Examination Procedures

Bulk Shipments of Currency

Objective. *Assess the adequacy of the U.S. bank’s systems to manage the risks associated with receiving and sending bulk shipments of currency, and management’s ability to implement effective due diligence, monitoring, and reporting systems.*

| **Procedure** | **Comments** |
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| 1. Determine whether the bank receives or distributes shipments of bulk currency.
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| 1. Review for adequacy the policies, procedures, and processes related to receiving shipments of bulk currency for adequacy, given the activity and the risks presented.
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| 1. Review the list of currency originators, shippers, and intermediaries that send bulk currency shipments to the bank.
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| 1. Determine whether management has assessed the risks associated with receiving bulk currency shipments from particular currency originators, shippers, and intermediaries. Consider the source of the currency originator, shipper, or intermediary’s currency and the reasonableness of transaction volumes. Assess the adequacy of the risk-assessment methodology.
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| 1. From a review of MIS and internal risk-rating factors, determine whether the bank effectively identifies and monitors relationships with currency originators and intermediaries, particularly those that pose a higher risk for money laundering or terrorist financing.
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| 1. If the bank has a standardized agreement or contract with currency originators, shippers, intermediaries, and/or established common carriers, review a sample agreement or contract to determine whether each party’s responsibilities, products, and services provided, and allowable use of the relationship by third parties, including the parties’ BSA/AML responsibilities, are covered. If the bank does not have a standardized agreement or contract, refer to the transaction testing examination procedures below.
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| 1. Determine whether the bank files required BSA reports (e.g., CTRs or CMIRs), if applicable.
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| 1. Determine whether the bank’s system for monitoring and reporting suspicious activities related to shipping relationships and transactions is adequate given the bank’s size, complexity, location, and types of customer relationships.
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| 1. Determine whether the bank is monitoring for expected versus actual shipping volumes and taking action in response to unusual or inordinate increase in volumes or patterns.
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| **Transaction Testing** |
| 1. Based on the bank’s risk assessment of its relationships with currency originators, shippers, and intermediaries, as well as prior examination and audit reports, select a sample of currency originators, shippers, or intermediaries and recent bulk currency shipments. The sample should include relationships with currency originators, shippers, and intermediaries located in or shipping from, jurisdictions that may pose a higher risk for money laundering and terrorist financing, or that participate in businesses that may pose a higher risk for money laundering and terrorist financing.
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| 1. Preferably on an unannounced basis and over a period of several days, observe the process for accepting shipments of bulk currency. Review the records and the shipments for irregularities. From the samples selected, perform the following examination procedures:
* Review for completeness a relationship agreement or contract that delineates each party’s responsibilities and the products and services provided.
* Review U.S. bank statements of accounts and, as necessary, specific transaction details.
* Review vault control records for bulk currency shipment transactions (in and out) to identify large denomination activity as a result of small denomination exchanges.
* Assess the reasonableness of customer due diligence and enhanced due diligence information pertaining to the sampled currency originators, shippers, and intermediaries.
* Determine whether the nature, volume, and frequency of activity are consistent with the expectations associated with the currency originator, shipper, and intermediary. Discuss with bank management any inconsistencies identified. As necessary, obtain and review copies of credit or debit advices, general ledger tickets, and other supporting documentation.
* Review unusual transactions and customer due diligence information to determine if transactions are potentially suspicious.
* Discuss preliminary findings and conclusions with bank management.
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| 1. If the currency originator, shipper, or intermediary, or the referral agent who works for the currency originator, shipper, or intermediary, has an account with the bank, review a sample of account activity.
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| 1. Based on the examination procedures completed, including transaction testing, form a conclusion about the adequacy of policies, procedures, and processes associated with the bulk shipment of currency.
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