



FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.
DALLAS, TX 75201-2272

July 14, 2004

Notice 04-41

TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

**Banking Accounts for Foreign Governments, Embassies,
and Political Figures**

DETAILS

The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, and National Credit Union Administration have issued an interagency advisory concerning the embassy banking business and related banking matters. The purpose of the advisory is to provide general guidance to banking organizations regarding the treatment of accounts for foreign governments, foreign embassies, and foreign political figures.

In addition, the U.S. Departments of State and Treasury have issued a joint statement on embassy banking.

ATTACHMENTS

Copies of the Board's SR letter, the interagency advisory, and the joint statement on embassy banking are **attached**.

MORE INFORMATION

For more information, please contact Marion White, (214) 922-6155, Banking Supervision Department. Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at www.dallasfed.org/banking/notices/index.html.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 04-10
June 16, 2004

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

**SUBJECT: Banking Accounts for Foreign Governments, Embassies, and Political
Figures**

The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, and National Credit Union Administration, in coordination with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), have issued the attached interagency advisory concerning the embassy banking business and related banking matters. The purpose of the advisory is to provide general guidance to banking organizations regarding the treatment of accounts for foreign governments, foreign embassies, and foreign political figures.

The joint interagency statement advises banking organizations that the decision to accept or reject an embassy or foreign government account is theirs alone to make. It goes on to advise that financial institutions should be aware that there are varying degrees of risk associated with such accounts depending on the customer and the nature of the services provided, and that they should take appropriate steps to manage such risks consistent with sound practices and applicable anti-money laundering laws and regulations. The advisory also encourages banking organizations to direct questions about embassy banking to their primary federal bank regulators; thus, it is expected that you may receive inquiries from banking organizations in your district.

To ensure that the System provides consistent information on this subject, it is requested that the response to inquiries from banking organizations be coordinated through Herbert A. Biern, Senior Associate Director, Division of Banking Supervision and Regulation, at the Board.

In addition to the issuance of the advisory by the banking agencies, the U.S. Departments of State and Treasury have issued the attached joint statement on embassy banking.

Reserve Banks are asked to distribute this SR letter to the domestic and foreign banking organizations supervised by the Federal Reserve in your districts, as well as to supervisory and examination staff. If you have any questions, please contact Mr. Biern at (202) 452-2620.

Richard Spillenkothen

Attachments:

[Interagency Advisory: Guidance on Accepting Accounts from Foreign Governments, Foreign Embassies and Foreign Political Figures](#)

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

[Statement of Policy on Accepting Accounts from Foreign Governments, Foreign Embassies and Foreign Political Figures](#)

U.S. Departments of State and Treasury

**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**

June 15, 2004

Interagency Advisory

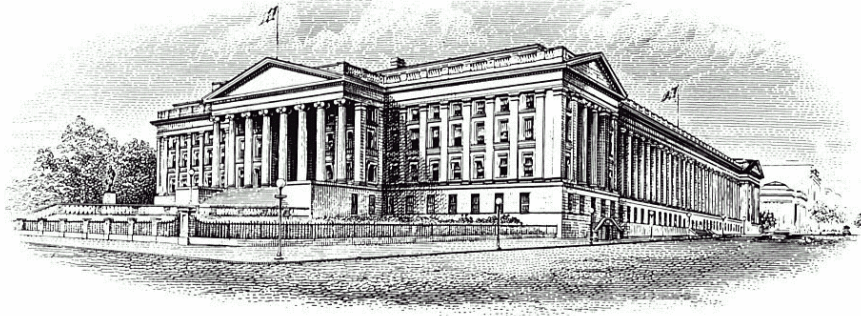
**GUIDANCE ON ACCEPTING ACCOUNTS FROM FOREIGN GOVERNMENTS,
FOREIGN EMBASSIES AND FOREIGN POLITICAL FIGURES**

In light of recent actions involving Riggs Bank N.A., the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the National Credit Union Administration (“the Agencies”) and the Financial Crimes Enforcement Network have received inquiries as to whether financial institutions should do business with embassies and establish account services for foreign governments, foreign embassies and foreign political figures. The purpose of this advisory is to provide guidance to institutions on this subject.

- As it would with any new account, an institution should evaluate whether or not to accept a new account for a foreign government, embassy or political figure. That decision should be made by the institution’s management, under standards and guidelines established by the board of directors, and should be based on the institution’s own business objectives, its assessment of the risks associated with particular accounts or lines of business, and its capacity to manage those risks.
- The Agencies will not, absent extraordinary circumstances, direct or encourage any institution to open, close or refuse a particular account or relationship.
- Providing financial services to foreign governments and embassies and to foreign political figures can, depending on the nature of the customer and the services provided, involve varying degrees of risk. Such services can range from account relationships that enable an embassy to handle the payment of operational expenses, e.g., payroll, rent and utilities, to ancillary services or accounts provided to embassy staff or foreign government officials, each potentially posing different levels of risk. Institutions are expected to assess the risks involved in any such relationships, and to take steps to ensure both that such risks are appropriately managed and that the institution can do so in full compliance with its obligations under the Bank Secrecy Act, as amended by the USA PATRIOT Act, and the regulations promulgated thereunder.
- Where an institution elects to establish financial relationships with foreign governments, embassies or political figures, the Agencies, consistent with their usual practice of risk-based supervision, will make their own assessment of the risks involved in such business.

As is the case with all accounts, the institution should expect appropriate scrutiny by examiners that is commensurate with the level of risk presented by the account relationship. As in any case where higher risks are presented, the institution should expect an increased level of review by examiners to ensure that the institution has in place controls and compliance oversight systems adequate to monitor and manage such risks, as well as personnel trained in the management of such risks and in the requirements of applicable laws and regulations.

- Institutions that have or are considering taking on relationships with foreign governments, embassies or political figures should ensure that such customers are aware of the requirements of U.S. laws and regulations to which the institution is subject, and should, to the maximum extent feasible, seek to structure such relationships in order to conform them to conventional U.S. domestic banking relationships so as to reduce the risks that might be presented by such relationships.
- Any institutions that have questions about this guidance are encouraged to contact their primary federal regulator.



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE
June 16, 2004

Contact: Molly Millerwise
(202) 622-2960

Statement of Policy on Accepting Accounts From Foreign Governments, Foreign Embassies and Foreign Political Figures

It is the longstanding policy of the United States Department of the Treasury that persons residing or working in the United States should have access to U.S. banking services. This policy certainly encompasses the embassies and interests sections of foreign governments and their staffs.

It is also the policy of the United States Treasury Department that financial institutions comply with the *Bank Secrecy Act*, as amended by the *USA PATRIOT Act*, and its implementing regulations. Compliance with those provisions helps to safeguard our financial system from the abuses of money laundering and illicit finance, including terrorist activity financing.

These two policies are not in conflict. Financial institutions can provide appropriate banking services to the embassies and interests sections of foreign governments and their staffs in a manner that fulfills the needs of those foreign governments while satisfying the provisions of the *Bank Secrecy Act*.