



FEDERAL RESERVE BANK *of* KANSAS CITY

April 12, 2016

**Supervision and Regulation (SR) Letter 16-7: Interagency Guidance to Issuing Banks on Applying Customer Identification Program Requirements to Holders of Prepaid Access Cards**

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

**In Brief:** The Federal Reserve, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the U.S. Department of Treasury's Financial Crimes Enforcement Network (collectively, the Agencies) have issued interagency guidance to clarify when a bank's Customer Identification Program (CIP) should be applied to the cardholders of general prepaid cards issued by a bank.

**Highlights:** The CIP rule, set forth in Section 326 of the USA PATRIOT Act, requires a bank to obtain information sufficient to form a reasonable belief regarding the identity of each "customer," including, at a minimum, obtaining the customer's name, date of birth, address, and tax identification number, and to establish risk-based procedures to verify the identity of new customers. To determine if CIP requirements apply to purchasers of prepaid cards, the issuing bank should first determine whether the issuance of a prepaid card results in the creation of an account, and if so, ascertain the identity of the holder of that card.

A general purpose prepaid card should be treated as an account if it provides a bank's customer with (1) the ability to reload funds or (2) access to credit or overdraft features. General purpose prepaid cards may include a feature allowing the card to be reloaded by the cardholder or another party on behalf of the cardholder in a manner that is similar to the way in which funds can be added to a traditional deposit, asset, or transaction account. Additionally, general purpose prepaid cards may include features that permit withdrawals in excess of the card balance and also provide the cardholder with access to an overdraft line or an established line of credit similar to a lender/borrower or credit card relationship. Therefore, the Agencies believe that issuing a general purpose prepaid card with either functionality constitutes a formal banking relationship and is equivalent to opening an account for purposes of the CIP rule.

Additionally, this guidance clarifies the applicability of the bank's CIP requirements when a bank issues certain prepaid cards under arrangements with third-party program managers that sell, distribute, promote, or market the prepaid cards issued by the bank, as well as cards that are used to provide employee wages, healthcare, and government benefits.

**Contact:** Please direct any questions concerning the new guidance to BSA Coordinator Phil Magathan at (800) 333-1010, extension 881-4736 or [phil.magathan@kc.frb.org](mailto:phil.magathan@kc.frb.org), Assistant BSA Coordinator Danielle Warner at (800) 333-1040, extension 221-5752 or [danielle.warner@kc.frb.org](mailto:danielle.warner@kc.frb.org), or your Federal Reserve Bank of Kansas City central point of contact.

**Internet Link:** A copy of the Federal Reserve Supervision and Regulation Letter SR 16-7 is available on the Board's public web site at: <http://www.federalreserve.gov/bankinforeg/srletters/sr1607.htm>