



## Operations Related CIP Threads from Bankers Online.com

### CIP Risk Assessment

After ALL the information I've looked at I'm still not sure how to actually determine risk. If I'm a 350 million dollar bank in a small town in the desert, and our bank only opens account with people in the state.

I'm thinking overall we are Low Risk. But how do support it? I looked at the HIDTA and HIFCA sites and the only location I find mentioned from our state is 7x bigger and 120+ miles away.

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Section 103.121(b)(2) of the regs says: "The CIP must include risk-based procedures for verifying the identity of each customer to the extent reasonable and practicable. The procedures must enable the bank to form a reasonable belief that it knows the true identity of each customer . These procedures must be based on the bank's assessment of the relevant risks, including those presented by the various types of accounts maintained by the bank, the various methods of opening accounts provided by the bank, the various types of identifying information available, and the bank's size, location, and customer base."

You seem to be focusing on your institution's overall risk level, but some of your accounts will present more risk than others and some customers will present more risk than others. How will you deal with accounts opened in person v. not in person? With foreign nationals? With businesses in the "high-risk" category for money laundering?

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There are many things to consider when compiling your policy and procedures and then for each situation that could occur. A few examples w/b -

1. Account type risks - Do you only offer basic products and services or do you also offer products such as electronic banking, correspondent relationships, insurance, etc.
2. Review the various methods used to open the accounts - In person, telephone, mail, internet, an agent, and;
3. As you have stated, consider the location of your bank, your customer base and your bank size.

We are a \$250MM f/i with 7 branches in various Texas locations. IMO, we are low-med risk. We do not have internet banking, and by policy we do not open accounts unless owners come in and sign. We have some in-direct loans and a small trust dept. Our risk deals more with our location in a college town with many foreign students, and the fact that Texas, specifically our branches located in the South and further West do have their share of non US citizens, obviously more stringent verification will be applied.

I did not perform a formal risk assessment on the bank, but will have a risk matrix and risk assessment worksheet to be completed at account opening and procedures applied accordingly. For example, obviously an account opened w/o all parties present would pose greater risk, therefore more verification will be required.

The risk matrix and assessment provide general circumstances that could arise and assigns a risk factor so the CSR/loan sec, etc can apply the appropriate procedures.

I don't know if that helps you any, but so far that has been our approach.

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Thank you, that does help. I do have a basic risk assessment matrix that I am using in the same way you mentioned, but also have not done a formal risk assessment for the bank. I also did not include the specific risk assessment description and requirements in the policy.

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My policy is only going to mention that our procedures are based on risk. My procedures will be an attached exhibit which will indicate what procedure to perform for each level of risk assigned. The risk assessment/matrix will become an appendix of that. Hopefully layering each section like this will make amendments easier.

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Ok, so how do you convince those compiling the "program" that they need to include a risk based procedure. I have mentioned several times we need to do that with no response. HELP!

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Well, since I am the one compiling the program, that one is easy for me. I read the final rules. Not to sound sarcastic, but I would suggest you make sure they did too!

Under Section 103.121(b)(2) Identity Verification Procedures, the final rules states that "a bank's CIP must include risk-based procedures for verifying the identity of each customer".

You might also try putting it in terms of cost. If your bank is adopting an approach to verify all customers to the same extent you risk either the cost and burden of "over-verifying" lower risk customers, or the possibility of "under-verifying" higher risk customers who pose a greater risk of fraud/money laundering, etc, which could easily end up the banks loss. It is to the bank's advantage that they allowed the risk-based approach with guidance on minimum requirements. You might encourage those who are compiling your policy and procedures to attend a seminar if they have not already.

Good Luck!

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Location, size, customer base are going to be fixed factors for each institution. (Ok, location might not be, if you're spread out over a great distance.) So that leaves type of account, method of opening, and ID available as your variable factors.

We've decided that we're going to verify once, and then exempt them for as long as they have any account with us. So that means we'll verify assuming they're going to open the highest-risk type of account (for us = consumer Visa credit card).

Then we did an analysis on the different methods for opening an account, and assigned each a risk factor. Based on the type of identification the customer has, that risk factor can go up a notch or two. "Applied for" SS#'s add a +1 to the risk, too.

We took those risk factors and established a minimum verification standard for each:

Level 0 (lowest risk, i.e.: opened in-branch with all signers present) needs only documentary verification OR one positive non-documentary verification.

Level 1 (i.e.: in-branch without all signers present) needs documentary AND one non-doc return positive, or two non-docs positive.

And so on...

If any verification method comes back negative, the risk factor bumps up one level. If there are multiple negative returns, we won't open the account. If we get to a "4", we won't open the account, either.

I've seen other "risk assessment" grids where you list each product and determine your losses due to ID theft vs. total losses, and assign each product a risk level that way. It would be nearly impossible for us to separate losses due to ID theft from other categories, so we didn't go that route.

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Can one use the Risk Assessment process to the extent that you can exclude a product from CIP altogether? e.g. If IRAs for new customers are only opened in person, can you exclude it from CIP? There are tax reporting requirements associated with IRAs and I've never heard of a terrorist who opened an IRA?

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You can't exclude it completely, as it is still an account for purposes of CIP. You can, however, assign it a lower risk, based on the factors you've mentioned, and therefore require less documentary and/or non-documentary ID than you might for a higher risk account.

