



Office of Thrift Supervision
Department of the Treasury

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December 4, 1992

TO THE CHIEF EXECUTIVE OFFICER OF SAVINGS ASSOCIATION ADDRESSED

Attached are copies of two new Administrative Rulings issued by the Treasury Department regarding the Bank Secrecy Act. These rulings provide guidelines on completion of CTR forms when the identification of the association's patrons is at issue.

Administrative Ruling 92-1 addresses the alternate forms of identification that may be used by an association's elderly and disabled patrons who do not possess typical forms of identification. Administrative Ruling 92-2 addresses completion of a single CTR form when multiple transactions are aggregated and all or part of the required identification information is unknown.

I would appreciate it if you would provide copies of these documents to the appropriate personnel in your institution.

Sincerely,

John F. Robinson
Assistant Director for Policy



DEPARTMENT OF THE TREASURY
WASHINGTON

ADMINISTRATIVE RULING 92-1

- 31 U.S.C. 5313 - Reports on Domestic Coins and Currency Transactions
- 31 U.S.C. 5325 - Identification Required to Purchase Certain Monetary Instruments
- 31 C.F.R. 103.28 - Identification Required
- 31 C.F.R. 103.29 - Purchases of Bank Checks and Drafts, Cashier's Checks, Money Orders and Traveler's Checks

Identification of elderly or disabled patrons conducting large currency transactions. Financial institutions must file a form 4789, Currency Transaction Report (CTR) on transactions in currency in excess of \$10,000, and must verify and record information about the identity of the person(s) who conduct(s) the transaction in Part I of the CTR. Financial institutions also must record on a chronological log sales of, and verify the identity of individuals who purchase, certain monetary instruments with currency in amounts between \$3,000 and \$10,000, inclusive. Many financial institutions have asked Treasury how they can meet the requirement to examine an identifying document that contains the person's name and address when s/he does not possess such a document (e.g., a driver's license). Financial institutions have indicated that this question arises almost exclusively with their elderly and/or disabled patrons. This Administrative Ruling answers those inquiries.

ISSUE

How does a financial institution fulfill the requirement to verify and record the name and address of an elderly or disabled individual who conducts a currency transaction in excess of \$10,000 or who purchases certain monetary instruments with currency valued between \$3,000 and \$10,000 when he/she does not possess a passport, alien identification card or other official document, or other document that is normally acceptable within the banking community as a means of identification when cashing checks for nondepositors?

HOLDING

It is the responsibility of a financial institution to file complete and accurate CTRs and to maintain complete and accurate monetary instrument logs pursuant to 31 C.F.R. §§ 103.27(d) and 103.29 of the BSA regulations. It is also the responsibility of a financial institution to verify and to record the identity of

individuals conducting reportable currency transactions and/or cash purchases of certain monetary instruments as required by BSA regulations §§ 103.28 and 103.29. Only if the financial institution is confident that an elderly or disabled patron is who s/he says s/he is may it complete these transactions. A financial institution shall use whatever information it has available, in accordance with its established policies and procedures, to determine its patron's identity. This includes review of its internal records for any information on file, and asking for other forms of identification, including a social security or medicare/medicaid card along with another document which contains both the patron's name and address such as an organizational membership card, voter registration card, utility bill or real estate tax bill. These forms of identification shall also be identified as acceptable in the bank's formal written policy and operating procedures as identification for transactions involving the elderly or the disabled. Once implemented, the financial institution should permit no exception to its policy and procedures. In these cases, the financial institution should record the word "Elderly" or "Disabled" on the CTR and/or chronological log and the method used to identify the elderly, or disabled patron such as "Social Security and (organization) Membership Card only ID."

LAW AND ANALYSIS

Before concluding a transaction for which a Currency Transaction Report is required pursuant to 31 C.F.R. § 103.22, a financial institution must verify and record the name and address of the individual conducting the transaction. 31 C.F.R. § 103.28. Verification of the individual's identity must be made by examination of a document, other than a bank signature card, that is normally acceptable within the banking community as a means of identification when cashing checks for nondepositors (e.g., a driver's license). A bank signature card may be relied upon only if it was issued after documents establishing the identity of the individual were examined and a notation of the method and specific information regarding identification (e.g. state of issuance and driver's license number) was made on the signature card. In each instance, the specific identifying information noted above and used to verify the identity of the individual must be recorded on the CTR. The notation of "known customer" or "bank signature card on file" on the CTR is prohibited. 31 C.F.R. § 103.28.

