Examination Procedures

Pouch Activities

Objective. *Assess the adequacy of the bank’s systems to manage the risks associated with pouch activities, and management’s ability to implement effective monitoring and reporting systems.*

| **Procedure** | **Comments** |
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| 1. Determine whether the bank has incoming or outgoing pouch activity and whether the activity is via carrier or courier. |  |
| 1. Review the policies, procedures, and processes, and any contractual agreements related to pouch activities. Evaluate the adequacy of the policies, procedures, and processes given the bank’s pouch activities and the risks they present. Assess whether the controls are adequate to reasonably protect the bank from money laundering and terrorist financing. |  |
| 1. From a review of MIS and internal risk rating factors, determine whether the bank effectively identifies and monitors pouch activities. |  |
| 1. Determine whether the bank’s system for monitoring pouch activities for suspicious activities, and for reporting suspicious activities, is adequate given the bank’s size, complexity, location, and types of customer relationships. |  |
| 1. Review the list of bank customers permitted to use pouch services (incoming and outgoing). Determine whether management has assessed the risk of the customers permitted to use this service. |  |
| 1. If appropriate, for additional guidance refer to the core examination procedures, “Office of Foreign Assets Control”. |  |
| **Transaction Testing** | |
| 1. On the basis of the bank’s risk assessment of its pouch activities, as well as prior examination and audit reports, and recent activity records, select a sample of daily pouches for review. Preferably on an unannounced basis and over a period of several days, not necessarily consecutive, observe the pouch opening and the data capture process for items contained in a sample of incoming pouches, and observe the preparation of outgoing pouches. Review the records and the pouch contents for currency, monetary instruments,[[1]](#footnote-1) bearer securities, prepaid cards, gems, art, illegal substances or contraband, or other items that should not ordinarily appear in a bank’s pouch. |  |
| 1. If the courier, or the referral agent who works for the courier, has an account with the bank, review an appropriate sample of their account activity. |  |
| 1. On the basis of examination procedures completed, including transaction testing, form a conclusion about the adequacy of policies, procedures, and processes associated with pouch activity. |  |

1. For additional guidance, refer to core examination procedures, “International Transportation of Currency or Monetary Instruments Reporting,” page 141 of the manual, for additional guidance. [↑](#footnote-ref-1)