

MEMO# 16244

June 27, 2003

TREASURY SEEKS ADDITIONAL COMMENTS ON SPECIFIC ASPECTS OF THE CUSTOMER IDENTIFICATION PROGRAM RULES

[16244] June 27, 2003 TO: MONEY LAUNDERING RULES WORKING GROUP No. 42-03
TRANSFER AGENT ADVISORY COMMITTEE No. 63-03 RE: TREASURY SEEKS ADDITIONAL
COMMENTS ON SPECIFIC ASPECTS OF THE CUSTOMER IDENTIFICATION PROGRAM RULES
The Department of the Treasury has issued a notice seeking additional comments on two discrete issues relating to the recently adopted customer identification program (CIP) rules. A copy of the notice, which has been sent to the Federal Register for publication, is attached. The purpose of this request is simply to solicit further comment on the two issues described below. Treasury, at this time, is not proposing amendments to the final CIP rules and will consider whether to do so only after receiving comments in response to this request. Importantly, this request for additional comments does not affect the October 1, 2003 implementation deadline under the final CIP rules. The first issue is whether and under what circumstances financial institutions should be required to retain photocopies of identification documents relied on to verify customer identity. In the proposed CIP rules, Treasury and the federal functional regulators included a new requirement that, when a financial institution relies on a document – such as an identification card – to verify identity, the financial institution must make and maintain a photocopy of that document. This requirement was eliminated in the final CIP rules and replaced by a requirement that financial institutions make and maintain a record of the description of any document upon which they rely to verify customer identity. Treasury is seeking additional comment on whether it should reconsider its decision to eliminate this requirement from the final CIP rules. The second issue is whether there are situations when the regulations should preclude reliance on certain forms of foreign government-issued identification to verify the identity of foreign customers. As you know, the final rules provide flexibility in this respect, allowing financial institutions to choose among a variety of identification numbers that it may accept from foreign customers, provided that the identifying information permits the financial institution to form a reasonable belief that it knows the true identity of the customer. The final rules neither endorsed nor prohibited the use of any particular types of identification documents in this context. Treasury has asked for additional comment on this portion of the final rule by posing four specific questions: 2 1. Are there situations in which the regulations should preclude reliance on certain forms of identification issued by certain foreign governments? 2. Should the regulations require financial institutions to obtain a passport number from all non-US customers? 3. Is there sufficient empirical information to enable Treasury to assess the utility of the various forms of foreign-issued identification for

purposes of accurately identifying the holder? 4. What would the impact be on the use of the conventional financial system if financial institutions were prohibited from accepting certain forms of government-issued identification? The Institute has not addressed either of these issues in its various comment letters on the CIP rules. If your firm has views on either issue that you would like the Institute to consider addressing in a comment letter, please let me know as soon as possible. Comments will be due to Treasury thirty days after publication of the notice in the Federal Register. Robert C. Grohowski Associate Counsel
Attachment (in .pdf format)

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