

Press Releases

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OTS 02-31 - Treasury and Federal Financial Regulators Issue Patriot Act Regulations on Customer Identification.

Office of Thrift Supervision

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For further information

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

Joint Release

**Board of Governors of the Federal Reserve System
Commodity Futures Trading Commission
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision
Securities and Exchange Commission**

The Department of the Treasury and seven federal financial regulators today issued proposed rules that would require certain financial institutions to establish minimum procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Written comments on the proposed rules may be submitted within 45 days of their publication in the Federal Register, which is expected to occur later this week.

These proposed rules implement section 326 of the USA PATRIOT Act, which directs the issuance of regulations requiring financial institutions to implement reasonable procedures for (1) verifying the identity of any person seeking to open an account, to the extent reasonable and practicable; (2) maintaining records of the information used to verify the person's identity and; (3) determining whether the person appears on any list of known or suspected terrorists or terrorist organizations. Final rules implementing section 326 must be effective by October 25, 2002.

The proposed rules seek to protect the U.S. financial system from money laundering and terrorist financing. Additionally, by requiring identity verification procedures for all new accounts opened after the effective date of the final rules, the rules could also protect consumers against various forms of fraud, including identity theft.

The proposed rules were developed jointly by the Treasury Department, Treasury's Financial Crimes Enforcement Network and seven federal financial regulators, including the Board of

Governors of the Federal Reserve System, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, and Securities and Exchange Commission.

The proposed rules outline requirements for the following financial institutions: banks and trust companies, savings associations, credit unions, securities brokers and dealers, mutual funds, futures commission merchants, and futures introducing brokers. The financial institutions subject to the proposed rules would be required to establish programs specifying procedures for obtaining identifying information from customers seeking to open new accounts. This identifying information would be essentially the same information currently obtained by most financial institutions and for individual customers generally, including the customer's name, address, date of birth and an identification number (for U.S. persons, a social security number and for non-U.S. persons, a similar number from a government-issued document). Customers with signature authority over business accounts would furnish substantially similar information. A financial institution's program would also have to contain procedures to verify the identity of customers within a reasonable period of time. The proposed rules contemplate that financial institutions will generally use the same forms of identity verification that are already in place, such as examining driver's licenses, passports, credit reports, and other similar means.

While every program must meet these minimum elements, the proposed rules give financial institutions the flexibility to tailor their procedures as appropriate, taking into consideration an individual institution's size, location, and type of business. In developing these regulations, the importance of many factors was taken into account, including the need to guard the U.S. financial system against terrorist financing and money laundering, the legitimate privacy interests of customers, and the need for these regulations to be effectively integrated into the daily operations of financial institutions.

Banks, Savings Associations and Credit Unions - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-31a.pdf>

Broker-Dealers - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-31b.pdf>

Futures Commission Merchants and Introducing Brokers - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-31c.pdf>

Mutual Funds - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-31d.pdf>

Banks with no Federal Functional Regulator - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-313.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.