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### **CIP and IRA accounts**

I was curious how other banks are handling IRA Customers if there information is unverifiable. If we are unable to verify the customer and a trustee to trustee transfer has already occurred, could we send the funds back to the other institution? Are there any penalties that would impact the customer?

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IRA trustee-to-trustee transfers are initiated by the receiving trustee, so I would hope you're getting all the required info / doing the verification when you have the new customer complete the IRA Plan agreement and sign the transfer documents, before you send the request to the resigning trustee.... Then when the check arrives, all you have to do is deposit it and inform the customer.

If not, see if you can get written into your CIP that you will verify the identity of IRA-transfer customers "within a reasonable time" after the account is opened (it's required to list when you will open accounts w/o verification, anyway).

You'll still need to get the 4 required pieces before you open the account - name, residence address, date of birth, SSN.

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### **Bowling account**

We have a branch near a bowling alley. The employee of the bowling alley typically comes into the bank to open accounts for the various bowling leagues. The bowling alley employee is not a signer on any of the accounts that we open. By definition, this is the person that opens the account, but they are not the customer. Do we identify this individual or must we have a signer from each account come in to be identified?

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Been there. What do you use for a TIN?

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It would seem you must ID the signers of these accounts. The alley employee is not your customer.

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From the final rule, "customer" is defined as "...and any individual who...opens an account for an entity that is not a legal person, such as a civic club."

I may be wrong, but it seems to me that the bowling alley employee is the customer, according to this definition. Definitely not logical, but we're dealing with regulations.

If I am right, this might be a good time to have a talk with the bowling center management about changing this practice. Most fall/winter leagues will have started by 10/1, so hopefully it wouldn't be a major change at a critical time.

Quote:

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Been there. What do you use for a TIN?

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My understanding is that the team/league has to apply for an EIN.

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### **CIP & Land Trust**

How are other banks going about collecting the information for land trusts? Currently, our department does nothing by way of collection or verification, besides a TIN. The materials I've seen says that the trust is the customer. Our land trust department says that all documents are prepared by attorneys and they in most cases, never see anyone, there is no documentary or non-documentary information pulled or viewed. I'm looking for a starting point for land trust CIP compliance. Thanks in advance.

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A different anonymous, but just wondering if anyone had an answer to this?

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When I worked in Illinois I had some experience with land trusts. Assuming no fundamental changes in land trust law since - I'd agree that the trust is the customer for CIP purposes. So you would look at the Trust Agreement as your documentary verification. I do not think you would need to verify the identity of the beneficiaries or the grantors. If others differ - please speak up.

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### **Merchant Customers**

Do any of you partner with such companies as Intercept Payment Solutions for handling credit card processing for merchants where you provide the machines and set-up? How will you handle CIP for those merchant customers?

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We only set up Merchant Bank Card accounts for customers that have an existing business deposit account. So after Oct 1, we will have CIPed a new account before opening the Merchant processing.

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### **Who is the customer?**

I need clarification...in the Banker's tool "Who is the Customer" it says for Unincorporated associations or organizations the customer is the individual who establishes the account. However, in David's Q&A #2 it says the bank is to verify the identity of the organization. So for organizations like Lion's club, Rotary, etc. should the organization and the signatories be CIP'd?

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If the organization is a legal entity, the organization is the customer. In these cases, it is up to the bank to determine under what circumstances, and to what extent, you will apply CIP to the signers.

If the organization is not a legal entity, the individual opening the account is considered the customer for CIP purposes.

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Service clubs like the Rotary, Kiwanis, Elks, etc., are usually all considered entities, with the local lodge/club operating under the national organization's corporate existence. Ditto for scouting organizations. Most don't have a local legal existence separate from the national group. In these cases, I believe it's the organization that is your customer.

The non-entity scenario is typified by a bowling team or maybe a neighborhood association that hasn't incorporated.

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Thank you for your help! Now back to gathering more training material

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## Residential Or Business Street Address

A couple of our branches are located in rural areas. Some customers in these areas do not have a 911 address, postal address other than a P. O. Box. They could use a route number however more than on road is issued the same route number and pinpointing the location on a route is impossible. I have said all this to ask a question. What would we record as a residential address. How would we verify(all bills will have P.O. Box). The customer does not have a business address because they don't work. All comments are appreciated.

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I used to live in an area with the same perceived problem. In order for the Post Office to provide a box though, they have to have a physical address. The clients should provide this to you. RR1 Box 124 is a specific identifier.

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6 miles north on County Road X, then three miles west on CR Y is also a physical address. We've always tried to stress to tellers that the FBI agent needs to be able to drive to the person's house or place of business from what's on the CTR (I'm assuming we're talking about CTRs).

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I am talking about the CIP regulation. One of the required items we must obtain at account opening is address. "Address, which shall be --for an individual, a residential or business street address"

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Carmel-by-the-Sea, out here in California, has a similar problem. No mail delivery to their residences, and no numbers on the houses. They do have street names, however, so maybe a little easier than your rural situation.

What was suggested is to describe the location of the property: "Oak Street, west side, 3 houses north of intersection w/ Main St."

Enough of a description so you could knock on their front door if you had to (or law enforcement had to).

