BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 87-11 (FIS)
March 5, 1987

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

SUBJECT: Bank Secrecy Act Procedures Regulation

On January 21, 1987, the Board of Governors amended Regulation H to require state member banks to prepare and maintain written procedures designed to assure compliance with the recordkeeping and reporting requirements of the Bank Secrecy Act ("Act"). This amendment became effective on January 27, and is the result of a collective effort by the five federal financial institution regulatory agencies to adopt regulations as required by Section 1359 of the Anti-Drug Abuse Act of 1986.

Each State member bank must prepare and implement the written procedures on or before April 27, 1987. The procedures must be formally approved by each bank's board of directors and noted in the minutes. The regulation requires that the procedures provide for the following four items: 1) a system of internal controls to assure compliance, 2) independent testing of the internal controls, 3) the appointment of one or more individuals responsible for monitoring daily compliance, and 4) training for appropriate personnel.

The agencies had only three months to effect their regulations, so it was decided to issue a final rule without providing for public comment. Due to the time constraint it was also determined that the regulation should contain only those requirements which were considered to be the minimum necessary for any compliance program. A copy of the Federal Register notice of January 27 is enclosed.

Consequently, the agencies decided to provide the financial institutions with supplementary material to aid in the development of their written procedures. Also enclosed is a procedural guideline which each state member bank may reference for preparing its written procedures. The guideline includes a paraphrased account of the record- keeping and reporting requirements of the Act

as it currently reads. Also enclosed is sample documentation which may be considered for small State member banks which do not have either extensive internal operations or a history of conducting large currency transactions with customers.

Please note that these examples are not intended for use by all State member banks. At the next examination of State member banks that adopt the sample written procedures provided herein, examiners should determine the appropriateness of such procedures for the particular institution and require immediate modifications to the written procedures where warranted.

Please contact Richard Schriber at extension 2733 if you have any questions.

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Deputy Director

Enclosures