

## Embassy, Foreign Consulate, and Foreign Mission Accounts — Overview

**Objective.** *Assess the adequacy of the bank's systems to manage the risks associated with transactions involving embassy, foreign consulate, and foreign mission accounts, and management's ability to implement effective due diligence, monitoring, and reporting systems.*

Embassies contain the offices of the foreign ambassador, the diplomatic representative, and their staff. The embassy, led by the ambassador, is a foreign government's official representation in the United States (or other country). Foreign consulate offices act as branches of the embassy and perform various administrative and governmental functions (e.g., issuing visas and handling immigration matters). Foreign consulate offices are typically located in major metropolitan areas. In addition, foreign ambassadors' diplomatic representatives, their families, and their associates may be considered politically exposed persons (PEP) in certain circumstances.<sup>274</sup> Embassies and foreign consulates in the United States require access to the banking system to meet many of their day-to-day financial responsibilities. Such services can range from account relationships for operational expenses (e.g., payroll, rent, and utilities) to inter- and intragovernmental transactions (e.g., commercial and military purchases). In addition to official embassy accounts, some banks provide ancillary services or accounts to embassy staff, families, and current or prior foreign government officials. Each of these relationships poses different levels of risk to the bank.

Embassy accounts, including those accounts for a specific embassy office such as a cultural or education ministry, a defense attaché or ministry, or any other account, should have a specific operating purpose stating the official function of the foreign government office. Consistent with established practices for business relationships, these embassy accounts should have written authorization by the foreign government.

In March 2011, the federal banking agencies and FinCEN issued joint interagency guidance on providing account services to foreign embassies, consulates and missions (foreign missions). This document supplements, but does not replace, guidance related to foreign governments and foreign political figures issued in June 2004.<sup>275</sup>

### Risk Factors

To provide embassy, foreign consulate, and foreign mission services, a U.S. bank may need to maintain a foreign correspondent relationship with the embassy's, foreign consulate's, or foreign mission's bank. Banks conducting business with foreign embassies, consulates, or missions should assess and understand the potential risks of these accounts and should develop appropriate policies, procedures, and processes. Embassy, foreign consulate, and foreign mission accounts may pose a higher risk in the following circumstances:

---

<sup>275</sup>Guidance on Accepting Accounts from Foreign Governments, Foreign Embassies and Foreign Political Figures (June 15, 2004); Updated Guidance on Accepting Accounts from Foreign Embassies, Consulates and Missions (March 24, 2011).

- Accounts are from countries that have been designated as higher risk.
- Substantial currency transactions take place in the accounts.
- Account activity is not consistent with the purpose of the account (e.g., pouch activity or payable upon proper identification transactions) or account transactions are in unusual amounts.
- Accounts directly fund personal expenses of foreign nationals, including but not limited to expenses for college students.
- Official embassy business is conducted through personal accounts.

### **Risk Mitigation**

Banks should obtain comprehensive due diligence information on embassy, foreign consulate, and foreign mission account relationships. For private banking accounts for non-U.S. persons specifically, banks must obtain due diligence information as required by 31 CFR 1010.620.<sup>276</sup> The bank's due diligence related to embassy, foreign consulate, and foreign mission account relationships should be commensurate with the risk levels presented. In addition, banks are expected to establish policies, procedures, and processes that provide for greater scrutiny and monitoring of all embassy, foreign consulate, and foreign mission account relationships. Management should fully understand the purpose of the account and the expected volume and nature of account activity. Ongoing monitoring of these account relationships is critical to ensuring that the account relationships are being used as anticipated.

Banks may also mitigate risk by entering into a written agreement that clearly defines the terms of use for the account(s), setting forth available services, acceptable transactions and access limitations. Written agreements to provide ancillary services or accounts to embassy, foreign consulate, and foreign mission personnel and their families may also assist in mitigating the varying degrees of risk.

Similarly, the bank could offer limited purpose accounts, such as those used to facilitate operational expense payments (e.g., payroll, rent and utilities, routine maintenance), which are generally considered lower risk and allow the implementation of customary functions in the United States. The type and volume of transactions should be commensurate with the purpose of the limited access account. Account monitoring to ensure compliance with account limitations and the terms of any service agreements is essential to mitigate risks associated with these accounts.

---

<sup>276</sup> For additional guidance, refer to the core section overview, "Private Banking Due Diligence Program (Non-U.S. Persons)," page 125.