

September 12, 2005

FREQUENTLY ASKED QUESTIONS REGARDING THE BANK SECRECY ACT AND HURRICANE KATRINA VICTIMS

Q: I am opening new bank accounts for people displaced by Hurricane Katrina. What information or identification do the Bank Secrecy Act or related regulations require me to obtain to open an account?

A: Bank Secrecy Act regulations require banks to obtain certain information about a person before opening a new account and to verify the identity of individuals within a reasonable time thereafter.

Under the interagency Customer Identification Program rules, before opening an account, a bank must obtain, at a minimum, an individual's

1. name,
2. address,
3. date of birth, and
4. taxpayer identification number, which for most individuals is a social security number. [Individuals who are not U.S. persons may provide a taxpayer identification number or a number from any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.]

After the account is opened, the bank is permitted a reasonable period of time to verify the customer's identity. The bank should determine what period of time is reasonable under the circumstances and given the methods available to verify the identity of individuals affected by the hurricane, through documentary or non-documentary methods. (See response to question below for information on provisions for verifying a new account holder's identity without documents.)

Q: I am opening accounts for Hurricane Katrina victims who do not have drivers' licenses or any other form of identification. How can I verify the identity of these individuals and remain in compliance with the Bank Secrecy Act?

A: Under the interagency rules regarding customer identification, a bank is not required to obtain a driver's license from a person at the time of account opening. The bank must obtain the information listed in the response to the question above (name, address, date of birth, taxpayer ID) before opening an account. This can be done without documentation. Verification of the

identity of the customer is not required at account opening. This may be undertaken within a “reasonable time” thereafter. The bank should determine what period of time is reasonable for verifying the identity of individuals affected by the hurricane, given the unique circumstances. In satisfying the verification requirement, it is important to stress that the Bank Secrecy Act rules allow banks flexibility to design a program that uses documents (driver’s license, passport, etc), non-documentary methods (e.g., comparison of information provided by the person to information obtained through electronic searches of consumer reporting agencies, public databases, or other sources), or a combination to verify a customer’s identity.

Banks are encouraged to use other verification methods for individuals affected by the storm who do not have traditional forms of identification, such as driver’s licenses. Banks establishing accounts for individuals depositing Treasury checks for Social Security, the Office of Personnel Management, and Railroad Retirement benefit payments can use the processes put in place by these agencies to verify the identity of their benefit recipients by telephone. A link to recently released guidance from the U.S. Treasury on government benefit checks and the use of third party drafts is available at: http://www.fms.treas.gov/flexibility_thirdparty.html.

For some banks, using non-documentary methods for verifying customer identity may require an amendment to a bank’s Customer Identification Program (CIP). Banks should following existing protocols for amending their CIP. If necessary, banks should obtain required board approval for program changes as soon as practicable.

Q: I would like to open accounts for individuals who do not have a permanent address because their houses were destroyed by the hurricane. How do I comply with the requirement in the Bank Secrecy Act rules that I get the individual’s address before I open an account?

A: The bank should obtain the individual’s last permanent address and get the address of the location where the individual is currently residing; even if it is temporary. In the absence of an actual address or street number for the temporary housing, a description of the physical location of the individual’s temporary housing will suffice.

Q: I am a banker who is receiving wire transfers for non-customers who are victims of Hurricane Katrina. What information do I have to obtain and verify before I release the proceeds of the wire transfer directly to a non-customer beneficiary?

A: For funds transfers of less than \$3,000 the bank is not required by law to obtain information from the beneficiary or to verify the beneficiary’s identity. However, prudent banking practice would normally lead a bank to do both. For wire transfers or payment orders **of \$3,000 or more**, which the bank accepts for a person who is not a customer of the bank, the bank should obtain and retain the following:

1. Name of beneficiary
2. Address (see Q&A above for information about addresses)
3. Type of identification document reviewed and number of the identification document, and
4. Taxpayer identification number (e.g. social security number) or notation of the lack thereof.

The receiving bank is responsible for obtaining this information and maintaining a record of the information along with a copy of the payment order. Typically, the bank will verify the identity of the person by asking for a driver's license or some other form of identification (see prior questions).