Examination Procedures

Nonresident Aliens and Foreign Individuals

Objective. *Assess the adequacy of the bank’s systems to manage the risks associated with transactions involving accounts held by nonresident aliens (NRA) and foreign individuals, and management’s ability to implement effective due diligence, monitoring, and reporting systems.*

| **Procedure** | **Comments** |
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| 1. Review the bank’s policies, procedures, and processes related to NRA and foreign individual accounts. Evaluate the adequacy of the policies, procedures, and processes given the bank’s nonresident alien and foreign individual activities and the risks they represent. 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 higher-risk NRA and foreign individual accounts. |  |
| 1. Determine whether the bank’s system of monitoring NRA and foreign individual accounts for suspicious activities, and for reporting of suspicious activities, is adequate based on the complexity of the bank’s NRA and foreign individual relationships, the types of products used by NRAs and foreign individuals, the home countries of the NRAs, and the source of funds and wealth for NRAs and foreign individuals. |  |
| 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 NRA and foreign individual accounts, as well as prior examination and audit reports, select a sample of higher-risk NRA accounts. Include the following risk factors:  * Account for resident or citizen of a higher-risk jurisdiction. * Account activity is substantially currency based. * NRA or foreign individual who uses a wide range of bank services, particularly correspondent services. * NRA or foreign individual for whom the bank has filed a SAR. |  |
| 1. From the sample selected, perform the following examination procedures:  * Review the customer due diligence information, including CIP information, if applicable. * Review account statements and, as necessary, transaction details to determine whether actual account activity is consistent with expected activity. Assess whether transactions appear unusual or suspicious. * For W-8 accounts, verify that appropriate forms have been completed and updated, as necessary. Review transaction activity and identify patterns that indicate U.S. resident status or indicate other unusual and suspicious 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 NRA accounts. |  |