



May 30, 2018

Supervision and Regulation (SR) Letter 18-3: Federal Financial Institutions Examination Council Examination Procedures on Customer Due Diligence and Beneficial Ownership Rule

Attention: Chief Executive Officer and Bank Secrecy Act Officer of Each Tenth District State Member Bank

In Brief: SR Letter 18-3 advises Federal Reserve supervised institutions of the recently issued Federal Financial Institutions Examination Council (FFIEC) examination procedures for the Financial Crimes Enforcement Network (FinCEN) rule, Customer Due Diligence (CDD) Requirements under the Bank Secrecy Act (BSA), with a compliance date for covered financial institutions of May 11, 2018.

Highlights: To ensure consistency, these recently issued FFIEC BSA examination procedures will be used by examiners with Federal and State banking agencies. The procedures replace the section in the 2014 FFIEC BSA/AML Examination Manual entitled “*Customer Due Diligence – Overview and Examination Procedures*,” pages 56 – 59, and a new section is added entitled “*Beneficial Ownership Requirements for Legal Entity Customers – Overview and Examination Procedures*.”

Under the CDD portion of the rule, covered financial institutions must “*establish and maintain written procedures that are reasonably designed to identify and verify beneficial owners of legal entity customers*.”

Unless specifically excluded or exempted under the rule, the rule requires banks to collect beneficial ownership information at the 25 percent ownership threshold regardless of the customer’s risk profile.

The CDD rule will only apply to new legal entity customer accounts opened on or after May 11, 2018, and not retrospectively.

Contact: Please direct any questions concerning these FFIEC BSA examination procedures, including compliance or examination expectations, to BSA Coordinator Phil Magathan at (800) 333-1010, extension 881-4736 or phil.magathan@kc.frb.org, Assistant BSA Coordinator Danielle Warner at (800) 333-1010, extension 221-5752 or danielle.warner@kc.frb.org, or your Federal Reserve Bank of Kansas City central point of contact.

Internet A copy of SR Letter 18-3 is also available on the Board’s public web site at:

Links: <https://www.federalreserve.gov/supervisionreg/srletters/sr1803.htm>

The CDD and beneficial ownership exam procedures are available on the FFIEC website at: <https://www.ffiec.gov/press/pr051118.htm>

In a letter dated May 16, 2018, 10th District state member banks were notified that the Federal Reserve Bank of Kansas City will soon begin distributing supervisory guidance and policy information electronically through the Supervision Contact System (SCS). Over the next week, you or another designated contact at your institution will receive additional communication from the SCS in order to verify your email address to ensure your future electronic receipt of supervisory guidance and policy information. Thank you for your patience and cooperation as we strive to improve our communication with your institution.