



Is the Wrong CIP Info in File?

Answer by John Burnett, BOL Guru

[Guru BIOS](#)

Question: I'm doing R/E loan audit and find an officer completed a CIP form on the borrower although the borrower is incapacitated and the loan was signed by his POA - should I remove the CIP on the borrower from the file? Officer also completed CIP on the POA which I'm fine with. We did retain copy of POA documentation.

Answer: In this case, it appears the borrower is your customer, and it's appropriate that there is CIP information for the borrower in file. The borrower's incapacity here is apparently physical rather than legal.

In the case of legal incapacity, the borrower's interests would have likely been represented by a conservator or guardian, not an attorney-in-fact.

CIP on a Purchased Asset

Answer by Andy Zavoina, BOL Guru

[Guru BIOS](#)

Question: We have an opportunity to buy at a discount Certificates of Deposit from a bank that is giving up its charter. If they do not have documentation for CIP what are our obligations for acquiring the information and what is our time line?

Answer:

Under 103.121(a)(1)(ii)(B) you do not have an "account" when the CD is acquired through a purchase. So CIP is not necessarily integral to this. But you should ask yourself the underlying question of "why isn't there any CIP information?" If the accounts were grandfathered because of the established customer rule, there may not be any specific CIP information because they were known to the bank.

Do We CIP a Trustee

Answer by John Burnett, BOL Guru

[Guru BIOS](#)

Question: What are the CIP requirements for a court-appointed Trustee?

Answer: You are required to perform CIP procedures on the person opening the account. Under BSA regulations, the definition of "person" includes a trust; the regulation requires you to verify the identity of the trust, not the trustee. Any required procedures for verifying the identity of the trustee will come from the written policy adopted by your board of directors, not the regulation.

CIP UTMA Custodians

Answer by Ken Gollhofer, BOL Guru

[Guru BIOS](#)

Question: On UTMA accounts, the custodian is the customer whose identity must be obtained and verified. If this customer is an existing long time customer do we need to do CIP documents?

Answer: No. As you note, the CIP regulations designate the custodian as the "customer" for CIP purposes. If your policy creates an exception for existing customers, then there is no need to subject him to your CIP procedures.

CIP a Landlord/Tenant Account

Answer by John Burnett, BOL Guru

[Guru BIOS](#)

Question: This question is in regard to CIP, specifically Landlord/Tenant accounts. We have been requesting landlords to bring back identification of the tenant in order for us to open such an account. Since beneficiaries are not considered "customers" under CIP, would a tenant fall under the same category? The only issue is that the landlord/tenant account uses the tenant's TIN, so they are an owner of the account, they just can't access the money. Do we have to request identification for a tenant?

Answer: The customer in such a situation is the landlord, since that's who opened the account and signs on it. The fact that the tenant has a claim to the funds and will be the party against whom the interest will be reported is immaterial to the "customer" definition.

So, although you are correct in obtaining TIN info on the tenants, you should be obtaining the "big 4" on the landlord to comply with CIP rules. You don't have an obligation to verify the identity of the tenants.

Do I need a CIP Lobby Poster

Answer by Jim Bedsole , BOL Guru

[Guru BIOS](#)

Question: I had a compliance examiner tell me that I needed to include in my CIP that we have lobby notices to the customer. I have not seen this in any sample policies. Is this correct?

Answer: CIP regulations do require that you notify your customers in advance that you will be taking steps to verify their identity. The regulations do not, however, specify any particular means for doing this. They do offer having a sign in your lobby as one means for accomplishing this requirement. Others could also apply. I do think your CIP program should describe the notification method(s) you decide on for accomplishing this requirement in your institution.

CIP and the Use of APO or FPO Addresses

Answer by Andy Zavoina, BOL Guru

[Guru BIOS](#)

Question: I realize that a Post Office Box is not acceptable as an address, it must be a street address, but what about an APO or FPO as an address?

Answer: Look to 103.121(b)(2)(i)(A)(3)(ii) for required information and acceptable alternatives.

"For an individual who does not have a residential or business street address, an Army Post Office (APO) or Fleet Post Office (FPO) box number, or the residential or business street address of next of kin or of another contact individual."

CIP on Payable on Death Beneficiaries

Answer by John Burnett, BOL Guru

[Guru BIOS](#)

Question: Is there a requirement, USA PATRIOT Act or otherwise, that says we must obtain the social security number and date of birth for individuals who are being listed as "payable on death" beneficiaries on accounts?

Answer: None in the CIP regulations (although your bank may have such a requirement in its own CIP policies), and none of which I am aware in other federal rules.

The beneficiary in such an account has no legal interest in the account (since the beneficiary designation is totally revocable) until the demise of the account owner(s).

