



FEDERAL RESERVE BANK of KANSAS CITY

May 7, 2010

**FFIEC RELEASES REVISED BSA/AML EXAMINATION MANUAL**

**Attention:** Chief Executive Officer of Each Tenth District State Member Bank and Bank Holding Company

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

**Highlights:** The attached interagency statement outlines the significant revisions to the manual, which include streamlined and reorganized examination procedures for assessing a bank's Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance program; new guidance to examiners on how to determine the severity of a regulatory violation; a reworked section on BSA/AML compliance program structures; a new section on bulk currency shipments; a reorganized and updated section on suspicious activity reporting and monitoring; and updated discussions of Currency Transaction Report exemptions, international ACH transactions, trade finance activities, cover payments, prepaid cards, electronic banking, and third-party payment processor customers.

As with prior versions of the manual, the 2010 version does not set new standards; instead, it is a compilation of existing regulatory requirements, supervisory expectations, and sound practices in the BSA/AML area. The examination procedures will be used by each federal banking regulatory agency's examiners and will be provided to state banking agencies.

The revised BSA/AML examination procedures are effective immediately for Federal Reserve examiners.

**Attachment:** SR Letter 10-9 and Interagency Statement

**Contact:** Andrew Thompson  
(800) 333-1020, ext. 22535  
(303) 572-2535 locally  
[andrew.thompson@kc.frb.org](mailto:andrew.thompson@kc.frb.org)

**Internet:** [http://www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm)



**BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING  
SUPERVISION AND REGULATION

**SR 10- 9**

**April 29, 2010**

**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 2010 *Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual*. The revised manual reflects the ongoing commitment of the federal and state banking agencies 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.<sup>1</sup> The manual has been updated to further clarify supervisory expectations and incorporate regulatory changes since the manual's 2007 revision.

The FFIEC member agencies revised the manual in collaboration with the Financial Crimes Enforcement Network (FinCEN), which is the administrator of the BSA, and the Office of Foreign Assets Control (OFAC). FinCEN and OFAC collaborated on the revisions made to the sections of the manual that address compliance with the regulations and sanctions programs that FinCEN and OFAC administer and enforce.

The attached interagency statement outlines the significant revisions to the manual. These revisions include streamlined and reorganized examination procedures for assessing a bank's BSA/AML compliance program; new guidance to examiners on how to determine the severity of a regulatory violation; a reworked section on BSA/AML compliance program structures; a new section on bulk currency shipments; a reorganized and updated section on suspicious activity reporting and monitoring; and updated discussions of Currency Transaction Report exemptions, international Automated Clearing House transactions, trade finance

---

<sup>1</sup> 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.

activities, cover payments, prepaid cards, electronic banking, and third-party payment processor customers.

As with prior versions of the FFIEC *BSA/AML Examination Manual*, the 2010 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. 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 May 1, 2010. With today's release, the 2007 *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, at (202) 452-2428, or Suzanne L. Williams, Manager, BSA/AML Risk Section, at (202) 452-3513.

Patrick M. Parkinson  
Director

Attachments:

Interagency Statement

*FFIEC BSA/AML Examination Manual*

Supersedes:

- SR Letter 07-15, "Release of the Revised Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering Examination Manual"

---

**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  
State Liaison Committee**

---

**The 2010 Version of the Bank Secrecy Act/Anti-Money Laundering  
Examination Manual**

April 29, 2010

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 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 2010 version further clarifies supervisory expectations since the August 24, 2007, update. The revisions again draw upon feedback from the banking industry and examination staff.

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 State Liaison Committee (Agencies) revised the manual in collaboration with the Financial Crimes Enforcement Network (FinCEN), the administrator of the BSA, and the Office of Foreign Assets Control (OFAC). FinCEN and OFAC collaborated on the revisions made to the sections that address compliance with the regulations and sanctions programs that FinCEN and OFAC administer and enforce.

Revisions were made throughout the manual. The sections with more significant updates are again noted in the table of contents with “2010.” Significant updates include:

**Bulk Currency Shipments** — Added one new section, on bulk currency shipments.

**BSA/AML Compliance Program Structures** — Substantially reworked the section on Enterprise-Wide BSA/AML Compliance programs to discuss the variety of BSA/AML compliance programs that exist, reflect current supervisory expectations, and enhance the specific discussion of consolidated compliance programs. The section is now titled “BSA/AML Compliance Program Structures.”

**Core Examination Procedures for Assessing the BSA/AML Compliance Program** — Streamlined and reorganized the core examination procedures for assessing the BSA/AML compliance program to make them more logical.

**Developing Conclusions and Finalizing the Examination** — Revised the section to include guidance to examiners on how to determine whether a violation is systemic or recurring, as opposed to a technical or isolated violation.

**Currency Transaction Reporting Exemptions** — Updated the section to reflect the changes in the regulation and FinCEN guidance in this area.

**Funds Transfers** — Updated the section to reflect introduction of the SWIFT MT 202 COV message format.

**Suspicious Activity Reporting** — Enhanced the discussion of methods to identify, research, and report suspicious activity. Reorganized the section to reflect current supervisory expectations and made the discussion easier to follow and more user-friendly. Added a new Appendix S to illustrate the interaction between the different components of a suspicious activity monitoring program.

**Automated Clearing House Transactions** — Updated the section to reflect the recent changes to international Automated Clearing House transactions. Made corresponding changes to the OFAC section.

**Electronic Cash** — Revised the section to include a more in-depth discussion of Prepaid Cards.

**Trade Finance Activities** — Updated the definitions in the section to more closely reflect actual usage in the industry and added a reference to recent Wolfsberg Group guidance.

**Electronic Banking** — Updated the section (specifically, the Remote Deposit Capture discussion) to reflect the FFIEC guidance, *Risk Management of Remote Deposit Capture* (January 14, 2009).

**Third-Party Payment Processors** — Updated the section to reflect recent agency guidance, *Guidance on Payment Processor Relationships*, FDIC FIL-127-2008 (November 7, 2008), and *Risk Management Guidance: Payment Processors*, OCC Bulletin 2008-12 (April 24, 2008).

The 2010 version of the manual is located on the FFIEC BSA/AML InfoBase at: [http://www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm).