

Selected Subjects

Guru Chatter* on CIP and IDs



Risk of Keeping Copies of ID Documents

Question: Many of our bank personnel have been keeping copies of identification forms such as driver's licenses to show proof of identity when customers open accounts. With the concern over confidentiality and identity theft, I have heard from many sources that actual copies of the identification document could be an additional risk to the bank and the documents should be destroyed. Should we be taking copies of these documents and if not, do we need to go through files and destroy the copies we do have?

Answer by David Dickinson:

You must retain identification as a verification under CIP. You don't have to retain a copy of the ID, but I don't see a problem with retaining a copy.

Answer by Jim Bedsole:

As David says, you are required to either make a copy of the identification or record all the key pieces of information from that identification into a separate document. In either case, the resulting document is a sensitive piece of information that could create liability for the bank if it is not adequately protected and as a result falls into the wrong hands. You'll want to make sure your information security program appropriately assesses that level of risk associated with this information and provides for a level of security around the document that reasonably protects the information contained on the document.

Answer by Ken Gollhofer:

Maintaining a copy of a driver's license is not inherently more dangerous than keeping all the information on the driver's license. The only issue might be how and where the copies are kept. As noted, you have a responsibility for the security of the information, but the responsibility isn't a new one.

ID Number to Use for Foreign Nationals

Question: We open accounts for foreign individuals who are only in the U.S. for a few months out of the year. When using the W-8BEN and to facilitate opening an account, what identification number can we use in place of a TIN? The customers are sent to us with an introduction from a global company.

Answer by Jim Bedsole:

For CIP purposes, here's what it says in the regulation:

For a non-U.S. person, one or more of the following: a taxpayer identification number; 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.

CIP, the Elderly with No Valid ID

Question:

Concerning CIP, how do you handle elderly customers who no longer have valid ID? We frequently have customers who are 80+ years old who cannot produce ID. What is the correct procedure for these people?

Answer by Jim Bedsole:

There is no absolute correct answer on this. Your institution's CIP needs to specify how you will handle this. Whatever is specified in your CIP is how you would handle such customers.

Your CIP might anticipate using such things as utility bills, or other non-documentary ID verification processes for these customers.

Minor Can't Sign on Account and Has No ID: Problem?

Question: Can a minor who has no identification or the ability to sign his/her name be a joint owner of a checking account, specifically a money market account? Also, on minor savings accounts what is acceptable identification?

Answer by Ken Gollhofer:

The answer to your first question is controlled by the law of your state. Unless you have a state statute that says otherwise, the law generally is that a contract with a minor is voidable by the minor; i.e. the minor's signature does not provide you with an enforceable agreement. If the minor *can't* sign as you indicate, then you have no contract with the minor, voidable or otherwise.

The answer to your second question is controlled by your bank's CIP. Unless you created an exception there, what is acceptable as identification for a minor is the same as what is acceptable for an adult.

Answer by John Burnett:

You also should note that FDIC rules on deposit insurance require that the joint signers all sign the signature card, or the account will be counted as an individual account of the person who does sign. That may make no difference at all to the customer if balances are low and/or the bank remains solvent. But it is a technical glitch that can come up.

Charging an Early Withdrawal Fee on CD Closed Due to CIP

Question: Can we impose an early withdrawal fee on a CD if it is closed due to our policy of needing to obtain all CIP information within 10 days?

Answer by John Burnett:

This is a really good example for why CIP requirements should be completed **before** an account is opened, because then this question wouldn't be raised.

There is no regulatory requirement that you impose the penalty if at least seven days has elapsed since the deposit.

If you opened such an account for me and couldn't document my identity within ten days and closed it out with a penalty, I would not be a happy camper. I might even argue that the account was never truly opened and that therefore the non-regulatory penalty ought not to have been imposed. And that's the argument I'll pose as I suggest that you shouldn't even think about going there.

Are Mexican Chauffeurs License and Voter ID Valid IDs?

Question: We have started having non-U.S. individuals who do not have any relationship with the bank coming in to cash paychecks off of one of our business customers. The identification that they are providing are Mexican voter identification cards and a Mexican chauffeur's license. Their picture and signature are on the identification. Are these considered valid types of identification?

Answer by Ken Golliher:

"Valid" identification is whatever your bank says it is; there is no law or regulation that says you must accept any particular type of identification in connection with cashing checks.

My suggestion is that whatever you require at account opening should also be required when you are cashing on-us checks. While the "compliance" issues are different, the fraud risks are the same. (Only a minority of banks take this approach.)

Expired ID to Cash Checks

Question: Is an expired ID considered valid to cash checks?

Answer by Andy Zavoina:

The type of ID you accept is up to you, but an ID shouldn't be accepted when it is expired at all. There are some exceptions whereby, as an example, a servicemember's expired (out of) state drivers license may have been extended by virtue of serving on military duty and not present to renew.

While a person doesn't become someone else because an ID expired, he or she may discard the old ID as useless. Someone else may retrieve that ID and then become the person who tossed it.

Answer by Hussam Al-Abed:
Ask for a second ID with a photo.