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## CIP and Estates

Can anyone direct me to a thread that has addressed what information will be gathered when an attorney opens an estate account? I feel that the attorney is the "person" opening the account and that we will have to collect his/her name, address, dob and TIN. This is completely separate from how that account will be set up, but seems to follow the logic of CIP. Any comments?  
Thanks

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Check state law on whether an estate is a legal entity. If it is, then the estate is the customer.

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Previously existing BSA regulations define what is a "person:"

31CFR103.11(z) Person. An individual, a corporation, a partnership, a trust or estate...

The estate is the customer. It is the estate whose information you must obtain and whose identity you must verify. A copy of the court order appointing the personal representative (may or may not be an attorney) is your principal source of verification.

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I agree with Ken. Your letters from the court appointing the personal representative to/for the estate with the documentation necessary for CIP purposes to open the account.

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### **SSN and Drivers License**

The driver's licenses in my state don't have the Social Security Number on them. Non-documentary methods notwithstanding, must we obtain a second "unexpired, government issued ID bearing a photograph or similar safeguard" that has the number, or can we use their Social Security Card? Based on my reading of CIP, I don't think we can. What say you all?

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You'll have a tough time verifying a SSN. Don't try. You don't need to. You need to verify enough info so that you are reasonably satisfied that you know the customer. If you collect the name, DOB, address and TIN and then look at the DL and it matches the name, DOB and address, I'd say you have verified enough in most cases.

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David is correct; there is no implication that you must verify each of the four pieces of information. From the supplementary information: Thus, a bank need not establish the accuracy of every element of identifying information obtained but must do so for enough information to form a reasonable belief it knows the true identity of the customer.

Legally, the SS card is as good a source of verification of my SS number as my driver's license is of my name, address and date of birth. You could say that you "verified" the number by inspecting the SS card. However, while I believe looking at the card meets the technical requirements, I do not attach a lot of practical importance to it. It is simply too easy to counterfeit.

I would have more confidence in a report from a negative database or credit bureau as a source of "verification" for the TIN. They do not actually verify it, but they do some analysis that adds to its credibility. I would encourage you to use one of these methods in support of your documentary requirements. When SSA/IRS finalize their TIN verification system, my prediction is that its use will become a practical necessity.

As for your specific question, if you see the drivers license and record a description of it, there is definitely not a requirement that you get a second "unexpired government issued ID...that has the number." However, the supplementary information does suggest that you do get a second form of identification. The SS card would work as the second piece of ID and, arguably, serve as a verification of the SS number. You would record a description of both the DL and the SS card.

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I don't know of anyone who carries around their Social Security Card. Some people have no clue where their card is, and most of the rest consciously don't carry their card for fear they'll lose their wallet and become another victim of identity theft. It's the most dangerous piece of "identification"

you can lose. And since it has no protective holographic foil overlay or any other anti-tampering device, it would probably be pretty easy to forge.

Equifax (or was it Experian? I get them mixed up...) said in their "ID Verification" product demo that they cross reference with SSA and IRS every 2 weeks to check their SSN and TIN files. So doing the "positive verification" or "logical verification" against a credit reporting agency's files would seem to be a better way to validate a person's SSN.

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Any suggestions as to how would you verify the address - the customer just moved - they do not have a utility bill yet - how would you verify the address ??

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We ask for a copy of their apartment/house rental agreement, or occupancy permit if they don't have a utility bill yet.

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Quote:

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Any suggestions as to how would you verify the address.. the customer just moved... they do not have a utility bill yet... how would you verify the address ??  
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You may not be able to in the case you described, but remember, you don't have to verify everything. If there name and DOB are verified, this may be sufficient.

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Quote:

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When SSA/IRS finalize their TIN verification system, my prediction is that its use will become a practical necessity.  
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I am reviving this thread because I was rereading it today and the quote above caught my eye. Ken, or anyone else, do you have any more information about this? I'd like to get an idea of when it will be up.

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### **Residential Or Business Street Address**

A couple of our branches are located in rural areas. Some customers in these areas do not have 911 addresses, postal address, such Rural Route 1 Box 17. They only have a P. O. Box. They could use a route number however more than on road is issued the same route number and pinpointing the location on a route is impossible. I have said all this to ask a question. What would we record as a residential address. How would we verify the address,(all bills will have P.O. Box) which is part of the information we must obtain. The customer does not have a business address because they don't work. All comments are appreciated.

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What about an address for next-of-kin? The supplementary information seems to suggest that you can do that (page 32 in the .pdf). Of course, you may not be able to do that if the next-of-kin is also in the same situation. I would also suggest that you incorporate this into your risk analysis if it is going to be a widespread problem at your institution. You may also want to use some sort of database search to verify this particular customer.

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#### CIP: Joint Accounts, One Owner Not Present

We often times have one customer come in and open a joint account. Until now, we've allowed the person who came into the bank to take the paperwork home for the joint owner to sign and then return to the bank.

With CIP, we've put the thought out there that in these cases going forward, the second signer should have their signature notarized.

Management is concerned because this is not a very customer friendly policy. If the customer had a schedule that would allow them to go and get a signature notarized they probably would've come into the bank in the first place.

How are other banks handling this second signature piece?

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Consider still completing the required information. Obtain documentary evidence from the person who actually comes into the branch to open the account, and verify through non-documentary methods, other signers on the account. If you are still unable to have a reasonable belief of the true identity, suggest the signer come in and provide an acceptable documentary piece of documentation.