There are differing opinions about whether the bank has an obligation to contact the beneficiary when account owners have died. As we know, sometimes the beneficiary does not know of these arrangements during the lifetime of the account owners. Clearly, the contact would be easier if the bank has some semblance of ID and address information on the beneficiary.

PC and CIP Rules

Answer by John Burnett, BOL Guru

[Guru BIOS](#)

Question: We received an account with "PC" in the account title. We are trying to clarify what "PC" is and what sort of business documentation we should have received to prove the entity's existence for CIP purposes.

Answer: "PC" is shorthand for "professional corporation." It's used primarily by small corporations owned by doctors, attorneys, some accountants, and the like.

[Recently, it seems that fewer PCs are being founded and more LLPs or LLCs.]

You will use standard documentation for corporations. Be aware, however, that it's common for one individual to hold all or almost all of the officer positions in a PC.

No TIN, No CIP, Now What

Answer by John Burnett, BOL Guru

[Guru BIOS](#)

Question: How should accounts opened without a TIN prior to CIP be handled?

Answer: There is no regulatory requirement. However, some banks have decided to go back to these accounts and attempt to update their records with identification data and in some cases verify those data.

Other bankers have decided to apply CIP procedures to these "pre-CIP" customers only if the customers ask to open additional accounts.

Either approach is acceptable under the §326 rules, provided it is spelled out in the bank's CIP and applied as described.

Using a Tribal ID for CIP

Answer by John Burnett, BOL Guru
[Guru BIOS](#)

Question: Can I use a Native American Tribal ID with the Tribal Number on it to open an account without ever collecting the person's SSN?

Answer: No, absolutely not.

It's perfectly acceptable to obtain a tribal ID (assuming it's a recognized sovereign tribal nation) for ID purposes. But this person is a U.S. citizen and therefore a U.S. person as defined in the CIP regulations. You **MUST**, therefore, obtain and record his/her Social Security Number.

Is CIP Necessary for NDIP Accounts?

Answer by David Dickinson, BOL Guru
[Guru BIOS](#)

Question: Are retail Non-Deposit Investment Products subject to CIP requirements?

Answer: Yes.

"Account" means a formal banking relationship established to provide or engage in services, dealings or other financial transactions, including deposit accounts, loans, credit cards, safe-deposit boxes, custodian, trust and cash management services.

"Customer" means a person (includes individuals or entities such as a trust, corporation, partnership, L.L.C., etc.) who opens a new account or an individual who opens an account for:

1. an individual who lacks legal capacity; or,
2. an entity that is not a legal person.

I think that NDIP accounts are "an account" for CIP.

Amish CIP

Question: Eli is an Amish farmer in Pennsylvania. Eli wants to apply for a commercial term loan to finance a new irrigation system. He does not have a current government-issued identification document that bears his picture. Can a bank accept a face-to-face introduction from his neighbor, who is an existing customer of the bank, to comply with this CIP, or is a second form of ID needed?

Answer by David Dickinson, BOL Guru
[Guru BIOS](#)

Answer: You do not have to have a government-issued ID to perform CIP. You can use non-documentary evidence, such as:

1. Contacting a customer (via phone, mail, in-person visit, etc.);
2. Checking credit references with other financial institutions;
3. Obtaining a financial statement; or
4. Comparing to credit reports or other public database information (Chex Systems, Telecheck, Internet databases, etc.).

Answer by Jim Bedsole, BOL Guru

[Guru BIOS](#)

Answer: But the catch is that your CIP program has to specify under what circumstances and how you will use non-documentary verification to meet your CIP requirements.

CIP Signers on a Commercial Deposit

Answer by Andy Zavoina, BOL Guru

[Guru BIOS](#)

Question: To be in compliance with CIP, must we identify and have the required copies of IDs on each signer of a commercial checking account?

Answer: [Multiple Signers - ID All?](#)

A similar question had the above Guru response from Ken Golliher.

[The InfoVault has links to additional helpful information.](#)

CIP New Business Customer

Answer by John Burnett, BOL Guru

[Guru BIOS](#)

Question: When opening a new business account for a new customer with several authorized signers, how much information do we need to have on those signers (SSN, birth date, address, etc.), and how do we verify this information if they are not from this area? Do we need to run them through an OFAC check?

Answer: Unless the new business is a sole proprietorship, the CIP regulations recognize the BUSINESS as your customer, not the authorized signers. Consequently, you are required to gather address and TIN information on the BUSINESS.

If your bank's CIP program calls for ID on the individual signers, that's because your bank's management decided that it wanted this information to better know the people at the business, not because the regulation requires it.

