Examination Procedures

Nonbank Financial Institutions

Objective. *Assess the adequacy of the bank’s systems to manage the risks associated with accounts of non-bank financial institutions (NBFI), and management’s ability to implement effective monitoring and reporting systems.*

| **Procedure** | **Comments** |
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| 1. Determine the extent of the bank’s relationships with NBFIs and, for banks with significant relationships with NBFIs, review the bank’s risk assessment of this activity. |  |
| 1. Review the policies, procedures, and processes related to NBFI accounts. Evaluate the adequacy of the policies, procedures, and processes given the bank’s NBFI 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 review of MIS and internal risk rating factors, determine whether the bank effectively identifies and monitors NBFI accounts. |  |
| 1. Determine whether the bank’s system for monitoring NBFI accounts for suspicious activities, and for reporting of suspicious activities, is adequate given the nature of the bank’s customer relationships. |  |
| **Money Services Businesses** | |
| 1. Consistent with the interagency guidance released on April 26, 2005, determine whether the bank has policies, procedures, and processes in place for accounts opened or maintained for money services businesses (MSB) to:  * Apply the bank’s CIP[[1]](#footnote-1) * Confirm FinCEN registration, if required. (Note: registration must be renewed every two years.) * Confirm state licensing, if applicable. * Confirm agent status, if applicable. * Conduct a risk assessment to determine the level of risk associated with each account and whether further due diligence is required. |  |
| 1. Determine whether the bank’s policies, procedures, and processes to assess risks posed by MSB customers effectively identify higher risk accounts and the amount of further due diligence necessary. |  |
| **Transaction Testing** | |
| 1. On a basis of the bank’s risk assessment of its NBFI accounts, as well as prior examination and audit reports, select a sample of higher-risk NBFI accounts. From the sample selected, perform the following examination procedures:  * Review account opening documentation and ongoing due diligence information. * Review account statements and, as necessary, specific transaction details. Compare expected transactions with actual activity. * Determine whether actual activity is consistent with the nature of the customer’s business and identify any unusual or suspicious activity. |  |
| 1. On a basis of examination procedures completed, including transaction testing, form a conclusion about the adequacy of policies, procedures, and processes associated with NBFI relationships. |  |

1. Refer to 31 CFR 1020.100 (FinCEN); 12 CFR 21.21(Office of the Comptroller of the Currency); 12 CFR 208.63(b), 211.5(m), 211.24(j) (Board of Governors of the Federal Reserve System); 12 CFR 326.8(b)(2) (Federal Deposit Insurance Corporation); 12 CFR 748.2(b) (National Credit Union Administration). [↑](#footnote-ref-1)