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OCC Proposes 'Know Your Customer' Rule
Aimed at Curbing Money Laundering

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency published its proposed "Know Your Customer" rule today. The proposal, issued in conjunction with similar proposals also published in today's Federal Register by the other federal bank regulatory agencies, is aimed at curbing money laundering, and would require national banks to establish procedures to ensure they know the identity of customers opening new accounts at the bank and the sources of the funds deposited in those accounts. The OCC has worked closely with other federal banking regulators this year to develop the proposed rule.

The proposed regulation is designed to protect the reputation of the bank, to facilitate the bank's compliance with Bank Secrecy Act regulations, and to protect banks from becoming an unwitting vehicle for -- or a victim of -- illegal activity. The OCC also noted that transactions involving illicit funds can give rise to legal and compliance risks.

The proposed rule would also require national banks to determine the customer's normal and expected transactions, to look for unusual transactions, and to report transactions as required by the OCC's existing suspicious activity reporting regulation. A suspicious activity report must be filed by the bank for certain suspected crimes and suspicious transactions that involve possible money laundering or Bank Secrecy Act violations.

Because banks differ in size, in types of operations, and in the nature of their customers, the OCC's rule does not adopt a "one-size-fits-all" approach. Rather, the OCC recognizes that banks may adapt new Know Your Customer requirements to their particular business strategies and needs.

Because of privacy concerns, it is the OCC's expectation that banks would obtain only that information that is necessary to comply with the rule and would limit the use of this information to that purpose. The OCC is also asking specifically for comments on whether the benefits of the proposed regulation outweigh its costs in terms of compliance burdens and privacy concerns compared to benefits received, and whether there are less burdensome approaches that could be used to accomplish the law enforcement objectives of the rule.

The OCC's Bank Secrecy Act handbook, published in September 1996, contains Know Your Customer guidance, and OCC examiners have been reviewing banks for the quality and effectiveness of their policies. Consequently, many national banks supervised by the OCC already have Know Your Customer policies and procedures in place.

Under the proposal, banks would be required to:

Document a system of internal controls for compliance with this KYC regulation;

Document independent testing for compliance conducted by bank personnel or by an outside party on a regular basis;

Designate a responsible party for coordinating and monitoring day-to-day compliance; and

Provide for training for all appropriate personnel at least once a year.

The other three agencies publishing KYC proposed rules today are the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision. There is a 90-day comment period for the proposed rule.

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.