



"Know Your Customer"

FIL-133-98
December 7, 1998

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *FDIC Board Seeks Public Comment on Proposed "Know Your Customer" Rule*

The Federal Deposit Insurance Corporation (FDIC) Board of Directors is seeking public comment on the attached proposed "Know Your Customer" rule, which is designed to deter and detect financial crimes such as money laundering and fraud at banks and savings institutions. Comments on the proposed regulation are due by March 8, 1999. The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision have also proposed similar "Know Your Customer" regulations.

The proposed regulation is intended to help protect the integrity and reputation of the financial services industry and assist the government in its efforts to combat money laundering and other illegal activities that may be occurring through financial institutions. It is intended to detect patterns of illegal activity often characterized by large cash deposits and withdrawals that are outside the normal and expected activity. It should not affect, in any way, the vast majority of individual customers whose accounts are funded by payroll or other similar types of recurring deposits. Financial institutions are cautioned to avoid invading the privacy of customers by safeguarding and handling their financial information responsibly.

The proposal would require each financial institution to have a written program, approved by the bank's board of Directors, that would include provisions to enable the bank to:

- delineate appropriate documentation requirements and due diligence procedures,
- provide for identification and transaction monitoring procedures, and
- identify transactions that would be subject to the suspicious activity reporting requirements.

It also would require each financial institution to adopt compliance measures, specifically:

- internal controls,
- independent testing,
- designation of an individual to be responsible for coordinating the program, and
- training of personnel.

The regulators realize a checklist approach would not work for all banks. Therefore, the proposed regulation is designed to be flexible and allow each bank to establish a program that suits its needs based on the complexity of its operations and the nature of its customer base. Additional guidance will be issued in the form of a booklet or brochure that will give more detailed information on how to comply with the requirements, and will include examples of the types of procedures or documentation that would achieve compliance.

Comments on the proposed rule should be directed to Robert E. Feldman, Executive Secretary, Attention: Comments/OES, Federal Deposit Insurance Corporation, 550 17th Street, NW,

Washington, DC 20429. Comments may be hand-delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m. Comments may also be faxed (202-898-3838) or e-mailed (comments@fdic.gov).

Comments may be inspected and photocopied at the FDIC Public Information Center, 801 17th Street, NW, Room 100, Washington, DC, between 9:00 a.m. and 4:30 p.m. on business days.

Nicholas J. Ketcha Jr.
Director

[Attachment](#) (HTML format): *Federal Register* notice, Dec. 7, 1998, pages 67529-67536

[Attachment](#) (PDF format): *Federal Register* notice, Dec. 7, 1998, pages 67529-67536

Distribution: FDIC-Supervised Banks (Commercial and Savings)

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