**DUE DILIGENCE PROGRAMS FOR CORRESPONDENT ACCOUNTS FOR FOREIGN FINANCIAL INSTITUTIONS examination and testing procedures**

Objective: *Assess the bank’s compliance with the Bank Secrecy Act (BSA) regulatory requirements regarding due diligence programs for correspondent accounts established, maintained, administered, or managed* *for foreign financial institutions, to detect and report money laundering and any potential suspicious activity.*

| **Procedure** | **Comments** |
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| 1. Determine whether the bank has established a due diligence program for correspondent accounts for foreign financial institutions that includes appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls for correspondent accounts established, maintained, administered, or managed in the United States. Verify that due diligence policies, procedures, and controls include:
* Determining whether any correspondent account maintained for a foreign financial institution is subject to enhanced due diligence (EDD). EDD procedures are required for any correspondent account maintained for a foreign financial institution that operates under:
	+ An offshore banking license.
	+ A banking license issued by a foreign country that has been designated as non-cooperative with international anti-money laundering (AML) principles or procedures by an intergovernmental group or organization of which the United States is a member, and with which designation the United States representative to the group or organization concurs.
	+ A banking license issued by a foreign country that has been designated by the Secretary of the Treasury as warranting special measures due to money laundering (ML) concerns.
* Assessing the ML risks presented by each correspondent account for a foreign financial institution, based on a consideration of all relevant factors, including, as appropriate:
	+ The nature of the foreign financial institution’s business and the markets it serves.
	+ The type, purpose, and anticipated activity of the correspondent account.
	+ The nature and duration of the bank’s relationship with the foreign financial institution and any of its affiliates.
	+ The AML and supervisory regime of the jurisdiction that issued the charter or license to the foreign financial institution and, to the extent that information regarding such jurisdiction is reasonably available, the AML and supervisory regime of the jurisdiction in which any company that is an owner of the foreign financial institution is incorporated or chartered.
	+ Information known or reasonably available to the bank about the foreign financial institution’s AML record.
* Applying risk-based procedures and controls to each correspondent account for a foreign financial institution reasonably designed to detect and report known or suspected ML activity, including a periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account.
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| 1. Determine whether the bank has established EDD policies, procedures, and controls for those correspondent accounts identified as requiring EDD, if applicable. EDD procedures should ensure that the bank, at a minimum, takes reasonable steps to:
* Conduct enhanced scrutiny of correspondent accounts for foreign banks to guard against ML and to identify and report suspicious transactions in accordance with applicable laws and regulations. Verify that this enhanced scrutiny is based on an assessment of the risks posed by each correspondent account that is subject to such scrutiny and includes, as appropriate:
	+ Obtaining and considering information relating to the foreign bank’s AML program to assess the risk of ML presented by the correspondent account of the foreign bank.
	+ Monitoring transactions to, from, or through the correspondent account of the foreign bank in a manner reasonably designed to detect ML and suspicious activity.
	+ Obtaining information from the foreign bank about the identity of any person with authority to direct transactions through any correspondent account that is a payable-through account, and the sources and beneficial owner of funds or other assets in the payable-through account.
* Determine whether the foreign bank provides correspondent accounts to other foreign banks (i.e., nested accounts) and, if so, review the bank’s policies and procedures for making this determination. If such accounts exist, determine that the bank’s policies, procedures, and controls include reasonable steps to obtain information relevant to assess and mitigate ML risks associated with the foreign bank’s correspondent accounts for other foreign banks, including, as appropriate, the identity of those foreign banks.
* Determine whether the foreign bank’s shares are publicly traded. For those foreign banks that are not publicly traded, determine whether the bank’s policies, procedures, and controls require identification of each owner of the foreign bank and the nature and extent of each owner’s ownership interest.
* Verify that the bank’s due diligence policies, procedures, and controls include procedures for circumstances when due diligence or EDD cannot be performed and circumstances when the bank should refuse to open the account, suspend transaction activity, file a suspicious activity report, or close the account.
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| 1. On the basis of a risk assessment, prior examination reports, and a review of the bank’s audit findings, if applicable, select a sample of correspondent accounts for foreign financial institutions. The sample should include correspondent accounts maintained for foreign financial institutions other than foreign banks (such as money transmitters or currency exchangers), if applicable. From the sample selected, determine whether the bank complies with general due diligence requirements for correspondent accounts maintained for foreign financial institutions.
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| 1. Determine whether the bank maintains correspondent accounts for foreign banks that require EDD procedures. Select a sample of correspondent accounts for foreign banks that are subject to EDD requirements to determine whether the bank complies with EDD requirements, (e.g., determination of nested relationships and consideration of AML program information).
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| 1. Based on examination and testing procedures completed, form a conclusion about the bank’s compliance with Bank Secrecy Act (BSA) regulatory requirements associated with due diligence for correspondent accounts for foreign financial institutions.
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