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We are requiring that the one or ones not present send copy of their ID in place of accepting what they write down and send to us. You have to consider that many times this is an elderly customer wishing to open a new CD and put her/his children on it and of course they could be out of state.

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This question has bigger implications than just CIP. You should have some sort of comfort level that the person who signs the sig card or other document is who they claim to be, for your bank's protection as well as to conform to CIP requirements. Having a signature notarized helps with that. It's not unreasonable to require the signature be notarized.

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We are taking the approach that the owner of the account that is not present falls under the non-documentary procedures. We are encouraging all of our new accounts persons to try an avoid opening accounts when all signers are not present. We also have to keep in mind that if the signature card is not signed by both parties and the bank fails, the account is considered an individual or joint account for whoever's signature is on the card at the bank when the bank fails for FDIC insurance purposes. Getting the signature notarized is a good idea but the bank still will not have the documentation required to fulfill the verification piece of the policy.

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There are a number of ways noted above for meeting CIP requirements in this circumstance, but I agree with CWilliams. The larger, more important issue is: "Who actually signed the card?" That's what the bank really needs to verify.

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### **CIP-Holds**

If you want to restrict the customers ability to conduct transactions during a verification process , is it possible to do so if they have deposited funds cashiers checks, don't we still have to give them availability of the first \$5000.00?

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My guess (and this is only a guess!) is that there is nothing in CIP that overrides Reg CC. You can opt not to issue checks or allow electronic access, thus limiting the customer's access to the funds, but if they come in to make a cash withdrawal and you have accepted a deposit and placed a Reg CC new account hold, you would need to abide by the Reg CC availability schedule. If you are concerned that customers are being less than truthful about their identity, your best bet would appear to be not to accept a deposit until their identity can be verified. At our bank, we accept deposits and our Security department performs verifications on new accounts the next business day. If anything looks "fishy", they block access to the account until the issue(s) can be resolved. If they are not resolved within a very short period of time (24-48 hours), the customer is sent a closure letter and all account access is denied. However, in such cases we have a legitimate suspicion of fraud or ID theft that would allow such measures, so Reg CC would not be an issue.

BC

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Thank you. I had read somewhere that you should check into changing reg cc because of the new reg but it didn't mention why.

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### **Attorney In Fact Identification**

When an account is opened for someone by their Attorney in Fact will you ID the Attorney In Fact, the account owner or both? I am interested in how other banks are handling this situation.

Thanks!

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We want to ID the Principal and the Attorney-In-Fact, since the Principal is the account holder.

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### **Notice If Customer Is Not Present**

Would anyone be willing to share how they are providing notice to a customer before opening an account if the customer is not present? For example, a new customer comes in to open an account, and they also want another person on the account. The second person is not present.

Are you providing the notice after the account is opened? Refusing to add the second person until they appear in person? What if something prevents them from ever appearing in person?

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We are in the process of devising a form for customers who are not present. The form will contain the notice & will be used to gather identifying info from the absent account owner. Our credit card apps will have a notice attached to them. (our application form has no available space for the notice)

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Hopefully this will be clarified. The reg says you provide the notice prior to opening. In theory you can provide it with your TISA disclosures and send them with a sig card if that is what you are doing.

The reality is, you will likely have already done your verifications by that time so it serves little point unless you are notifying them it was you who did a credit check.

But technically, you will have complied.

In our case, we are currently working on restricting openings for new customers to a face to face requirement.

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Like ahou, we have created a form that contains the notice at the top and a place to record ID and the customer's signature at the bottom. Our regulator's written position on the Notice seems to be pretty much, "We don't care what the law SAYS - we care what the law MEANS!" (And, according to them, it MEANS that you have to provide the Notice before you actually ask for the information.)

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Does the notice have to be in a form the customer can keep?

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No. All the reg directs is that the financial institution "provides the notice in a manner reasonably designed to ensure that a customer is able to view the notice, or is otherwise given notice..." They don't have to actually get a copy - you can read it to them over the phone if you like.

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In a lending transaction, the account is not opened until the loan documents are executed - am I thinking correctly? For the commercial lender who takes an application outside of the bank, and then closes the documents, again outside of the bank, would it not be in line with the Rule to provide the Notice when the loan is closed, prior to execution of the documents (before opening the account)?

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We took this exact question to the Fed. They told us, in writing, that giving the Notice at closing is not acceptable. We thought, as you do, that the applicant does not become a customer until the final docs are signed.

What we have decided to do is place the notice in the commitment letter or the proposal letter for our commercial loans. This still may not be what the Fed has in mind, but unless we tattoo the notice on the foreheads of our commercial lenders, we can't figure out any other way to do it!

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Would you mind posting the relevant language from the letter you received? As has been noted, the regulation says the timing requirement for the notice is before opening an account. From your post it appears that at least one individual at the Fed thinks that means before requesting identification.

BSA is a law enforcement statute and the provisions relating to the timing of the notice lack the specificity bankers have grown accustomed to in consumer protection laws. However, I am curious to see the rationale that this individual offers for any conclusion that the disclosure must be given prior to the loan closing.