Before issuing or selling bank checks or drafts, cashier's checks, traveler's checks or money orders to an individual(s), for currency between \$3,000 and \$10,000, a financial institution must verify whether the individual has a deposit account or verify the individual's identity. 31 C.F.R. § 103.29. Verification may be made by examination of a signature card or

other account record at the financial institution if the deposit accountholder's name and address were verified at the time the account was opened, or at any subsequent time, and that information was recorded on the signature card or record being examined.

Verification may also be made by examination of a document that contains the name and address of the purchaser and which is normally acceptable within the banking community as a means of identification when cashing checks for nondepositors. In the case of a deposit accountholder whose identity has not been previously verified, the financial institution shall record the specific identifying information on its chronological log (e.g., state of issuance and driver's license number). In all situations, the financial institution must record all the appropriate information required by § 103.29(a)(1)(i) for deposit account holders or 103.29(a)(2)(i) for nondeposit account holders.

Certain elderly or disabled patrons do not possess identification documents that would normally be considered acceptable within the banking community (e.g., driver's licenses, passports, or state-issued identification cards). Accordingly, the procedure set forth below should be followed to fulfill the identification verification requirements of §§ 103.28 and 103.29.

Financial institutions may accept as appropriate identification a social security, medicare, medicaid or other insurance card presented along with another document that contains both the name and address of the patron (e.g. an organization membership or voter registration card, utility or real estate tax bill). Such forms of identification shall be specified in the bank's formal written policy and operating procedures as acceptable identification for transactions involving elderly or disabled patrons who do not possess identification documents normally considered acceptable within the banking community for cashing checks for nondepositors.

This procedure may only be applied if the following circumstances exist. First, the financial institution must establish that the identification the elderly or disabled patron has is limited to a social security or medicare/medicaid card plus another document which contains the patron's name and address. Second, the financial institution must use whatever information it has available, or policies and procedures it has in place, to determine the patron's identity. If the patron is a deposit accountholder, the financial institution should review its internal records to determine if there is information on file to verify his/her identity. Only if the financial institution is confident that the elderly or disabled patron is who s/he says s/he is, may the transaction be concluded. Failure to identify an elderly or a disabled customer's identity as required by 31

CFR § 103.28 and as described herein may result in the imposition of civil and or criminal penalties. Finally, the financial institution shall establish a formal written policy and implement operating procedures for processing reportable currency transactions or recording cash sales of certain monetary instruments to elderly or disabled patrons who do not have forms of identification ordinarily considered "acceptable." Once implemented, the financial institution shall permit no exceptions to its policy and procedures. In addition, financial institutions are encouraged to record the elderly or disabled patron's identity and address as well as the method of identification on a signature card or other record when it is obtained and verified.

In completing a CTR, if all of the above conditions are satisfied, the financial institution should enter the words "Elderly" or "Disabled" and the method used to verify the patron's identity, such as "Social Security & (organization) Membership Cards Only ID," in Item 15a.

Similarly, when logging the cash purchase of a monetary instrument(s), the financial institution shall enter on its chronological log the words, "Elderly" or "Disabled," and the method used to verify such patron's identity.

EXAMPLE

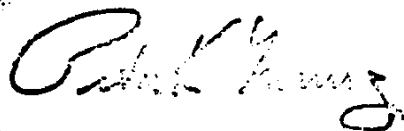
Jesse Fleming, a 75 year old retiree, has been saving \$10 bills for twenty years in order to help pay for his granddaughter's college education. He enters the Trustworthy National Bank where he has no account but his granddaughter has a savings account, and presents \$13,000 in \$10 bills to the teller. He instructs the teller to deposit \$9,000 into his granddaughter's savings account, and requests a cashier's check for \$4,000 made payable to State University.

Because of poor eyesight, Mr. Fleming no longer drives and does not possess a valid driver's license. When asked for identification by the teller he presents a social security card and his retirement organization membership card that contains his name and address.

