

**FEDERAL RESERVE BANK
OF NEW YORK**

March 19, 1987

COMPLIANCE WITH THE BANK SECRECY ACT

Amendment to Regulation H

*To All State Member Banks and Edge Corporations
in the Second Federal Reserve District:*

Enclosed is a slip sheet containing the text of an amendment to the Board's Regulation H, "Membership of State Banking Institutions in the Federal Reserve System," effective January 27, 1987. The amendment requires each State member bank to establish a program designed to ensure compliance with the Bank Secrecy Act. The amendment requires State member banks to develop such a program by April 27, 1987.

Questions regarding this matter may be directed to Elizabeth Irwin-McCaughey, Supervising Examiner, Specialized Examinations Department (Tel. No. 212-720-7946).

GEORGE R. JUNCKER,
Chief Compliance Examiner.

Amendment to Regulation H Membership of State Banking Institutions in the Federal Reserve System February 1987*

Effective May 15, 1985, section 208.13 is added to read as follows:

SECTION 208.13—Capital Adequacy

The standards and guidelines by which the capital adequacy of state member banks will be evaluated by the Board are set forth in appendix A to the Board's Regulation Y, 12 CFR 225.

Effective January 27, 1987, section 208.14 is added to read as follows:

SECTION 208.14—Procedures for Monitoring Bank Secrecy Act Compliance

(a) *Purpose.* This section is issued to ensure that all state member banks establish and maintain procedures reasonably designed to ensure and monitor their compliance with the provisions of subchapter II of chapter 53 of title 31, United States Code, the Bank Secrecy Act, and the implementing regulations promulgated thereunder by the Department of Treasury at 31 CFR part 103, requiring recordkeeping and reporting of currency transactions.¹³

¹³ Recordkeeping requirements contained in this section have been approved by the Board under delegated authority from the Office of Management and Budget under the provisions of chapter 35 of title 44, United States Code, and have been assigned OMB No. 7100-0196.

* The complete regulation, as amended effective January 27, 1987, consists of—

- the regulation pamphlet dated May 1982 (see inside cover) and
- this slip sheet.

(b) *Establishment of compliance program.* On or before April 27, 1987, each bank shall develop and provide for the continued administration of a program reasonably designed to ensure and monitor compliance with the recordkeeping and reporting requirements set forth in subchapter II of chapter 53 of title 31, United States Code, the Bank Secrecy Act, and the implementing regulations promulgated thereunder by the Department of Treasury at 31 CFR part 103. The compliance program shall be reduced to writing, approved by the board of directors, and noted in the minutes.

(c) *Contents of compliance program.* The compliance program shall, at a minimum—

- (1) provide for a system of internal controls to ensure ongoing compliance;
- (2) provide for independent testing for compliance to be conducted by bank personnel or by an outside party;
- (3) designate an individual or individuals responsible for coordinating and monitoring day-to-day compliance, and
- (4) provide training for appropriate personnel.