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"Tattoo the notice on the foreheads of our commercial lenders", I like that idea! I think I'll also add, "Consumer Individuals-Stay Away From Me!". I guess this is another one of those "spirit-of-the-law" things. I do like your idea of putting it on the commitment letter, if I can get all of them to put all commitments in writing.

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Quote:

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I am curious to see the rationale that this individual offers for any conclusion that the disclosure must be given prior to the loan closing.  
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This is one of those areas where my position depends on whether I am arguing this before the fact, or after. "At closing" is before they become a customer and compliant. But if it is immediately before closing, the CIP procedures will have already been done and the disclosure is meaningless, "we will be". No, "we have already" is what it should say at that point.

I think it should be earlier in the deal, but the reg doesn't say that.

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It may come down to, how long before opening the account. A "meaningful" time? That's going to be a really difficult thing to word, particularly since they did not say it in the reg. If Bear Collector posts the excerpt, it will provide some insight, but I will wait to see the the agencies themselves have to say. Wasn't that supporting information they promised coming out in July?

The notice is such an anomaly to BSA. If they are having trouble with it, it is understandable. The concept that "the consumer should know" does not exist elsewhere in this regulation; we don't post signs saying we are going to file CTRs and SARs or keep records - other things people might like to know. Nevertheless, I am grateful that they interpreted the language in the statute as requiring a notice - it gives the banks a tool to use.

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Trouble defining that term may be why we have what we have. Now we have to prevent the mis-interpretations of what this says. I agree with you.

As to the Q&A, I don't recall if they said 2003?

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### **Adding Names**

If we have an existing account for an individual and she wishes to add her husband to the account, is he considered a new customer and we must obtain the ID on him but not on the original owner. Is this correct?

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Yes, if the husband has no other accounts with you. But if he has his own accounts with your bank then you have already identified and verified him as well.

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Technically, CIP only applies to "customers" which is defined as:  
a person (includes individuals or entities such as: a trust, corporation, partnership, L.L.C., etc.)  
that opens a new account and an individual who opens an account for:

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

Therefore, adding someone to an existing account does not qualify as a "customer."

I would treat them as a customer, however. I just wanted to point out the rule.

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### **CIP vs. KYC**

If you previously had a KYC policy, what are you doing with it when you implement CIP? We had a KYC and I am struggling with whether to keep it as is, replace it or what.

What is the consensus?

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KYC has been replaced by EDD, which focuses less on actual identification and more on knowing what transactions are reasonable and expected from your customers. From an AML standpoint, a certain degree of EDD is still necessary, especially among high-risk accounts.

CIP, on the other hand, is geared toward establishing the true identity of your customers.

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I agree with Jac. CIP is the front end of KYC. We discussed this here before, as KYC went into knowing what your customer was doing transaction wise, and being alerted when those were out of whack.

So it isn't a replacement, but a partial substitution.

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In an attempt to say the same thing Andy and JacFSB did, but in a different way...

KYC had two major elements:  
\* customer identification, and  
\* customer monitoring.

CIP takes the first element and makes it into a strict legal requirement. The second element, monitoring, is the lynchpin in your anti-money laundering effort - it should be mentioned in your anti-money laundering policy.

In effect, KYC & EDD have been replaced by more specific terms and philosophies. When the dust settles, every element of KYC should still be found in your policies, but it is not essential to mention the term.

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Enhanced Due Diligence. When KYC was cursed by public comment, EDD came in the back door as KYC, toned down, and simply by another name so as not to scare everyone.

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Do a "Find and Replace" on Word to replace all "KYC" with "CIP" to come up with a CIP policy.

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### **CIP and Minor Accounts**

When opening an account for a minor, whose social security number do you use? The adult opening the account or the minor who is the owner of the account. It was my impression that the person opening the account was considered the owner however a lot of people open accounts for their children and want to use the child's social security number on that account.

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You would use the child's social for IRS reporting, but ID the adult opening the account.

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For situations like minors who lack legal capacity, or for fiduciary relationships where the rule has addressed who CIP applies to, I'm wondering how others are addressing this in your CIP. Are you specifically including those lacking legal capacity, and individuals under fiduciary relationships as "exceptions" or are you not specifically addressing it at all, since the rule has already been clear on this?

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### **CIP/Entities**

Confusion with entities and ID verification at account opening...if you have two authorized signers of the corporation opening an account, do you get ID from both signers that are present or just one of the signers? What is CIP's take on this one?

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You'd have to get ID for the corporation under CIP. It's your choice whether you want to verify the signers as well.

Or, if you don't feel you can adequately ID the corporation (entity), CIP then requires you to verify the signers.

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### **Documenting Discrepancies and Resolution**

I've read discussions about documenting discrepancies and resolution of them, but not too much on "how" most are documenting. For example, if the stated address and DL address are different

will you record mismatched address-recently moved on a separate piece of paper and image it for later retention?

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The address mismatch can be reconciled by requiring additional documents. A utility bill, lease, or agreement of sale showing the new address should be sufficient.

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Somehow denoting on the Sig card or with a copy, "This is the current address and superseded the XX State Driver's License address."

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Anyone using Banker's Systems Account information sheet to record CIP data?

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I could not find the "Account Information Sheet" on the Bankers system web site. Do you have an address that might show a sample ? Thanks

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I was told about it, but didn't see it on their website either.

