

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

September 3, 2004

**BANKING SUPERVISION AND REGULATION:
BANK SECRECY ACT AND
CUSTOMER IDENTIFICATION PROGRAMS**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

**New Bank Secrecy Act Examination Procedures Relating to Section 326 of the USA PATRIOT Act
(SR 04-13)**

The USA PATRIOT Act (Act) established new and enhanced measures to prevent, detect, and prosecute money laundering and terrorism, generally through amendments to the Bank Secrecy Act (BSA).¹ For the most part, the measures directly affecting banking organizations are implemented through regulations issued by the U.S. Department of the Treasury (31 CFR Part 103). However, the regulation implementing the requirements of section 326 of the Act for banking organizations was issued jointly by the U.S. Department of the Treasury, through the Financial Crimes Enforcement Network (FinCEN), together with the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Office of Thrift Supervision, and National Credit Union Administration.

Since the issuance of these regulations, the Federal Reserve and the other federal banking agencies have been working together to update their BSA examination procedures. This SR letter notifies supervisory staff and domestic and foreign banking organizations supervised by the Federal Reserve that new BSA procedures have been developed for examining the customer identification programs that are required by section 326 of the Act.

Section 326 of the Act, which is codified in the BSA at 31 U.S.C. 5318(l), requires financial institutions, such as banks, savings associations, and credit unions, to have customer identification programs that include measures to:

- Require certain information to be obtained at account opening (for individuals the information would generally include name, address, tax identification number, and date of birth);
- Verify the identity of new accountholders within a reasonable time period;
- Ensure that a banking organization has a reasonable belief that it knows each customer's identity;
- Maintain records of the information used to verify the person's identity; and
- Compare the names of new customers against government lists of known or suspected terrorists or terrorist organizations.

A customer identification program is an important component of a financial institution's overall anti-money laundering and BSA compliance program.

The Federal Reserve has worked on an interagency level to develop the BSA examination procedures to evaluate the compliance of banking organizations with this new regulation. The procedures are

designed to help banking organizations implement the new BSA requirements and to facilitate a consistent supervisory approach among the federal banking agencies.² The examination procedures allow supervision staff to tailor the examination scope according to the reliability of a banking organization's compliance management system and the level of risk assumed by the organization. Where relevant, the examination procedures incorporate interagency guidance provided in the form of the frequently asked questions document on customer identification program rules that was released by the Federal Reserve in SR letter 04-2 (See our [letter dated January 27, 2004](#)).

The Federal Reserve will be incorporating these procedures into an update to its overall BSA/Anti-Money Laundering examination procedures. In addition, as other provisions of the Act are implemented through new regulations, additional procedures may be issued in a similar format.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about the Customer Identification program, please contact our Banking Supervision and Regulation Department at (415) 974-2896.

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[Attachment](#)

¹ SR letter 01-29, dated November 26, 2001, describes the provisions of the Act that affect banking organizations.

² The new BSA examination procedures are being shared with state bank regulatory authorities to assist their evaluation of state chartered banking organizations.