



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, DC 20429

Division of Supervision

Payable Through Accounts

FIL-30-95  
April 7, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Warning, Guidelines Issued To Protect Against Improper or Illegal Use of "Payable Through" Accounts*

The FDIC is joining other federal regulators in urging U.S. financial institutions to immediately establish and maintain policies and procedures designed to guard against the possible improper or illegal use of "payable through" accounts. Also called "pass through" accounts or "pass by" accounts, these generally are checking accounts marketed to foreign banks that otherwise would not have the ability to offer their customers access to the U.S. banking system. The attached FDIC guidelines provide more information about these accounts as well as suggested internal controls and procedures.

Experience has shown, for example, that some U.S. banking entities process thousands of checks on accounts where signature cards have been completed abroad and submitted in bulk. These U.S. banking entities may have undertaken little or no effort to independently obtain or verify information about the individuals and businesses who use the accounts. Federal regulators are concerned that the use of "payable through" accounts may contribute to unsafe and unsound banking practices and other misconduct, including money laundering and related criminal activities. Please note that the traditional use of "payable through" accounts by financial organizations in the United States, such as by credit unions and investment companies, has not been a cause for concern.

U.S. banking entities used for illegal purpose put their reputation at risk and face potentially serious financial losses from asset seizures and forfeitures initiated by law enforcement authorities. If you have any questions about "payable through" accounts, please contact your Division of Supervision Regional Office.

Stanley J. Poling  
Director

Attachment

Distribution: FDIC-Supervised Banks (Commercial and Savings)