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National Association of Federally-Insured Credit Unions

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Financial Institutions
and Consumer Credit
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Wm. Lacy Clay
Ranking Member
Subcommittee on Financial Institutions
and Consumer Credit
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

April 26, 2018

Re: Tomorrow's hearing entitled: "Implementation of FinCEN's Customer Due Diligence Rule – Financial Institution Perspective"

Dear Chairman Luetkemeyer and Ranking Member Clay:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today in conjunction with tomorrow's hearing on the implementation of the Financial Crimes Enforcement Network's (FinCEN's) Customer Due Diligence (CDD) Rule. With the mandatory compliance date of May 11, 2018 quickly approaching, we appreciate the Subcommittee's timely focus on this matter.

The final CDD Rule issued by FinCEN on May 11, 2016 requires credit unions and other covered financial institutions to identify the beneficial owners (25% or higher ownership) who control legal entities who open accounts. In addition to the beneficial ownership requirements, the rule also amends the anti-money laundering program requirements for credit unions and other covered financial institutions to include risk-based procedures to conduct ongoing member due diligence. While credit unions are already doing this under regulator guidance, some do not realize that this rule formalizes this requirement even for those who do not have legal entity members.

NAFCU and its member credit unions support efforts to combat money laundering and we have been engaging FinCEN on the implementation of this rule and its impact on credit unions. We are appreciative of the recent guidance that they have issued to help in this regard, although there still does seem to be some uncertain areas under the rule. An example is who should be identified under the control prong for incorporated clubs (e.g., Girl Scouts of America, Lions Club, etc.) – the local leader or the President/CEO of the club? These types of groups open thousands of accounts all over the country, and each chapter is in charge of their own finances at the local level. It seems important to obtain guidance from FinCEN on this matter, otherwise there is a risk that different standards could develop across the country, leading to different individuals being identified as beneficial owners and a lack of uniformity in how regulators examine this section of the rule.

In regards to the beneficial ownership requirements, NAFCU supports recent legislative efforts to help facilitate more coordination between state agencies, law enforcement, and credit unions by ensuring that credit unions have access to beneficial ownership information collected by states, relating to corporations or limited liability companies formed under state laws. We would urge the Subcommittee to continue to pursue those efforts as the best way to ensure that needed information is collected, while not placing undue burdens on financial institutions.

On behalf of our nation's credit unions and their more than 110 million members, we thank you for your attention to this important matter. Should you have any questions or require any additional information please contact me or Allyson Browning, NAFCU's Associate Director of Legislative Affairs, at 703-842-2836 or abrowning@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Thaler', with a long horizontal flourish extending to the right.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Financial Institutions and Consumer Credit