APPLICATION OF LAW TO EXAMPLE

In this example, the Trustworthy National Bank must check to determine if Mr. Fleming's social security and organizational membership cards are acceptable forms of identification as defined in the bank's policy and procedures. If so, and the bank is confident that Mr. Fleming is who he says he is, it may complete the transaction. Because Mr. Fleming conducted a

transaction in currency which exceeded \$10,000 (deposit of \$9,000 and purchase of \$4,000 monetary instrument), First National Bank must complete a CTR. It should record information about Mr. Fleming in Part I of the CTR and in Item 15a record the words "Elderly - Social Security and (organization) Membership Cards Only ID." The balance of the CTR must be appropriately completed as required by §§ 103.22 and 103.27(d). First National Bank must also record the transaction in its monetary instrument sales log because it issued to Mr. Fleming a cashier's check for \$4,000 in currency. Mr. Fleming must be listed as the purchaser and the bank should record on the log the words "Elderly - Social Security and (organization) Membership Cards Only ID" as the method used to verify his identity. In addition, because Mr. Fleming is not a deposit accountholder at First National Bank, the bank is required to record on the log all the information required under § 103.29(a)(2)(i) for cash purchases of monetary instruments by nondeposit accountholders.



Peter K. Nunez
Assistant Secretary
(Enforcement)

NOV 16 1992

Date



DEPARTMENT OF THE TREASURY
WASHINGTON

ADMINISTRATIVE RULING 92-2

- 31 U.S.C. 5313 - Reports on Domestic Coins and Currency Transactions
- 31 C.F.R. 103.22 - Reporting of Currency Transactions
- 31 C.F.R. 103.28 - Identification Required

Proper completion of the Currency Transaction Report (CTR), IRS Form 4789, when reporting multiple transactions. Financial institutions must report transactions in currency that exceed \$10,000 or an exempted account's established exemption limit and provide certain information including verified identifying information about the individual conducting the transaction. Multiple currency transactions must be treated as a single transaction, aggregated, and reported on a single Form 4789, if the financial institution has knowledge that the transactions are by or on behalf of any person and result in either cash in or cash out totalling more than \$10,000, or the exemption limit, during any one business day. All CTRs must be fully and accurately completed. Some or all of the individual transactions which comprise an aggregated CTR are frequently below the \$10,000 reporting or applicable exemption threshold and, as such, are not reportable and financial institutions do not gather the information required to complete a CTR.

ISSUE

How should a financial institution complete a CTR when multiple transactions are aggregated and reported on a single form and all or part of the information called for in the form may not be known?

HOLDING

Multiple transactions that total in excess of \$10,000, or an established exemption limit, when aggregated must be reported on a CTR if the financial institution has knowledge that the transactions have occurred. In many cases, the individual transactions being reported are each under \$10,000, or the exemption limit, and the institution was not aware at the time of any one of the transactions that a CTR would be required. Therefore, the identifying information on the person conducting the transaction was not required to be obtained at the time the transaction was conducted.

If after a reasonable effort to obtain the information required to complete items 4 through 15 of the CTR, all or part of such information is not available, the institution must check item 3d to indicate that the information is not being provided because the report involves multiple transactions for which complete information is not available. The institution must, however, provide as much of the information as is reasonably available.

All subsections of item 48 on the CTR must be completed to report the number of transactions involved and the number of locations of the financial institution and zip codes of those locations where the transactions were conducted.

LAW AND ANALYSIS

Sections 103.22(a)(1) and (c) of the Bank Secrecy Act (BSA) regulations, 31 C.F.R. Part 103, require a financial institution to file a CTR for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to the financial institution, which involves a transaction in currency of more than \$10,000 or the established exemption limit for an exempt account. Multiple transactions must be treated as a single transaction if the financial institution has knowledge that they are by, or on behalf of, any person and result in either cash in or cash out of the financial institution totalling more than \$10,000 or the exemption limit during any one business day. Knowledge, in this context, means knowledge on the part of a partner, director, officer or employee of the financial institution or on the part of any existing automated or manual system at the financial institution that permits it to aggregate transactions.

