

**Financial Crimes Enforcement Network
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision**

Guidance

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Subject: Frequently Asked Question

Customer Identification Programs and Banks Serving as Insurance Agents

The Financial Crimes Enforcement Network and the staff of the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision are issuing this frequently asked question regarding the application of 31 C.F.R. § 103.121.

Q: A bank serves as an agent for an insurance company by selling insurance products issued or underwritten by the insurance company. The insurance company is neither a subsidiary of – nor otherwise affiliated with – the bank. Is an account established with the bank, for purposes of the bank’s Customer Identification Program, when a person purchases insurance through the bank under this arrangement?

A: No. The purchaser has not established an account with the bank for purposes of the rule requiring banks, savings associations, credit unions, and certain non-Federally regulated banks (collectively, “banks”) to implement Customer Identification Programs (31 C.F.R. § 103.121).

The Customer Identification Program rule for banks applies when a bank opens a new account. The term "account" is defined for purposes of the rule as "a formal banking relationship established to provide or engage in services, dealings, or other financial transactions including a deposit account, a transaction or asset account, a credit account or other extension of credit." 31 C.F.R. § 103.121(a)(1). In the situation described, the purchaser is purchasing insurance from the insurance company through a bank, and the bank’s only role is to effect that sales transaction; no account agreements are executed with the bank, and all future transactions relating to the insurance product are handled directly between the purchaser and the insurance company. Under these circumstances, the purchaser has not established a "formal banking relationship" with the bank.

Although the bank’s Customer Identification Program requirements do not apply in the described situation, the bank should conduct an appropriate level of risk-based due

diligence on the purchaser that, at a minimum, is consistent with other elements of the bank's anti-money laundering program.¹

¹ Companies that issue or underwrite those insurance products that are subject to the anti-money laundering program rule for insurance companies are required to integrate their agents into their anti-money laundering program. 31 C.F.R. § 103.137(c)(1). Because a bank is required to establish its own anti-money laundering program, an insurance company can “generally rely on the agent’s own program to address issues at the time of sale if reasonable (i.e., the insurer knows of no defect in the agent’s program), while the insurer should focus on the ongoing administration of the covered product.” 70 FR 66754, 66758 (Nov. 3, 2005). The insurance company may also contractually require its agents, including banks, to perform certain functions under the anti-money laundering program developed by the insurance company.