

SCHWARTZ & BALLEN LLP

1990 M STREET, N.W. • SUITE 500
WASHINGTON, DC 20036-3465

(202) 776-0700

FACSIMILE
(202) 776-0720

www.schwartzandballen.com

M E M O R A N D U M

April 29, 2005

To Our Clients and Friends

Re: Frequently Asked Questions Regarding Customer Identification Programs
Required by the USA Patriot Act

The staff of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Comptroller of the Currency, the Office of Thrift Supervision and FinCEN have issued frequently asked questions (“FAQs”) relating to Customer Identification Programs (“CIP”) which banking organizations are required to have under the regulations issued under the USA Patriot Act.

The purpose of the FAQs is to provide a comprehensive guide with respect to the CIP rule. Banking organizations are encouraged to utilize the basic principles set forth in the CIP rule as specified by the FAQs to design their own programs, which would include risk-based procedures for verifying the identity of customers to the extent reasonable and practicable.

DEFINITIONS

Under the CIP rule, a “customer,” generally means, “a person that opens a new account.” It would apply only to those individuals who receive banking services, such as a loan, and would exclude a person that has an existing account with the bank¹, provided that the bank has a reasonable belief that it knows the true identity of the person. A person opening an account through another person with a power-of-attorney is considered to be the customer because the first person is the owner of the account. The person with the power-of-attorney is considered to be an agent of the owner.

¹ “Banks,” as defined by Treasury regulations are subject to the CIP rule set forth in 31 C.F.R. § 103.121

SCHWARTZ & BALLEN LLP

An “account” is defined 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” within the United States. Banking organizations are encouraged however, to implement a CIP throughout all operations including in foreign offices. Although bank holding companies generally are not subject to the CIP rule, they are encouraged to ensure that each entity is in compliance with any applicable CIP rule and to protect the organization from risks associated with money laundering.

The FAQs address a wide range of questions such as:

- Applicability of the CIP rule to co-branded credit card programs
- Information required for customers to open accounts
- Methods for customer verification
- Acceptable time period for retaining required records
- Provision of customer notices, and
- Reliance on other financial institutions to perform CIPs

A copy of the FAQs can be found on our web site at http://www.schwartzandballen.com/whats_new.html.

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