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September 3, 2002

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
regs.comments@ots.treas.gov

Attention: No. 2002-27

Thank you for the opportunity to comment on the proposed rules that would require certain financial institutions to establish minimum procedures for identifying and verifying the identity of customers seeking to open new financial accounts.

Section 326 applies to all financial institutions but the joint notice of proposed rulemaking does not cover "money services businesses". We oppose the lack of coverage of Section 326 for money service businesses.

The rule should not require recordkeeping for situations where an individual does not actually receive bank services. The proposal does exclude coverage for those that are seeking information and we feel that exclusion should also be extended to those "seeking" to open an account and for those situations where there was a denial of service. The proposal is not intended to cover infrequent transactions such as the occasional purchase of a money order or a wire transfer. We request additional guidance on what is considered infrequent and/or occasional.

The coverage of Section 326 to all new signatories on an account would be cumbersome and extremely costly where you have an account which has multiple signatories. Does this also cover signatories on accounts that are only employees of a company who receive no benefit from the account? We stress the need for a "risk-based" response to the signatory issue where the institution has reasonable belief that the customer has been identified.

Section 326 also requires that records used to verify information be retained for five years after the account is closed. We feel that a five-year record retention period is excessive and that the agencies should consider a two-year period for retention which would be consistent with other recordkeeping requirements. The verification procedures proposed do make use of information that is currently recorded (but not retained) in the account opening process (credit report, drivers license, passport). We feel however that retaining all photocopies of documents used to verify the identity of a customer would be burdensome and impractical. We propose that the account application form with a notation of the information received be considered compliant with the rule.

The language of the USA PATRIOT Act indicates that these regulations are to be effective October 25, 2002. The proposal was not published until July 23 and the comment period does not end until September 6, thus we anticipate that the final regulation will be issued very close to the effective date. The proposal will have a significant effect on institutions. It will be necessary to revise procedures and policies, determine how information will be stored and to adequately train staff so as to minimize customer resistance to the identification requirements. We suggest that compliance with the final regulations should not be mandatory until 180 days after their publication in the Federal Register.

Best Regards.

Linda Rabon
Compliance Officer
First Financial Holdings, Inc.