



Guidelines for Monitoring Bank Secrecy Act Compliance

FIL-58-96
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TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Bank Secrecy Act Compliance Officers*

The Federal Deposit Insurance Corporation's Rules and Regulations (Section 326.8(c)(3)) require each bank to designate an individual or individuals to be responsible for coordinating and monitoring compliance with the Bank Secrecy Act (BSA). On May 14, 1996, the Federal Deposit Insurance Corporation (FDIC) published FIL-29-96 containing guidelines for monitoring BSA compliance. Strict compliance with the guidelines, although not mandatory, is strongly encouraged and may help banks avoid criminal and civil action in the event of a money laundering investigation involving the institution.

The guidelines specify that each bank must designate a senior bank official to be responsible for overall BSA compliance. The senior bank official in charge of BSA compliance should be in a position, and have the authority, to make and enforce BSA policies. A "BSA Officer" who reports to a senior official is not sufficient to meet the requirements. The senior official should be designated as the BSA Officer. Assigning overall compliance responsibility to a lower level employee who does not have sufficient authority to direct the development and execution of a BSA program could jeopardize the efficacy of that program. The title of the individual responsible for overall BSA compliance is not important; however, the individual's level of authority and responsibility within the institution is. A bank may designate other individuals in each office to be responsible for day-to-day compliance.

For purposes of BSA compliance, the senior bank official responsible for overall compliance does not have to be an "executive officer" as defined in Federal Reserve Regulation O. Regulation O defines an "executive officer" as a person who participates or has authority to participate in major policymaking functions of the bank. An officer who has authority to make and enforce policies in a narrowly defined area such as BSA would not automatically be designated an "executive officer"; nor is it the intent of the guidelines to require the BSA officer to meet the requirements of the Regulation O definitions. In many banks, the institution's compliance officer would be a suitable designee. The appointment of a senior bank official as the BSA Officer and senior management involvement in and oversight of the BSA compliance program show the bank's commitment to BSA compliance, and may offer some protection from civil or criminal liability to the bank in the event the institution is involved in a money laundering investigation.

The guidelines for compliance with the BSA are intended to assist banks in their efforts to comply with Subpart B of Part 326 of FDIC's Rules and Regulations (Procedures for Monitoring Bank Secrecy Act Compliance). While noncompliance with any portion of Subpart B may subject a bank to formal enforcement action, compliance with the guidelines is voluntary. Banks that do not follow the guidelines may be subject to critical examiner comments in the Report of Examination; however, noncompliance with the guidelines is not a violation of FDIC's regulations.



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Division of Supervision

Questions concerning compliance with the Bank Secrecy Act may be directed to your FDIC Division of Supervision Regional Office.

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Director

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