The purpose of item 3 on the CTR is to indicate why all or part of the information required in items 4 through 15 is not being provided on the form. If the reason information is missing is solely because the transaction(s) occurred through an armored car service, a mail deposit or shipment, or a night deposit or Automated Teller Machine (ATM), the financial institution must check either box a, b, or c, as appropriate, in item 3. CTR instructions state that item 3d is to be checked for multiple transactions where none of the individual transactions exceeds \$10,000 or the exemption limit and all of the required information might not be available.

As described in Example No. 5 below, there may be situations where one transaction among several exceeds the applicable threshold. Item 3d should be checked whenever multiple transactions are being reported and all or part of the information necessary to complete items 4 through 15 is not available because at the time of any one of the individual transactions, a CTR was not required and the financial institution did not obtain the appropriate information.

When reporting multiple transactions, the financial institution must complete as many of items 4 through 15 as possible. In the event the institution learns that more than one person conducted the multiple transactions being reported, it must check item 2 on the CTR and is encouraged to make reasonable efforts to obtain and report any appropriate information on each of the persons in items 4 through 15 on the front and back of the CTR form, and if necessary, on additional sheets of paper attached to the report.

The purpose of item 48 is to indicate that multiple transactions are involved in the CTR being filed. Items 48 a, b, and c require information about the number of transactions being reported and the number of bank branches and the zip code of each branch where the transactions took place. If multiple transactions exceeding \$10,000 or an account exemption limit occur at the same time, the financial institution should treat the transactions in a manner consistent with its internal transaction posting procedures. For example, if a customer presents four separate deposits, at the same time, totalling over \$10,000, the institution may report the transactions in item 48a to be one or four separate transactions. If the transactions are posted as four separate transactions the financial institution should enter the number 4 in item 48a and the number 1 in item 48b. If the transactions are posted as one transaction the institution should enter the number 1 in both 48a and 48b. Reporting the transactions in this manner will guarantee the integrity of the paper trail being created, that is, the number of transactions reported on the CTR will be the same as the number of transactions showing in the institution's records.

These situations should be differentiated from those cases where separate transactions occur at different times during the same business day, and which, when aggregated, exceed \$10,000 or the exemption limit. For instance, if the same or another individual conducts two of the same type of transactions at different times during the same business day at two different branches of the financial institution on behalf of the same person, and the institution has knowledge that the transactions occurred and exceed \$10,000 or the exemption limit, then the financial institution must enter the number 2 in items 48a and 48b.

EXAMPLES AND APPLICATION OF LAW TO EXAMPLES

EXAMPLE No. 1

Dorothy Fishback presents a teller with three cash deposits to the same account, at the same time, in amounts of \$5,000, \$6,000, and \$8,500 requesting that the deposits be posted to the account separately. It is the bank's procedure to post the transactions separately. A CTR is completed while the customer is at the teller window.

APPLICATION OF LAW TO EXAMPLE NO. 1

A CTR is completed based upon the information obtained at the time Dorothy Fishback presents the multiple transactions. Item 3d would not be checked on the CTR because all of the information in items 4 through 15 is being provided contemporaneously with the transaction. As it is the bank's procedure to post the transactions separately, the number of transactions reported in item 48a would be 3 and the number of branches reported in item 48b would be 1. The zip code for the location where the transactions were conducted would be entered in item 48c.

EXAMPLE No. 2

Andrew Weiner makes a \$7,000 cash deposit to his account at ABC Federal Savings Bank. Later the same day, Mr. Weiner returns to the same teller and deposits \$5,000 in cash to a different account. At the time Mr. Weiner makes the second deposit, the teller realizes that the two deposits exceed \$10,000 and prepares a CTR obtaining all of the necessary identifying information directly from Mr. Weiner.

APPLICATION OF LAW TO EXAMPLE NO. 2

Even though the two transactions were conducted at different times during the same business day, Mr. Weiner conducted both transactions at the same place and the appropriate identifying information was obtained by the teller at the time of the second transaction. Item 3d would not be checked on the CTR. The number of transactions reported in item 48a must be 2 and the number of branches reported in item 48b would be 1. The zip code for the location where the transactions took place would be entered in item 48c.