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I have a sample of the Bankers Systems Info sheet...send your fax number via private message and I will fax it. Harland has an ID sheet on their website as well.

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### **CIP Notice For Non-Local Joint Account Customers**

I haven't seen this issue addressed. If I missed it, please point me in the right direction.

We are trying to find a reasonable way to open a joint account when one or more customers is out of state. A typical scenario has "Mom" come in to open an account jointly with an adult child who lives out of state. Under CIP, we will not put "junior" on the account until we get the 4 required pieces of identification. We then planned to send a request to the out-of-state signer asking for verification info (copy of drivers license, etc.) at which time we would also supply the notice. (If we don't get the verification back in a reasonable time we take that signer off the account.)

Our dilemma is that, technically, the notice should be given before we add their name to the account. Can anyone see a way to deal with this issue other than not adding to name until after we have mailed the notice?

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I can't answer your question with any authority, but, just wondered if adding the out of stater as a "convenience signer" rather than a co-owner until you obtain the docs for verification would make any difference ? Doesn't this CIP stuff just raise the hair on the back of you neck ? It does to me because I am an over-50 male and that is the only place hair grows on me anymore.

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I know this may be a change in practice for your institution, but in high risk areas the it is more usual not to open an account with any name until the verification process has been completed for that individual. This only applies to consumer accounts. They will usually do two signature cards - the first with the opening person's name only (marked temporary for husband/wife) and the second with the other person's information entered. They give the second signature card to the customer with instructions to get it signed and get the second person's identifying information. When the completed paperwork is received they maintenance the account and add the second person, and archive/scan the new signature card.

Otherwise, how do you monitor all the accounts to make sure that you have received all of the required information? Also, if you don't get the information/signature you'll have to remove the person's name from the account - what do you do then? If you don't close the account then you still have the original checks with two people's names floating around out there. If you do close the account then you incur a cost for new checks (if free), or the original customer has to pay.

It's just cleaner to handle it that way.

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I don't think we have "convenience signers" in Michigan. You are an account owner or you are not, unless there is a power of attorney or some legal fiduciary capacity involved.

(I am an over-50 female, and the hair I have is turning greyer by the minute. )

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I agree that your suggestion is cleaner. Unfortunately, management feels strongly that they want to have the option to continue opening such accounts. We do not allow this for just anyone, usually for existing customers, in what we deem to be low-risk scenarios. We will be able to flag accounts on our software for missing documentation and get regular reports for follow up. We discussed the possibility of having to remove an account owner but management is confident that it will be such a rare occasion that they can live with it.

I guess we will have to see how it works and adjust our policy later if needed.

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You may want to check your state's multiple-party account laws. In California, we can't just "remove" a signer who's been added to an account (even if we only meant it as "provisional" until we could verify them). Either the account has to be closed and re-opened under a new number, or all parties have to sign agreeing to the removal. Be careful!

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Thanks. I hadn't thought about state law. Our existing contract has a provision for designating an account as provisional until all required information is received, so I am assuming this is okay in Michigan, but I will check more closely.

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## **Business Documents**

In a recent CIP training session there was discussion on the business documents that could be taken for identification such as certified articles of incorporation, as to whether or not all such

documents are required to be government-issued. Some felt that we could use an in-house prepared corporate resolution and have the parties sign our form. I disagree as I would think we need all business documents to be government-issued. Who is correct?

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Most states have a site where you can check on the business; it usually gives you incorporation date, owners, etc. and whether it is active. You should also be able to download the corporate filing docs yourself. Hope this helps you.

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### **ID And Address For Other Account Owners**

Situation: Husband and wife open a joint account and want to add their son/daughter. Do we need to obtain their, the son/daughter, ID and address also?

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Yes, unless the kids lack the legal capacity to contract, in which case you could fall back on the definition of customer which states "An individual who opens a new account for an individual who lacks legal capacity, such as a minor". If they don't lack legal capacity, then you must get complete identifying information on all account owners, and verify the identity of each.

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### **Identifying Non-US Persons**

We are wrapping up our CIP but are having debate about what documentation to accept for identifying Non-US Persons. Anyone willing to share what their CIP will say regarding acceptable documentation? I need help!

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For documentary verification we are requiring the following:

Primary Documents:

For U.S. Persons:

- State drivers license
- State identification card
- Military identification card
- U.S Issued Passport

For Non-U.S Persons:

- U.S. alien registration card
- Passport number and country of issue
- Consulate card (Mexican Consulate card is called a Matricula card)

Secondary Documents:

- Credit card
- Social Security card
- Insurance card
- Voter registration card
- Student identification card
- Firearm license
- Utility bill or property tax bill – with individual's name and address
- Original birth certificate

- Organizational membership card

We have not officially decided on the Matricula Card, but have it in there for now.

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If a non-US person has a tax id number and a state issued driver's license, we won't do anything different than we would a US person. In fact, we won't necessarily know that they are not a US person, since we aren't planning to ask. It is only if they do not have a tax ID number that we will require a passport, alien ID card, or other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

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#### Advising Customers We Are Closing An Account

When you close an account for suspicious activity, structuring, unexplainable wires etc., what do you tell the customer?? I know that we have the right to close any account for any reason, but I am wary to get into a conversation about it with the customer. Can anyone advise me how to put this to the customer when they want to know why we are closing the account? Thanks!

