



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 14-10

December 2, 2014

**TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE
SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE
BANK AND BANKING ORGANIZATIONS SUPERVISED BY THE FEDERAL
RESERVE**

Applicability: This letter applies to all financial institutions supervised by the Federal Reserve, including those with \$10 billion or less in consolidated assets that are subject to Bank Secrecy Act.

SUBJECT: Release of the 2014 Federal Financial Institutions Examination Council's Bank Secrecy Act/Anti-Money Laundering Examination Manual

The Federal Reserve along with the other member agencies of the Federal Financial Institutions Examination Council (FFIEC) revised the *FFIEC Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual* (the 2014 manual).¹ The 2014 manual provides current guidance on risk-based policies, procedures, and processes for banking organizations to comply with the BSA and safeguard operations from money laundering and terrorist financing.²

The FFIEC member agencies revised the manual in collaboration with the Financial Crimes Enforcement Network (FinCEN), which is the administrator of the BSA, and the Office of Foreign Assets Control (OFAC). FinCEN and OFAC collaborated on the revisions made to the sections of the manual that address compliance with the regulations and sanctions programs that FinCEN and OFAC administer and enforce.

The manual has been updated to further clarify supervisory expectations and incorporate regulatory changes since the manual's 2010 revision.³ The 2014 revisions also incorporate

¹ The *FFIEC Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual* (the 2014 manual) is available on the FFIEC website at: www.ffiec.gov/bsa_aml_infobase/default.htm.

² Federal Reserve supervised institutions that are subject to the BSA include: state member banks (Regulation H, 12 CFR 208), bank holding companies (Regulation Y, 12 CFR 225), Edge and agreement corporations, and foreign banking organizations operating in the United States (Regulation K, 12 CFR 211).

³ With the release of the 2014 manual, SR letter 10-9, Release of the Revised Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering Examination Manual, is being superseded.

feedback from the banking industry and examination staff. The sections with more significant revisions are noted in the table of contents with “2014.” Significant updates include:

- **Suspicious Activity Reporting (SAR)** – addresses the new SAR E-Filing requirements, guidance on the extension of SAR filing for continuing activity, clarification of prohibitions on disclosing a SAR, and guidance on sharing SARs with affiliates.
- **Currency Transaction Reporting (CTR)** – incorporates the new CTR E-Filing requirements and new guidance issued by FinCEN since 2010 related to currency transaction aggregation for businesses and CTR exemptions.
- **Foreign Correspondent Account Recordkeeping** – discusses the regulations relating to the Comprehensive Iran Sanctions, Accountability and Divestment Act.
- **Foreign Bank and Financial Accounts (FBAR)** – incorporates new FBAR filing requirements.
- **International Transportation of Currency or Monetary Instruments Reporting (CMIR)** – clarifies monitoring and reporting obligations under the BSA for international transportation of currency or monetary instruments.
- **Correspondent Accounts (Foreign)** – provides additional guidance on risk mitigation.
- **Bulk Shipments of Currency** – incorporates FinCEN’s *CMIR guidance for common carriers of currency, including armored car services* (August 1, 2014) and clarifies monitoring and reporting obligations under the BSA.
- **Automated Clearinghouse Transactions** – incorporates modifications to operating rules established by NACHA-The Electronic Payments Association related to international ACH transactions and further defines third-party service providers.
- **Prepaid Access** – replaces the “Electronic Cash” section and includes an expanded discussion of risk factors and risk mitigation related to prepaid access.
- **Third-Party Payment Processors** – reflects agency guidance issued since 2010.
- **Embassy, Foreign Consulate, and Foreign Mission Accounts** – incorporates the interagency update on accepting accounts from foreign embassies, consulates, and missions.
- **Nonbank Financial Institutions** – incorporates new FinCEN regulations for Money Services Businesses (MSBs) related to certain foreign-located persons engaging in MSB activities, new regulations related to prepaid access programs, and guidance regarding virtual currency administrators and exchangers.
- **Appendix T: BSA E-Filing System** – a new index to provide examiners with information on the FinCEN BSA E-Filing System.

As with prior versions of the FFIEC *BSA/AML Examination Manual*, the 2014 manual does not set new standards; instead, it is a compilation of existing regulatory requirements, supervisory expectations, and sound practices in the BSA/AML area. To foster consistency, the manual includes the examination procedures that will be used by each agency’s examiners and will be provided to state banking agencies. The manual underscores the importance of a banking organization effectively managing its BSA/AML risk (that is, the risk of abuse by money

launderers or terrorist financiers) by developing a BSA/AML compliance program tailored to its risk profile. Similarly, a banking organization is expected to establish a risk-based program to comply with OFAC requirements.

The 2014 manual continues the use of a “core” and “expanded” format. The core sections include guidance and procedures for examination scoping and planning, reviewing the components of a banking organization’s BSA compliance program, determining compliance with other BSA/AML requirements, and reviewing policies and procedures to support compliance with the sanctions administered by OFAC. The expanded sections provide detailed guidance and procedures on specific lines of business, products, or entities that may present unique BSA/AML challenges and exposures to a banking organization.

Reserve Banks are asked to distribute this SR letter to the domestic and foreign banking organizations supervised by the Federal Reserve in their districts, as well as to supervisory and examination staff. With the release of the 2014 manual, Federal Reserve examiners should use the examination procedures set forth in the manual for future BSA/AML examinations. Questions concerning the FFIEC *BSA/AML Examination Manual* should be addressed to Jennifer White, Supervisory Financial Analyst, at (202) 452-3964, or Koko Ives, Manager, BSA/AML Compliance Section, at (202) 973-6163. In addition, questions may be sent via the Board’s public website.⁴

Michael S. Gibson
Director

Attachment:

- [FFIEC *BSA/AML Examination Manual*](#)

Supersedes:

- SR Letter 10-9, “Release of the Revised Federal Financial Institutions Examination Council Bank Secrecy Act/Anti-Money Laundering Examination Manual”

⁴ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.