EXAMPLE No. 3

Internal auditor Mike Pelzer is reviewing the daily cash transactions report for People's Bank and notices that five cash deposits were made the previous day to account #12345. The total of the deposits is \$25,000 and they were made at three different offices of the bank. Mike researches the account data base and finds that the account belongs to a department store and that the account is exempted for deposits up to \$17,000 per day. Each of the five transactions was under \$17,000.

APPLICATION OF LAW TO EXAMPLE NO. 3

Having reviewed the report of aggregated transactions, Mike Pelzer has knowledge that transactions exceeding the account exemption limit have occurred during a single business day. A CTR must be filed. People's Bank is encouraged to make a

reasonable effort to provide the information for items 4 through 15 on the CTR. Such efforts could include a search of the institution's records or a phone call to the department store to identify the persons that conducted the transactions. If all of the information is not contained in the institution's records or otherwise obtained, item 3d must be checked. The number of transactions reported in item 48a must be 5 and the number of branches reported in 48b would be 3. The zip codes for the three locations where the transactions occurred must be entered in item 48c.

EXAMPLE No. 4

Mrs. Saunders makes a cash withdrawal, for \$4,000, from a joint savings account she owns with her husband. That day her husband, Mr. Saunders, withdraws \$7,000 cash using the same teller. Realizing that the withdrawals exceed \$10,000, the teller obtains identifying information on Mr. Saunders required to complete a CTR.

APPLICATION OF LAW TO EXAMPLE NO. 4

In this case, item 2 on the CTR must be checked because the teller knows that more than one person conducted the transactions. Information on Mr. Saunders would appear in Part I and the bank is encouraged to ask him for, or to check its records for the required identifying information on Mrs. Saunders. If after taking reasonable efforts to locate the desired information, all of the required information is not found on file in the institution's records or is not otherwise obtained, box 3d must be checked to indicate that all information is not being provided because multiple transactions are being reported. Whatever information on Mrs. Saunders is contained in the records of the institution must be reported in the continuation of Part I on the back of Form 4789. The number of transactions reported in item 48a must be 2 and the number of branches reported in item 48b would be 1. The zip code for the branch where the transactions took place would be entered in item 48c.

EXAMPLE No. 5

On another day, Mrs. Saunders makes a deposit of \$3,000 cash and no information required for Part I of the CTR is requested of her. She is followed later the same day by her husband, Mr. Saunders, who deposits \$12,000 in currency and who provides all data required to complete Part I for himself.

APPLICATION OF LAW TO EXAMPLE No. 5

Item 2 on the CTR must be checked because the teller knows that more than one person conducted the transactions. Information on

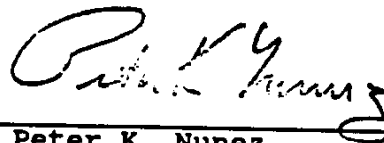
Mr. Saunders would appear in Part I and the bank is encouraged to ask him for, or to check its records for the required identifying information on Mrs. Saunders. If after taking reasonable efforts to locate the desired information, all of the required information is not found on file in the institution's records or is not otherwise obtained, box 3d must be checked to indicate that all information is not being provided because multiple transactions are being reported. Whatever information on Mrs. Saunders is contained in the records of the institution must be reported in the continuation of Part I on the back of Form 4789. The number of transactions reported in item 48a must be 2 and the number of branches reported in item 48b would be 1. The zip code for the branch where the transactions took place would be entered in item 48c.

EXAMPLE No. 6

A review of First Federal Bank's daily cash transactions report for a given day indicates several cash deposits to a single account totaling more than \$10,000. Two separate deposits were made in the night depository at the institution's main office, and two deposits were conducted at the teller windows of two other branch locations. Each deposit was under \$10,000.

APPLICATION OF LAW TO EXAMPLE NO. 6

Item 3c should be checked to indicate that identifying information is not provided because transactions were received through the night deposit box. If the tellers involved with the two face to face deposits remember who conducted the transactions, institution records can be checked for identifying information. If the records contain some of the information required by items 4 through 15, that information must be provided, and item 3d must be checked to indicate that some information is missing because multiple transactions are being reported and the information was not obtained at the time the transactions were conducted. Item 48a must indicate 4 transactions and item 48b must indicate 3 locations. The zip codes of those locations would be provided in item 48c.



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Assistant Secretary
(Enforcement)

NOV 16 1992

Date