Examination Procedures

Trade Finance Activities

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

| **Procedure** | **Comments** |
| --- | --- |
| 1. Review the policies, procedures, and processes related to trade finance activities. Evaluate the adequacy of the policies, procedures, and processes governing trade finance-related activities and the risks they present. Assess whether the controls are adequate to reasonably protect the bank from money laundering and terrorist financing. |  |
| 1. Evaluate the adequacy of the due diligence information the bank obtains for the customer’s files. Determine whether the bank has processes in place for obtaining information at account opening, in addition to ensuring current customer information is maintained. |  |
| 1. From a review of MIS and internal risk rating factors, determine whether the bank effectively identifies and monitors the trade finance portfolio for suspicious or unusual activities, particularly those that pose a higher risk for money laundering. |  |
| 1. Determine whether the bank’s system for monitoring trade finance activities for suspicious activities, and for reporting of suspicious activities, is adequate, given the bank’s size, complexity, location, and types of customer relationships. |  |
| 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 trade finance portfolio, as well as prior examination and audit reports, select a sample of trade finance accounts. From the sample selected, review customer due diligence documentation to determine whether the information is commensurate with the customer’s risk. Identify any unusual or suspicious activities. |  |
| 1. Verify whether the bank monitors the trade finance portfolio for potential OFAC violations and unusual transactional patterns and conducts and records the results of any due diligence. |  |
| 1. On the basis of examination procedures completed, including transaction testing, form a conclusion about the adequacy of policies, procedures, and processes associated with trade finance activities. |  |