

Note to viewer:

These customer identification program (CIP) procedures were developed for a hypothetical bank and are for illustration purposes only. **These procedures do not follow Section 326 rules exactly.** Feel free to use these procedures as an example to help you develop your institution's procedures. These procedures should not be adopted in their entirety. Section 326 is risk based. Thus, **each institution's CIP will differ** according to the level of risk associated with an institution's size, geographic location, customer base, account types, method of opening accounts, etc.

CUSTOMER IDENTIFICATION PROCEDURES

These procedures apply to any customer that opens an account.

An "account" will be considered an ongoing service, such as, deposit, transaction, asset, credit or loan accounts. This also includes safe deposit box customers.

A "customer" includes any person or entity that opens a new account. This includes persons opening an account for someone without legal capacity and for entities that have no legal status; for example, minors and club accounts, respectively. The term does not include entities eligible for Phase I exemptions (with the exception of subsidiaries of publicly traded companies), or existing customers that open a new account, as long as the financial institution has a reasonable belief it knows the person's identity.

COLLECTION OF INFORMATION:

Consumer Accounts

The following information will be collected from the consumer **prior to opening** any type of account. The bank may collect additional information as it deems necessary to aid in account administration (e.g., phone number, mailing address, mother's maiden name, etc.):

1. Name
2. Date of Birth
3. Residence or Business street address (individuals only)

For individuals not having a physical address, an Army Post Office (APO) box, Fleet Post Office (FPO) box, or street address for next of kin may be used. However, these instances will be rare.

4. Taxpayer Identification Number

For U.S. Individuals, this shall include a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN).

For Non-U.S. Individuals, this shall include one or more of a taxpayer identification number, passport number and issuing country, alien identification card number, or number and issuing country of any government issued identification, which evidences residence or nationality and bears a photo or similar safeguard.

Non-Consumer Accounts

The following information will be collected from the entity **prior to opening** any type of account. The bank may collect additional information as it deems necessary to aid in account administration (e.g., phone number, mailing address, mother's maiden name, etc.):

1. Name
2. Business street address
3. Taxpayer Identification Number

For U.S. Entities, this shall include an Employer Identification Number.

For Non-U.S. Entities that do not have an identification number, the bank will request alternative government-issued documentation certifying the existence of the entity.

Exception for no Tax Identification Number

Situations may arise where the individual or entity does not have a taxpayer identification number. The account may still be opened if it can be verified that the customer has completed an application for a taxpayer identification number. If the customer has not yet applied, bank staff may assist the customer in preparing the application. In all instances, the bank will retain a copy of the application as proof of the filing. [Section 326 states you do not have to retain a copy of the application; however, you must verify an application has been completed.] If the customer cannot provide a copy of the application form, the account will not be opened until the taxpayer identification number is provided. [Section 326 allows the account to be opened without a TIN providing an application for TIN has been completed.] Additionally, if the taxpayer identification number is not received within eight weeks [Section 326 does not designate a specific timeframe] from when the account was opened, the account will be closed.

Senior Management [or financial institution could designate any review person] will review all accounts opened without a taxpayer identification number to determine if restrictions should be employed. [Section 326 does not require this.] The bank may choose to restrict access or transactions conducted through the account until the taxpayer identification number is received.

Credit Card Accounts

In instances, where a credit card account is opened. The financial institution must obtain the required information prior to extending credit. This information may be obtained from the customer or a third party source.

INFORMATION VERIFICATION:

Verification of the information provided by the customer will be conducted **prior to opening** the account. [Section 326 states verification could be completed a reasonable time after opening the account.]

Each customer will be asked to provide, at a minimum, one document that will assist the financial institution to verify the information provided.

For individuals this will include a driver's license, state issue identification card, military identification card, passport, alien identification card, or a green card. [Each financial institution is free to decide what documents they will accept.] In all cases, the document provided must be unexpired, government issued, evidence residence or nationality and contain a photo or similar safeguard.

For entities this will include registered articles of incorporation, corporate resolution, government issued business license, partnership agreement or trust agreement. [Each financial institution is free to decide what documents they will accept.]