With respect to OFAC, you aren't dealing in the assets of the individual signers. You need only check the business against the OFAC list, in my opinion.

Is a Guarantor a Customer for CIP Purposes

Answer by Andy Zavoina, BOL Guru

[Guru BIOS](#)

Question: Is a guarantor a customer under CIP?

Answer: [A similar question "Is a Guarantor a Customer to CIP"](#) is archived in the InfoVault. This, and other topics are also available in the [InfoVault](#) where this link takes you.

Answer by Ken Golliher, BOL Guru

[Guru BIOS](#)

Answer: Speaking at the ABA MLES conference in October, 2003 Lisa Arquette, Chief of the FDIC's Special Activities section, said that the CIP regulation does not include guarantors as "customers." She added, "Section 326 does not eliminate prudent underwriting for banks" and that normal underwriting methods would require banks to adequately identify the guarantor. She emphasized that identifying the guarantor was a "separate issue entirely" from CIP compliance.

CIP Verification When Addresses Don't Match

Answer by David Dickinson, BOL Guru
[Guru BIOS](#)

Question: Under the CIP guidelines, if the address on the customer's driver's license does not match the address he or she gives on the new account, are we required to get some other piece of information in order to verify the address?

Answer: No. If there are substantial discrepancies between the information provided by the customer and the documentary or non-documentary evidence, officials must describe how the discrepancies were resolved or they may choose not to open the account.

For example, if someone just moved to your area and has a driver's license that has his or her old address on it, simply documenting "just moved" may be sufficient. This is assuming that you are comfortable that this is true, as CIP is risk based.

CIP - Drivers License Requirement

Answer by David Dickinson, BOL Guru
[Guru BIOS](#)

Question: We do not require a copy of a driver's license when opening an account. Is that not a violation of the CIP or BSA program?

Answer: A driver's license is the most common type of documentary verification, but it is NOT required. If you are verifying the customer's identification through other means, then you are complying with CIP.

CIP Exemptions for Customers with Closed Accounts

Answer by Andy Zavoina, BOL Guru
[Guru BIOS](#)

Question: If a customer has an existing account with the bank prior to the implementation of CIP and opens a new account, does the bank need to obtain the customer information? If not, what if the old account is closed out and purged off the bank's system. How do banks prove that the customer was existing at the time of the new account opening?

Answer: A similar question was asked and answered by BOL Guru David Dickinson. His response, [Existing Customer vs. Former Customer](#) is in the [InfoVault](#) for easy reference. As to the date any qualified existing account was opened, your records should clearly identify that, whether it is a loan or deposit account.

CIP an Old Customer Wanting a New Account

Answer by Andy Zavoina, BOL Guru

[Guru BIOS](#)

Question: If a former customer who has no active accounts opens a new account do you need to get ID? Also, if a former account holder gets married and want to open an account under the married name, do you have to get identification under the new name?

Answer: There was a similar Guru question asked recently, "[Obtaining Identifying Info for Old/New Customer](#)" in the [InfoVault](#). This should be of assistance to you.

As to a change in a person's name, I believe you should always obtain some proof as to the use and validity of the new name.

What Are the Differences in All These BSA Terms

Answer by Jim Bedsole, BOL Guru

[Guru BIOS](#)

Question: I'm just getting into BSA/AML and I need an easy way to explain the difference between KYC, EDD and CIP.

Answer: KYC and CIP are closely related. A while back, the regulators came out with a specific regulatory proposal called Know Your Customer (KYC) that included an aspect called profiling - that is knowing what your customers' usual financial transactions look like, so that when something unusual happened it would trigger further investigation and possible reporting. Well the term "profiling" got everyone up in arms and so many grassroots militia type organizations commented against it that the regulators dropped the proposal. Examiners, however, still expect institutions to understand the normal and expected transaction patterns of its customers, especially high-risk customers.

After 9/11, Congress took the opportunity to pass a law that dumped many of the often asked for elements from law enforcement into a single bill - the USA Patriot Act. One of the elements of this act is the CIP requirement. This act stipulates that financial institutions have to have a reasonable belief that they know the true identity of their customers. They do this through a combination of documentary and non-documentary verification. While there is not a specific requirement in CIP to "profile", there is an element requiring that the CIP procedures be "risk based" and this has led many institutions to adopt some form of "profiling" as part of their CIP procedures.

EDD is Enhanced Due Diligence. It too is related to CIP and KYC. It is a regulatory expectation that institutions include enhanced due diligence procedures with regard to high-risk accounts. It's their way of incorporating those KYC elements and stricter CIP elements in place for these accounts, subjecting them to both a higher initial level of scrutiny and a higher level of ongoing monitoring for suspicious activities.