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MEMORANDUM

March 29, 2016

To Our Clients and Friends

Re: Interagency Guidance on Customer Identification Program Requirements for Prepaid Cards

The federal banking agencies have issued new guidance to banks that issue prepaid cards, including those issued under programs with third-party program managers, on when to apply their customer identification programs (CIP), in order to verify cardholders' identities.

The guidance provides that reloadable prepaid cards or cards with access to credit or overdraft features should be treated as accounts subject to the issuing bank's CIP. If these features are not activated when the card is issued, the card does not fall under CIP until the reload or credit line or overdraft feature is activated.

Third-party program managers generally should be treated as agents of the bank for CIP rule purposes rather than as the bank's customer. The bank's CIP program should be applied to the cardholder as the bank's customer even if the funds are held in a pooled account. Although the bank may use an the third party manager or other agent to perform CIP functions on its behalf, the bank ultimately is responsible for compliance with the requirements of the bank's CIP rule as performed by its agent.

For non-reloadable general purpose cards or closed loop cards that do not have the identified features of an account under the CIP rule, the bank should regard the third party program manager as its customer for CIP purposes. The guidance also discusses the application of CIP to payroll, government benefit and health benefit cards, and provides guidance for contracts with program managers.

A copy of the agencies' guidance can be found on our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, or Heidi Wicker at (202) 776-0700.