



FROM THE OFFICE OF PUBLIC AFFAIRS

To view or print the PDF content on this page, download the free [Adobe® Acrobat® Reader®](#).

April 30, 2003
JS-335

Treasury and Federal Financial Regulators Issue Final Patriot Act Regulations on Customer Identification

The Department of the Treasury, the Financial Crimes Enforcement Network, and the seven federal financial regulators today issued final rules that require certain financial institutions to establish procedures to verify the identity of new accountholders.

The rules announced today were developed jointly by the Treasury Department, Treasury's Financial Crimes Enforcement Network, and the seven federal functional regulators, including the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Securities and Exchange Commission.

These regulations are part of the Administration's continuing work to implement the USA Patriot Act and prevent money laundering, terrorist financing, identity theft, and other forms of fraud while also providing financial institutions the flexibility they need to effectively implement the rules.

These final regulations implement section 326 of the USA PATRIOT Act, which directs that regulations be issued requiring that financial institutions implement reasonable procedures to (1) verify the identity of any person opening an account; (2) maintain records of the information used to verify the person's identity; and (3) determine whether the person appears on any list of known or suspected terrorists or terrorist organizations.

The regulations apply to banks and trust companies, savings associations, credit unions, securities brokers and dealers, mutual funds, futures commission merchants, and futures introducing brokers.

Institutions subject to the final rules will be required to establish a program for obtaining identifying information from customers opening new accounts. The

regulations will require that institutions implement procedures for collecting standard information such as a customer's name, address, date of birth and a taxpayer identification number (for U.S. persons, typically a social security number and for non-U.S. persons, a similar number from a government-issued document).

A financial institution's program is also required, among other things, to contain procedures to verify the identity of customers within a reasonable period of time. Many financial institutions may rely on examining standard identification such as a driver's license or passport. However, the final rule gives financial institutions the flexibility to implement procedures to verify identity in other ways appropriate to their individual circumstances.

Financial institutions will have until October 1, 2003, to come into full compliance. Publication of the final rules in the Federal Register is expected to occur later this week.

[Fact Sheet](#)

Related Documents:

- [326 Final Rule Banks](#)
- [326 Final Rule MFS](#)
- [326 Final Rule BDS](#)
- [326 Final Rule FCM](#)

DEPARTMENT OF THE TREASURY
Office of Public Affairs

April 30, 2003

FACT SHEET:

Final Regulations Implementing Customer Identity Verification Requirements under Section 326 of the USA PATRIOT Act

Today's Action:

The U.S. Treasury, the Financial Crimes Enforcement Network and the federal financial regulators today announced final regulations implementing customer identification and verification requirements under Section 326 of the USA PATRIOT Act. These new regulations will provide another tool to protect the U.S. financial system from money laundering, terrorist financing, identity theft and other forms of fraud.

Background:

On October 26, 2001, President Bush signed into law the USA PATRIOT Act, important legislation providing a wide range of new tools to combat money laundering and the financing of terrorists. In July of 2002, Treasury announced a proposed rule implementing Section 326 of the PATRIOT Act and is today announcing a final rule incorporating important changes that increase the effectiveness of the rule while eliminating unnecessary burden on regulated institutions.

What it requires:

The rule requires that financial institutions develop a Customer Identification Program (CIP) that implements reasonable procedures to:

- 1) Collect identifying information about customers opening an account
- 2) Verify that the customers are who they say they are
- 3) Maintain records of the information used to verify their identity
- 4) Determine whether the customer appears on any list of suspected terrorists or terrorist organizations

Collecting information:

As part of a Customer Identification Program (CIP), financial institutions will be required to develop procedures to collect relevant identifying information including a customer's name, address, date of birth, and a taxpayer identification number – for individuals, this will likely be a Social Security number. Foreign nationals without a U.S. taxpayer identification number could provide a similar government-issued identification number, such as a passport number.

Verifying identity:

A CIP is also required to include procedures to verify the identity of customers opening accounts. Most financial institutions will use traditional documentation such as a driver's license or passport. However, the final rule recognizes that in some instances institutions cannot readily verify identity through more traditional means, and allows them the flexibility to utilize alternate methods to effectively verify the identity of customers.

Maintaining records:

As part of a CIP, financial institutions must maintain records including customer information and methods taken to verify the customer's identity.

Checking terrorist lists:

Institutions must also implement procedures to check customers against lists of suspected terrorists and terrorist organizations when such lists are identified by Treasury in consultation with the federal functional regulators.

Reliance on other financial institutions:

The final rule also contains a provision that permits a financial institution to rely on another regulated U.S. financial institution to perform any part of the financial institution's CIP. For example, in the securities industry it is common to have an introducing broker – who has opened an account for a customer – conduct securities trades on behalf of the customer through a clearing broker. Under this regulation, the introducing broker is required to identify and verify the identity of their customers and the clearing broker can rely on that information without having to conduct a second redundant verification, provided certain criteria are met.

The following financial institutions are covered under the rule:

- Banks and trust companies
- Savings associations
- Credit unions
- Securities brokers and dealers
- Mutual funds
- Futures commission merchants and futures introducing brokers

The regulations were developed jointly by:

- The Department of the Treasury
- Treasury's Financial Crimes Enforcement Network
- The Board of Governors of the Federal Reserve System
- The Commodity Futures Trading Commission
- The Federal Deposit Insurance Corporation
- The National Credit Union Administration
- The Office of the Comptroller of the Currency
- The Office of Thrift Supervision
- The Securities and Exchange Commission