TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK

SUBJECT: Implementation of Section 327 of the USA Patriot Act in the
Applications Process

Section 327 of the USA Patriot Act amends section 3(c) of the Bank
Holding Company Act and requires that the Federal Reserve take into consideration the
effectiveness of an applicant company in combating money laundering activities,
including in its overseas branches, when the Board or a Reserve Bank acts on an
application filed under section 3 of the Bank Holding Company Act. Section 327 also
requires the Federal Reserve and the other federal financial institutions supervisory
agencies to consider the effectiveness of an insured depository institution in combating
money laundering activities, including in its overseas branches, in connection with any
application filed under the Bank Merger Act. The provisions of section 327 apply to all
applications filed under either of these two laws after December 31, 2001.

The Federal Reserve has a longstanding practice of considering an
applicant's compliance with applicable anti-money laundering laws and regulations in
evaluating various applications to acquire an insured depository institution, including
bank merger and bank holding company applications, as well as applications filed by
foreign banks to establish U.S. banking offices under the Foreign Bank Supervision
Enhancement Act. Consistent with this practice, the Federal Reserve will apply the
statutory requirements set forth in section 327 of the USA Patriot Act to all such
applications.

When evaluating applications filed with the Federal Reserve, Board and
Reserve Bank staff should continue to take into account the anti-money laundering
record of the applicant organization. In those cases where the applicant is a bank
holding company or state member bank, applications analysts must continue to review a
Reserve Bank's or state bank supervisor's examination findings relating to compliance
with the Bank Secrecy Act and the anti-money laundering program of the applicant
organization. Applications analysts should also contact relevant Federal Reserve
supervisory staff to obtain their assessment of the global anti-money laundering policies
and procedures of any U.S. banking organization filing an application or notice with the
Federal Reserve under applicable statutes. In addition, in order to ensure compliance
with the statutory standards of section 327, Board and Reserve Bank staff should contact
pertinent foreign host country supervisors as appropriate to obtain information about an
applicant's anti-money laundering activities at its overseas branches or bank
subsidiaries. The anti-money laundering compliance record of the depository institution
being acquired should also be scrutinized.

In those cases where the applicant is a foreign bank proposing to establish
initial or additional U.S. branches, agencies, representative offices, or bank subsidiaries,
applications analysts must continue to review information provided by the applicant on
its global anti-money laundering polices and procedures as well as the legal regime for anti-money laundering in its home country. For those applicants with existing U.S. banking operations, analysts should review a Reserve Bank's, state bank supervisor's, the OCC's or the FDIC's examination findings relating to compliance with the Bank Secrecy Act by the applicant's U.S. operations and the anti-money laundering program in place at such U.S. operations. In addition, Board staff should contact the foreign bank's home country supervisor as appropriate to obtain information about how the foreign bank's global anti-money laundering activities are supervised.

In those situations where the applicant is a national or state nonmember bank or savings association, applications analysts should continue to review pertinent examination findings by other regulators to determine the OCC's, FDIC's, OTS's or state bank supervisor's assessment of the effectiveness of the bank's or thrift's global anti-money laundering activities. After reviewing the other regulator's examination findings, Board and Reserve Bank staff should as needed, contact the appropriate examination staff of the other agencies to discuss the insured depository institution's efforts in combating money laundering activities, including the institution's efforts at its overseas branches, and the U.S. regulator's contacts with foreign regulators.

On a case-by-case basis, depending on information contained in examination reports and obtained from other regulators, further information about the effectiveness of an applicant's anti-money laundering activities may be required from the applicant to complete the Federal Reserve's analysis of an application. The applications record maintained by the Board and the Reserve Banks should continue to include documentation relating to the review of an applicant's efforts to combat money laundering activities, including information about contacts with other regulators.

This SR letter should be distributed to Reserve Bank staff responsible for applications. If there are any questions, please contact Betsy Cross, Deputy Associate Director, at (202) 452-2574.

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