

Supporting Statement
OMB Control Number 1506-0026

Customer Identification Programs for Banks, Savings Associations, Credit Unions, and Certain Non-Federally Regulated Banks

1. Circumstances necessitating collection of information

The statute generally referred to as the “Bank Secrecy Act” (“BSA”), Titles I and II of Public Law 91-508, as amended, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311-5332, authorizes the Secretary of the Treasury, among other things, to require financial institutions to keep records and file reports that are determined to have a high degree of usefulness in criminal, tax, and regulatory matters, or in the conduct of intelligence or counter-intelligence activities, to protect against international terrorism, and to implement counter-money laundering programs and compliance procedures.¹ Regulations implementing Title II of the BSA appear at 31 CFR Chapter X. The authority of the Secretary to administer the BSA has been delegated to the Director of the Financial Crimes Enforcement Network (“FinCEN”).

Section 326 of the USA PATRIOT Act added a new subsection (l) to 31 U.S.C. 5318 of the BSA. Pursuant to section 326, FinCEN issued joint regulations with the federal bank regulatory agencies that require banks, savings associations, credit unions, and certain non-federally regulated banks to establish a written customer identification program and to maintain records related to verifying the identity of customers. *See* 31 CFR 1020.220. Under the customer identification program regulations, the minimum requirements include: 1) implementation of a written customer identification program appropriate for the financial institution’s size and type of business; 2) identity verification procedures; 3) recordkeeping; 4) comparison with government lists; and 5) customer notice.

2. Method of collection and use of data.

The information will be used to verify the identity of persons seeking to open accounts at banks, savings associations, credit unions, and certain non-federally regulated banks in an effort to prevent and detect money laundering and the financing of terrorism. The information on the customer’s identification maintained by banks, savings associations, credit unions, and certain non-federally regulated banks is made available to appropriate government authorities only upon request.

3. Use of improved information technology to reduce burden.

Banks, savings associations, credit unions, and certain non-federally regulated banks are permitted to automate their systems to meet their requirements. There is no specific government mandate to do so.

4. Efforts to identify duplication.

¹ Language expanding the scope of the BSA to intelligence or counter-intelligence activities to protect against international terrorism was added by Section 358 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA PATRIOT Act”), P.L. 107-56.

There is no similar information available; thus, there is no duplication.

5. Methods to minimize burden on small businesses or other small entities.

All banks, savings associations, credit unions, and certain non-federally regulated banks are required to document the identity of their customers and are permitted to use the method most suitable based upon their assessment of risk as it relates to their size and type of business.

6. Consequences to the Federal government of not collecting the information.

The Federal government requires reporting of this information only upon request.

7. Special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(d)(2).

Under 31 CFR 1010.430(d), records must be kept for 5 years. This retention period is necessary to substantiate violations that have occurred within the 5-year statute of limitations for such violations.

8. Consultation with individuals outside of the agency on availability of data, frequency of collection, clarity of instructions and forms, and data elements.

On September 11, 2018, FinCEN issued a notice and request for comment concerning the customer identification programs for banks, savings associations, credit unions, and certain non-federally regulated banks (*See* 83 FR 46015). FinCEN received three public comments. One anonymous comment was received; the comment did not address the subject of the information collection.

The second comment was from the Bank Policy Institute (“BPI”) suggesting certain changes to the CIP requirements for banks. Specifically, BPI asks that FinCEN revisit the regulations to provide greater privacy and permit more reliance on third parties.² BPI also recommends that FinCEN revise the rule to reflect a flexible approach for future innovation.

In addition, BPI commented that the proposed renewal underestimates the actual burden and does not consider compliance costs. However, BPI did not provide specific estimates regarding an increase in burden hours.

The third comment was from a group of banks, and was submitted on their behalf by Buckley Sandler. The comment recommends an amendment extending the exception in the rule for credit card accounts that permits a bank to obtain the identifying information about a customer from a third-party source to all accounts. The commenter believes that this would permit banks to open accounts without obtaining the customer’s identifying information directly from the customer, when the bank is able to form “a reasonable belief that it knows the true identity of each customer.”

FinCEN appreciates these comments concerning CIP regulations and will incorporate them into FinCEN’s retrospective regulatory review process conducted pursuant to E.O. 12866 and 13563.

² The BPI points out that some people may not have a secure physical address, and that the collection of SSNs may put people at higher risk of identity theft. The BPI suggests banks should be afforded flexibility under the rule to secure customer information from additional trusted and secure sources for a broader set of account openings.

9. Explanation of decision to provide any payment or gift to respondents.

No payments or gifts were made to respondents.

10. Assurance of confidentiality of responses.

Information collected under 31 U.S.C. 5318(l) may be made available to appropriate law enforcement agencies and supervisory agencies.

11. Justification of sensitive questions.

There are no questions of a sensitive nature in the collection of information. Any personally identifiable information collected under the BSA is strictly controlled as outlined in FinCEN’s Systems of Records Notice. See <https://www.gpo.gov/fdsys/pkg/FR-2014-04-14/pdf/2014-08254.pdf>.

12 & 13. Estimated burden & cost of information collection.

- Estimated Number of Respondents: 15,960.³
- Estimated Average Annual Recordkeeping Burden per Respondent: 10 hours.⁴
- Estimated Average Annual Disclosure Burden per Respondent: 1 hour.
- Estimated Total Annual Respondent Burden: 175,560 hours.⁵
- Estimated Burden Cost: 175,560 hours X \$63.53 per hour = \$11,153,326.80.⁶

Information Collection	# of Respondents	Annual # of Responses per Respondent	Total Responses	Hours per Response	Total Hours	Labor Cost per Hour	Total Labor Costs
CIP Programs	15,960	1	15,960	11	175,560	\$63.53	\$11,153,326.80

³ This number is a total of the institutions represented in the 2017 annual reports of the following regulators: the National Credit Union Administration reported 5,573 institutions, the Federal Reserve reported 5,180 institutions, the Federal Deposit Insurance Corporation reported 3,636 institutions, the Office of the Comptroller of the Currency reported 1,446 institutions. In addition, a report from the Government Accountability Office indicated that approximately 125 credit unions were insured privately, for a total of 15,960 institutions.

⁴ FinCEN did not receive comments on the previous estimate of 10 hours of annual recordkeeping burden and 1 hour of annual disclosure burden per respondent.

⁵ 15,960 respondents multiplied by 11 hours equals 175,560 hours.

⁶ The above Average Hourly Wage Rate is calculated from the May 2017 Bureau of Labor Statistics average hourly wage for “13-2061 Financial Examiners” of \$44.12, plus an additional 44% for benefits to produce a fully-loaded rate of \$63.53.

TOTAL			15,960		175,560		\$11,153,326.80
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There are no non-labor costs associated with this collection of information.

14. Estimated annual cost to the Federal government.

The Federal government requires reporting of this information only upon request.

15. Reasons for change in burden.

This burden has increased due to an increase in number of institutions falling under the requirements.

16. Plans for tabulation, statistical analysis, and publication.

The information will not be tabulated or compiled for publication.

17. Request not to display the OMB expiration date.

Not applicable.

18. Exceptions to the certification statement.

There are no exceptions to the certification statement.