Examination Procedures

Correspondent Accounts (Domestic)

Objective. *Assess the adequacy of the bank’s systems to manage the risks associated with offering domestic correspondent account relationships, and management’s ability to implement effective monitoring and reporting systems.*

| **Procedure** | **Comments** |
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| 1. Review the policies, procedures, and processes, and any bank service agreements related to domestic correspondent banking relationships. Evaluate the adequacy of the policies, procedures, and processes given the bank’s domestic correspondent accounts and the risks they present. Assess whether the controls are adequate to reasonably protect the bank from money laundering and terrorist financing.
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| 1. From a review of MIS and internal risk rating factors, determine whether the bank has identified any domestic correspondent banking activities as higher risk.
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| 1. Determine whether the bank’s system for monitoring domestic correspondent accounts for suspicious activities, and for reporting suspicious activities, is adequate given the bank’s size, complexity, location, and types of customer relationships.
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| 1. If appropriate, for additional guidance refer to the core examination procedures, “Office of Foreign Assets Control”.
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| **Transaction Testing** |
| 1. On the basis of the bank’s review of respondent accounts[[1]](#footnote-1) with unusual or higher-risk activity, its risk assessment, and prior examination and audit reports, select a sample of respondent accounts. From the sample selected, perform the following examination procedures:
* Review bank statements for domestic correspondent accounts.
* Review large or unusual transactions to determine their nature. As necessary, obtain and review copies of credit or debit advices, general ledger tickets, and other supporting documentation.
* Note any currency shipments or deposits made on behalf of a respondent bank’s customer. Based on this information determine whether:
	+ Currency shipments are adequately documented.
	+ The respondent bank has performed due diligence on customers that conduct large currency transactions.
	+ CTRs are properly filed and activity is commensurate with expected activity.
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| 1. Review the bank statements for domestic correspondent account records, or records of accounts controlled by the same person for large deposits of cashier’s checks, money orders, or similar instruments drawn on other banks in amounts under $10,000. These funds may possibly be transferred elsewhere in bulk amounts. Note whether the instruments under $10,000 are sequentially numbered.
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| 1. On the basis of examination procedures completed, including transaction testing, form a conclusion about the adequacy of policies, procedures, and processes associated with domestic correspondent bank relationships.
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1. A respondent bank is any bank for which another bank establishes, maintains, administers, or manages a correspondent account relationship. [↑](#footnote-ref-1)