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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

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To: Chief Executive Officers of All National Banks, All Examining Personnel, and  
Comptroller's Handbook Subscribers

The enclosed "Merchant Processing" booklet is part of the revised *Comptroller's Handbook*.

This booklet describes the merchant processing business and the primary risks associated with it. It also communicates OCC's expectations for sound risk management and controls, and establishes examination procedures for merchant processing activities. The booklet emphasizes that merchant processing is a highly specialized and competitive business activity. As such, it requires specialized knowledge and experience to manage the business, and strong controls over strategic, credit, and transaction risks.

The booklet is intended to provide specific guidance for this specialized form of business activity. It should be used in conjunction with other OCC publications, to include the "Community Bank Supervision" booklet dated August 2001, the "Internal Control" booklet dated January 2001, and OCC Bulletin 2001-47, "Third Party Relationships," dated November 1, 2001.

The booklet incorporates OCC's supervision by risk philosophy. Therefore, examiners will exercise judgement when determining which of the procedures in this booklet are appropriate for a particular institution based on the institution's risk profile and the quality of its risk management process.

Any questions should be directed to the Credit Risk Division at (202) 874-5170.

To order more copies of this booklet, please send your request and \$15 for each booklet to the Office of the Comptroller of the Currency, P.O. Box 70004, Chicago, IL 60673-0004.