinating and monitoring day-to-day compliance, and
(4) Training for appropriate personnel.

The compliance program shall be reduced to writing, approved by the bank's board of directors and noted in the minutes. The program and procedures will be reviewed during the course of regulatory examinations.

ADDITIONAL GUIDANCE: Section 326.8 of the FDIC's Rules and Regulations governs procedures within the bank to insure compliance with Treasury Department rules. The FDIC requirements are separate and apart from the substantive reporting and recordkeeping requirements of the BSA and 31 CFR 103. To satisfy the FDIC's requirements, banks must provide written instructions and copies of the required forms to all employees involved in transactions with customers.

In addition, banks must have installed an effective compliance program that not only meets the minimum requirements of the FDIC's rule (Section 326.8), but addresses the specific circumstances of each banking office. For example, banks or offices handling a large volume of currency, banks operating from numerous locations, and banks with offices in border areas or in areas where money laundering or drug trafficking is prevalent, must have installed extensive controls, plans and procedures going beyond the minimum requirements of Section 326.8.

The true test of the compliance program's effectiveness is its ability to prevent violations. Thus, if examiners find numerous or serious violations of the Treasury's regulations, the compliance program will likely be judged inadequate and violations of Section 326.8 will be cited.

Guidelines elaborating on the four points of the regulation are included in this pamphlet.

EXAMINATION PROCEDURES: Also included herein are the procedures used by FDIC examiners to determine compliance with the Bank Secrecy Act and Treasury's regulations.

The independent testing requirement demands the use of examination or audit procedures by auditors, outside parties or employees who are independent of the currency reporting function. The FDIC's procedures may be used as a model for developing such procedures within the banking organization.

Paul G. Fritts
Director

Attachments

Distribution: Insured State Nonmember Banks (Commercial and Mutual)