



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 07-15

August 24, 2007

TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE
SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE
BANK AND BANKING ORGANIZATIONS SUPERVISED BY THE FEDERAL
RESERVE

SUBJECT: Release of the Revised Federal Financial Institutions Examination Council
Bank Secrecy Act/Anti-Money Laundering Examination Manual

The Federal Financial Institutions Examination Council (FFIEC) issued today the 2007 *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual*. The revised manual reflects the ongoing commitment of the federal and state banking agencies and the Financial Crimes Enforcement Network (FinCEN) to provide current and consistent risk-based guidance for banking organizations to comply with the BSA and safeguard operations from money laundering and terrorist financing.¹ The manual has been updated to further clarify supervisory expectations and incorporate regulatory changes since the manual's 2006 revision.

The attached interagency statement outlines the significant revisions to the manual. These revisions include updates to the chapters on customer due diligence, suspicious activity reporting, foreign correspondent accounts, electronic banking, and trade finance. The revisions also include changes to the chapter on foreign correspondent account recordkeeping and due diligence to reflect the newly issued enhanced due diligence requirements for such accounts, and new language describing the Office of Foreign Assets Control (OFAC) requirements for automated clearing house transactions. Finally, the agencies have expanded the discussion on providing banking services to money services businesses, updated the red flags appendix, and added an index.

As with prior versions of the *FFIEC BSA/AML Examination Manual*, the 2007 revised 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. The manual

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 are expected to establish risk-based programs to comply with OFAC requirements.

As in prior versions, the manual uses a "core" and "expanded" format. The core sections include guidance and procedures for examination scoping and planning, reviewing the components of the BSA compliance program, determining compliance with other BSA/AML requirements, and reviewing policies and procedures to support compliance with the sanctions administered by OFAC.² The expanded sections provide detailed guidance and procedures on specific lines of business, products, or entities that may present unique BSA/AML challenges and exposures for banks.

Federal Reserve examiners should begin using the examination procedures as set forth in the manual for all BSA/AML examinations beginning September 1, 2007. With today's release, the 2006 *FFIEC BSA/AML Examination Manual* is retired.

Reserve Banks are asked to distribute this SR Letter to the domestic and foreign banking organizations supervised by the Federal Reserve in their districts, as well as to supervisory and examination staff. Questions concerning the *FFIEC BSA/AML Examination Manual* should be addressed to Timothy P. Leary, Senior Special Anti-Money Laundering Examiner, (202) 452-2428, or Suzanne L. Williams, Manager, BSA/AML Risk Section, (202) 452-3513.

Deborah P. Bailey
Acting Director

Attachment:

[Interagency Statement](#) (222 KB PDF)

[FFIEC BSA/AML Examination Manual](#)

Supersedes:

SR letter 06-11

Notes:

1. The five federal banking agencies that are members of the FFIEC 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. The State Liaison Committee, which includes representatives appointed by the Conference of State Bank Supervisors, the American Council of State Savings Supervisors, and the National Association of State Credit Union Supervisors, is also a member of the FFIEC. [Return to text](#)

2. The federal banking agencies consulted with OFAC in the development of these sections of the manual. [Return to text](#)

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**Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision
Financial Crimes Enforcement Network
Conference of State Bank Supervisors**

**The 2007 Version of the Bank Secrecy Act/Anti-Money Laundering Examination
Manual**

August 24, 2007

The Federal Financial Institutions Examination Council (FFIEC) today released the revised Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual. The revised manual reflects the ongoing commitment of the federal and state banking agencies and the Financial Crimes Enforcement Network (FinCEN) to provide current and consistent guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA and safeguard operations from money laundering and terrorist financing. The 2007 version further clarifies supervisory expectations since the July 28, 2006 update. The revisions again draw upon feedback from the banking industry and examination staff. U.S. Treasury Secretary Henry Paulson recently announced an initiative to ensure that compliance obligations are treated in a manner that helps avoid expenditures that are not commensurate with actual risk. Any resulting changes in the BSA/AML examination process will be incorporated into future versions of the manual.

The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, and Conference of State Bank Supervisors revised the manual in collaboration with FinCEN, the administrator of the BSA. The Office of Foreign Assets Control (OFAC) collaborated on the revisions made to the section that addresses compliance with economic and trade sanctions administered and enforced by OFAC.

Revisions were made throughout the manual. The sections with more significant updates are again noted in the table of contents. Significant updates include:

Customer Due Diligence – Clarified regulatory expectations between lower-risk and higher-risk customers.

Suspicious Activity Reporting – Enhanced discussion of law enforcement inquiries and requests. Updated the section to include new guidance on maintaining accounts and supporting documentation.

Foreign Correspondent Account Recordkeeping and Due Diligence – Updated section to reflect new enhanced due diligence requirements with respect to correspondent accounts established or maintained for certain foreign banks.

OFAC – Revised and clarified guidance on screening responsibilities in connection with automated clearing house (ACH) transactions. Made corresponding revisions to the ACH section.

Correspondent Accounts (Foreign) – Enhanced the risk mitigation discussion.

Electronic Banking – Added discussion regarding Remote Deposit Capture.

Trade Finance – Clarified regulatory expectations, refined definitions, and enhanced the discussion of risk mitigation practices.

Non-Bank Financial Institutions – Expanded the discussion on providing banking services to money services businesses.

Appendix F: Money Laundering and Terrorist Financing “Red Flags” – Expanded examples of red flags for trade finance, ACH transactions, shell company activity, and other potentially suspicious customer activity, and added new examples for lending activity.

Appendix R: Enforcement Guidance – Added recently issued interagency enforcement guidance addressing noncompliance with BSA/AML requirements.

Index – To make the document more user-friendly, included a detailed, cross-referenced index with key terminology and subject matters.

The 2007 version of the manual is located on the FFIEC BSA/AML InfoBase at:
http://www.ffiec.gov/bsa_aml_infobase/default.htm.