Examination Procedures

Brokered Deposits

Objective*. Assess the adequacy of the bank’s systems to manage the risks associated with brokered deposit relationships, and management’s ability to implement effective due diligence, monitoring, and reporting systems.*

| **Procedure** | **Comments** |
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| 1. Review the policies, procedures, and processes related to deposit broker relationships. Evaluate the adequacy of the policies, procedures, and processes given the bank’s deposit broker activities and the risks that 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 deposit broker relationships, particularly those that pose a higher risk for money laundering. |  |
| 1. Determine whether the bank’s system for monitoring deposit broker relationships for suspicious activities, and for reporting suspicious activities, is adequate given the bank’s size, complexity, location, and types of customer relationships. |  |
| 1. If appropriate, 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 brokered deposit activities, as well as prior examination and audit reports, select a sample of higher-risk deposit broker accounts. When selecting a sample, examiners should consider the following:  * New relationships with deposit brokers. * The method of generating funds (e.g., Internet brokers). * Types of customers (e.g., nonresident or offshore customers, politically exposed persons, or foreign shell banks). * A deposit broker that has appeared in the bank’s SARs. * Subpoenas served on the bank for a particular deposit broker. * Foreign funds providers. * Unusual activity. |  |
| 1. Review the customer due diligence information on the deposit broker. For deposit brokers who are considered higher risk (e.g., they solicit foreign funds, market via the Internet, or are independent brokers), assess whether the following information is available:  * Background and references. * Business and marketing methods. * Client-acceptance and due diligence practices. * The method for or basis of the broker’s compensation or bonus program. * The broker’s source of funds. * Anticipated activity or transaction types and levels (e.g., funds transfers). |  |
| 1. On the basis of examination procedures completed, including transaction testing, form a conclusion about the adequacy of policies, procedures, and processes associated with deposit brokers. |  |