

Financial Institution Letters

Board of Governors of the Federal Reserve System

Federal Deposit Insurance Corporation

Financial Crimes Enforcement Network

National Credit Union Administration

Office of the Comptroller of the Currency

Office of Thrift Supervision

March 24, 2011

Interagency Advisory

Guidance on Accepting Accounts from Foreign Embassies, Consulates and Missions

The staffs of the Board of Governors of the Federal Reserve (FRB), the Federal Deposit Insurance Corporation (FDIC), the Financial Crimes Enforcement Network (FinCEN), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) (collectively, "the Agencies") are issuing supplemental guidance to the June 2004 *Guidance on Accepting Accounts from Foreign Governments, Foreign Embassies and Foreign Political Figures*. This advisory clarifies information specific to financial institutions providing account services to foreign embassies, consulates and missions ("foreign missions") in a manner that fulfills the needs of foreign governments while complying with the provisions of the Bank Secrecy Act (BSA).¹

By clarifying our expectations, the Agencies are confirming that financial institutions have the flexibility to provide services to foreign missions while also remaining in compliance with the BSA.

Risk Management

As with any type of accountholder, providing financial services to foreign missions can, depending on the nature of the customer and the services provided, involve varying degrees of risk. The Agencies do not expect or require financial institutions to define or treat all foreign mission customers or accounts as posing a higher level of risk than that which is established by the financial institution's risk assessment. Financial institutions are expected to assess and understand the risks involved in any such relationship and take steps, like those discussed below, to ensure that the risks are managed in compliance with the BSA.

Risk Mitigation

A financial institution should structure its BSA/Anti-Money Laundering compliance program for foreign missions to adequately address its risk profile, as identified in the risk assessment. The financial institution has the flexibility to manage that risk in a number of ways. A financial institution may reduce risk by ensuring customers are aware of the requirements of U.S. banking laws and regulations and monitoring those accounts for compliance. When establishing a customer relationship, a financial institution should assign a risk rating that reflects the specific characteristics of the account.

A financial institution may also mitigate risk by entering into a written agreement with the foreign mission that clearly defines the terms of use for the account(s) setting forth available services, acceptable transactions and access limitations. Similarly, the financial institution 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 foreign mission

to carry out its customary functions in the United States. Account monitoring to ensure compliance with account limitations and the terms of any service agreements is essential to mitigate risks associated with these accounts.

A financial institution may also provide ancillary services or accounts to foreign mission personnel and their families. As with foreign mission accounts, written agreements, which clearly define the terms of use for these types of services or accounts, may assist in mitigating the varying degrees of risk.

Supervisory Expectations

As with any type of accountholder, the Agencies expect financial institutions to demonstrate the capacity to conduct appropriate risk assessments and implement the requisite controls and oversight systems to effectively manage varying degrees of risks in financial relationships with foreign missions. The Agencies, consistent with their usual practice of risk-based supervision, will evaluate the risks associated with the account relationship and mitigating controls implemented. The Agencies will not direct or require any financial institution to close or refuse a particular account or relationship, except in extraordinary circumstances (for example, when violations of law are identified that warrant an administrative enforcement action).

For additional information, financial institutions should refer to:

- 31 CFR 1010.620 – Due Diligence for Private Banking Accounts;
- FFIEC BSA/AML Examination Manual, "Embassy and Foreign Consulate Accounts" and "Politically Exposed Persons";
- *Guidance on Accepting Accounts from Foreign Governments, Foreign Embassies and Foreign Political Figures*, issued June 15, 2004 by the Agencies and the Financial Crimes Enforcement Network; and
- *Guidance on Enhanced Scrutiny for Transactions that May Involve the Proceeds of Foreign Official Corruption* issued by the U.S. Department of the Treasury, the Department of State, and the Federal banking agencies January 22, 2001.

Any financial institutions that have questions about this guidance are encouraged to contact their primary federal regulator.

¹ The 2004 guidance related to foreign governments and foreign political figures remains unchanged.