The non-documentary methods that the institution may employ are:

1. Contacting the customer (via a thank you letter, visit, etc);
2. Verifying the information provided through: credit bureaus, public databases, property tax bill, utilities bills, financial references, obtaining a financial statement, etc.
3. Verifying employment
4. Referencing a phone book (address). [Institution's should add all non-documentary methods they will use.]

Instances may arise where the customer does not have a document that the financial institution has deemed acceptable or presents a document that the financial institution is unfamiliar with. Senior Management [or other designated person] will review these instances and make a determination based on the risk associated with the type of account as to whether non-documentary verification methods can be used to form a reasonable belief of the consumer's identity to open the account. If non-documentary verification is determined to be inadequate, the account will not be opened. [Section 326 does not require this type of review.]

Instances may arise where the financial institution is not satisfied after reviewing an acceptable document that they know the true identity of the customer. At the discretion of Senior Management [or other designated person], the financial institution may choose to not open the account or employ non-documentary methods to verify the customer's identity.

In instances where an account is not opened face to face, the bank will employ non-documentary methods to complete verification. [Section 326 would allow documentary verification, non-documentary verification, or both.] If the bank cannot verify the information provided using non-documentary methods, the bank may choose at that time not to open the account or may request that the customer come into the institution to provide an acceptable document.

If discrepancies are noted between the information provided by the customer and the verification methods (documentary or non-documentary), the bank will resolve all substantial discrepancies prior to opening the account. [Section 326 would allow this to be done after account opening.]

If at any time, the bank suspects fraud, identity theft, potential terrorism, money laundering or any other suspicious activity, a Suspicious Activity Report will be filed.

The bank may at any point in collection or verification processes refuse to open the account.

In instances where entities cannot be verified through either documentary or non-documentary verification, or, the bank still does not feel it that it can establish reasonable identity, the bank may request identifying information and documentary/non-documentary verification on any owner or signers on the account. This decision will be based at the discretion of Senior Management [or other designated person].

The financial institution will rely on auto dealers to act as an agent to perform the information collection portion of this program. The auto dealer will collect name, address, date of birth and taxpayer identification number on the application submitted to the bank. The bank will attempt to verify the information using non-documentary methods (pulling a credit report).

Existing customers will be exempt from these rules if they meet the following requirements: [you may choose not to exempt existing customers or choose other standards to determine that the financial institution knows their identity]

They must have been a customer for at least one year;

No statements or other bank correspondence mailed to a physical address has been returned;

No prior suspicious activity has occurred has occurred with prior accounts.

RECORD RETENTION

Identifying information collected from the customer (name, address, taxpayer identification number, date of birth) will be maintained for five years after the account is closed.

Verification information will be maintained for five years after the record is created. This will be achieved by maintaining copies of all documents used in the verification process; which will at a minimum contain a the identification number, the state of country of issuance, the date of issue (if available) and the expiration date of the document. [Section 326 does not require that copies be made.] In addition, documentation of any non-documentary methods used to verify identity and a description of how any discrepancies were resolved will be maintained.

This information will be maintained in a central file. All documentation will be reviewed for accuracy and completeness prior to placing it in the central file.

GOVERNMENT LISTS

At the time an account is opened or prior to any transactions taking place, officials will determine whether the person appears on any government list of known or suspected terrorists or terrorist organizations issued by any Federal government agency and designated by the Treasury. If so, the account will not be opened or account use suspended until further investigation proves not to be a legitimate hit. If a legitimate hit is detected, the proper government authorities will be notified and the account will be handled as law enforcement dictates. Documentation of this process will be maintained.

CUSTOMER NOTIFICATION

To ensure adequate notice of these rules is given prior to opening of an account, the bank will post a notice in the lobby, on the bank's website, and on each desk that a new account can be opened. Verbal notice may also be provided at the time of account opening.

TRAINING

All personnel with the ability to open new accounts will receive annual training concerning the Customer Identification Program.

ANNUAL AUDIT

An independent audit of the Customer Identification Program will be completed annually.