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In some instances you write a statement and just stick with it. "We are not pleased with the deposit relationship and do not wish to carry it forward."

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We do not mention a reason in the letter. We simply state that the management of this office has decided to close your account. If the customer calls, we may tell them that we are not comfortable with their account activity. If the customer has had NSF activity so we used that as an excuse.

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Does anyone ever tell the customer we suspect them of kiting?

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In answer to: Does anyone ever tell the customer we suspect them of kiting?  
No. We do not.

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Thanks for your responses. We also send a letter stating we are closing the account with no specific reason given, and in the past it has usually been for NSF activity. Now however it is usually for suspicious activity and so I am not quite sure how to phrase that. I guess I will just stick to 'we are not comfortable with the account activity' and hope they do not pursue it. (Although I have one now that is doing just that !) - hence the reason for the post.

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We will tell a customer who's been kiting that the account is closed due to repeatedly drawing on uncollected funds.

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What are other banks doing in regards to closing an account if you do not receive the appropriate documentary information (i.e., Articles of Incorporation, Articles of Organization) within a reasonable time? What are you considering to be a reasonable time? Are you even opening the accounts without these documents?

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We do not open accounts unless we have all docs and the TIN number, since IRS.gov will give it online now immediately there is no need for a wait period.

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### **Non-US Persons**

For the past 100+ years, it has been the policy of our bank not to accept foreign passports as primary ID. Our policy has always stated that we will accept non-US passports as secondary ID along with a US government issued document establishing that the person is in the US legally - i.e., a visa, Green Card, etc. For example, if someone came to us to open an account with only a passport, we would deny the account unless that person also had a tourist, work, or student visa issued by the US.

In reading the §326 regulation, it states that the bank shall accept, for a non-US person, one or more of the following: passport number and country of issuance, alien identification card number or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

If we only accept US government issued documents, are we in violation of this part?

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Why not require both (e.g. a government issued document and a passport). The regulation provides the minimum information that the bank must obtain. The expectation is that each bank implements a CIP that is appropriate to that banks own risks. I don't believe that requiring more information would be a problem, as long as you meet the minimum stated requirements.

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The language that you quoted: "passport number and country of issuance, alien identification card number or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard." comes from the section of the reg that specifies the ID number that meets the minimum requirements for customer information that is required to be collected if you open an account. It does not require you to accept any particular documents as verification.

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This is an observation that should not be taken as legal advice nor relied upon for any purpose.

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The proposed and the final both used that description when providing an illustrative list of identification documents, but does go on to further say that bank should determine which docs will be used to enable you to form a reasonable belief.

We have, as I am sure many others have, implemented the use of documents that generally conform to the illustrative list and have classified them as "primary" documents. Other documents that can be used but are not gov't issued, etc., will be classified as "secondary", and if presented w/o a primary document w/b subject to greater non-documentary verification.

Therefore, regarding your initial question, you would not be in violation of 326 to include or not include the document in your list of acceptable documents. It will all depend on what you deem as acceptable.

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**CIP: The Customer Is...**

I am trying to develop a training chart so our people can understand who the customer is under CIP and also when October 1 arrives to make sure they are identifying the correct person or entity. Here goes

TYPE OF ACCOUNT --> CUSTOMER

Individual account -> Individual

Joint Account ->All individuals

Business ->Business entity

Proprietorship -> Individual

Unincorporated Assoc -> Individual who establishes

Estate -> Estate ( but we will also identify the Personal representative, executor,)

UTMA, Minor accts -> Custodian/Guardian

POA -> Grantor (but we will also identify the POA)

Trust ->Trust (but will identify any trustees)

Lawyers Trust Account -> Lawyer

Political Party, individual -> Individual candidate running

Political Party, committee -> the committee

Thanks for any responses.

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Looks accurate to me. You might actually want to post this on the tools page for everyone to get his or her hands on. I can guarantee that you will be getting request

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You may want to include:

POD Accounts

Non-Profit Orgs.

Tenant security

IRAs

& Loan stuff

(I'm sure there's more, but I'm sure someone else will pick up on this)

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Although your designation of the individual for a sole proprietorship is correct, you might want to include a comment to also check any "doing business as" names for the proprietor.

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That's a great point, Ted. Not only do you want to make sure the proprietor matches, but also make sure the business is only a trade name and not a copr, llc, etc. We've had customers try to skirt NOW eligibility this way.

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A correspondent bank is not a customer by CIP definitions. If you have correspondents, you might want to add that to your list. (CIP actually states financial institution regulated by Federal functional regulator or bank regulated by stated bank regulator.)

And I still feel strongly that we do not "know" a business entity if we do not "know" the account signatories. We plan to continue documenting ID on all account signers. \$.02

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Quote:

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And I still feel strongly that we do not "know" a business entity if we do not "know" the account signatories. We plan to continue documenting ID on all account signers. \$.02  
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I suggest you allow for some wiggle-room on this issue in your CIP, Brenda. You may want to open an account for a large not publicly traded corporation where the signers don't want to provide personal information, or you can't reasonably expect to review documentary evidence of ID. At least consider the possibility before shutting the door on the issue.

My 2¢!

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Quote:

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Looks accurate to me. You might actually want to post this on the tools page for everyone to get his or her hands on. I can guarantee that you will be getting request  
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That's a good suggestion. We posted the "starter" version under the AML Tools page. I tweaked it a little, but ran out of time to do more than that. We will update it as we go along.

AML page -- with tool

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What are other banks doing for UTMA accounts?

I think my brain is going into CIP overload- I'm having a hard time with what the ID requirements for UTMA should be.

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Under subsection (a)(3)(i)(B) of the regulation, an individual that opens an account for a minor is the customer, not the minor. Verify that person.

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Even if the minor is listed on the account and can make deposits?

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Minors don't always have ID. You can always do more than what CIP requires, but in this case IDing the individual that opens the account for the minor is sufficient for CIP. The minor cannot withdraw funds, so there really isn't any reason to obtain ID.

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Quote:

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Even if the minor is listed on the account and can make deposits?  
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Yes. The minor is not the "customer." Instead, the adult who is also on the account is the "customer."

"Customer" - means a person (includes individuals or entities such as: a trust, corporation, partnership, L.L.C., etc.) that opens a new account and an individual who opens an account for:  
1) an individual who lacks legal capacity; or,  
2) an entity that is not a legal person.

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I believe anyone can make deposits to an account....

How about accounts WITH minors, where the minor is a signer? My understanding is that the parent is still the only one we have to apply the CIP to. We will still get the minor's TIN, but they may have no ID to verify. Correct?

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The only time you will need to verify the minor child's id is if they are the only one authorized on the account. Otherwise the legal capacity implication comes into play, making the adult the "customer" on the account for CIP purposes.

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There are some states in which a minor is authorized to be an account holder in their own right. If the minor is an account holder, either by themselves or jointly (with a parent, for example) they will be a customer for CIP. If someone opens an account for them as their representative, they will not.

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#### CIP Record Retention

What methods are other banks planning to use for retaining the CIP information that is going to be needed? Even if you record the required information on a new account worksheet, retaining all

of the worksheets until five years after the account closes is going to take up a lot of space if retained in paper form. Microfilming the worksheet would make it almost impossible to locate after the account closes and drops off of the computer system, because you would not then know the date that the account opened. What about scanning the worksheet and searching the disk(s)? It would be a little easier than microfilm, but after a while you would still have to just dig through disks unless you had some way to identify about what date the account opened.

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Archives of monthly or quarterly statements would tell you the exact date the account was opened. If you have the account #, you should be able to find the opening date by pulling statements. If you don't have the account #, you can probably pull 1099's by SSN to find an account number and go from there.

We're scanning in our IDs with our signature cards and / or loan apps (the cards and apps have the 4 "required" info pieces). They can be kept for at least 5 years after the account is closed (although, it's not easy to cull them out, so they're probably in the "forever" category). Can be retrieved by acct # or ss#, and we're working on getting them to add by name.

We have an application "queue" system where we'll record the non-doc methods, discrepancies, etc., in addition to tracking the progress of the applications. Can be retrieved by acct # or ss#. So far, these are in the "forever" retention category, too, but I'm trying to talk them into purging them after 5 years....

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Tisa, you said "we have an application "queue" system where we'll record the non-doc methods, discrepancies, etc., in addition to tracking the progress of the applications."  
Just curious what system you use?

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Proprietary system, developed in-house. Sorry! (And if the author ever leaves us, we're sunk!)

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Thanks

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### **ID for Signatories**

I am struggling with whether we should CIP signatories on business and other entity accounts. I feel we should, simply because I want to know that the individuals responsible for the account are who they say they are. I am interested in knowing what other banks are doing. How is your bank addressing signatories?

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I believe this will be a case by case answer. In a small bank environment this may be less difficult than for a Chase who has major accounts and the signatories may be difficult to reach or too numerous to keep up with. Actually I suppose this is more dependent on the accounts than the size of the bank, but the more difficult accounts would typically be at the bigger banks.

You can always do MORE than the regulation allows. It has always been our policy to ID signatories on commercial deposit accounts, so we are not changing that. I agree- we do want to know who is controlling the company and who we are doing business with.

We have decided to allow our cash management area and some of our higher ranking loan officers to waive ID for signatories on deposit accounts as long as they are willing to put it in writing and accept the responsibility.

On the lending side, we have decided not to require ID of any commercial signatories of the business who are not directly responsible for the repayment of the loan. Again, we currently ID cosigners and guarantors, and more often than not, the guarantor is also the owner or principal of the business.

However, in no case may anyone waive ID procedures if the account is classified as "high-risk". Hope this helps.

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We are treating them like any other customer. We require ID, SSN, address etc. and clear them through ChexSystems. We always have done it this way for KYC, so we are writing up our CIP to include this.

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We feel we want to know who they are, so we're going to ID the signatories just like we would an owner of an account. But then again, we don't have any accounts that have hundreds of authorized signers. Maybe 3 authorized signers at the most.

Most of our business accounts are sole proprietorships, but we do have a lot of Living Trusts, etc. where the "owner" and the "signer" aren't the same entity.

Think about all the people who are authorized to sign checks at your bank. Suppose you were another type of business and had an account at a bank - would you want to have to provide identification for every single one of the people your business has given signatory authority?

Huge companies like Microsoft or General Motors probably have several hundred people authorized to sign checks. What a nightmare to try and identify all of them. And they probably change frequently...

It becomes a question of scale.

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