



**National Association  
of Federal Credit Unions**  
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Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

October 3, 2014

Regulatory Policy and Programs Division  
Financial Crimes Enforcement Network  
Department of Treasury  
P.O. Box 39  
Vienna, VA 22183

RE: Comments on the Proposed Customer Due Diligence Requirements for Financial Institutions - Regulatory Identification Number (RIN) 1506-AB25

Dear Sir or Madam:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing to you regarding the Financial Crimes Enforcement Network (FinCEN) proposed rulemaking which codifies Customer Due Diligence (CDD) requirements and requires credit unions and other institutions to identify beneficial owners of legal entity customers.

Credit unions are currently required by existing FinCEN rules and supervisory expectation to: 1) identify and verify the identity of customers; 2) understand the nature and purpose of customer relationships; and 3) conduct ongoing monitoring to maintain and update customer information and to identify and report suspicious transactions. The proposed rule would add a new requirement to identify and verify the identity of the beneficial owners of legal entity customers.

While NAFCU fully appreciates the importance of Bank Secrecy Act (BSA) requirements for national security, and to assist U.S. government agencies to detect and prevent money laundering or tax evasion, NAFCU opposes the proposed rule based on the additional cost and burden required of credit unions while providing minimal economic or other benefits. For credit unions, the BSA and implementing regulations already impose a significant amount of burden and cost. Allocating the resources necessary to comply with the already large amount of regulations continue to cost credit unions and their members a significant amount of funds that would be better used to further member services. NAFCU stands in opposition of adding more regulation when the cost outweighs the benefits of the rule.

Under current BSA rules and BSA/AML examination manual requirements, credit unions are already required to implement a CDD program to identify and verify the identity of customers and account holders. Credit unions are also required to know their members, which includes understanding the nature of the business/account and the type of transactions performed by the business/account. They must also perform on-going monitoring for suspicious activity where, if identified, the credit union is required to report the suspicious transaction. The proposed rule basically mirrors what is already required with the exception of the identification of beneficial owners of legal entity customers. The proposed rule would add additional requirements to identify beneficial owners by requiring credit unions to complete a standard identification form at the time a new account is opened. Credit unions would also have to update policies and procedure to include this step as well as the necessary recordkeeping required as well.

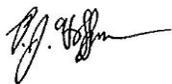
NAFCU agrees that it is important for credit unions to know who they are doing business with and applauds the flexibility that FinCEN has provided in this proposal as compared to the Advanced Notice of Proposed Rulemaking. Most notably, NAFCU appreciates that FinCEN chose not to require credit unions to verify beneficial ownership status. This would have made the proposed rule even more burdensome.

One suggestion would be for the clarification discussed in the proposal related to the explicit reference for understanding the nature and purpose of customer relationships and conducting ongoing monitoring to be stated explicitly in any final rule. This would provide enhanced clarity for credit unions. In the alternative, if FinCEN does not provide the clarification in the rule itself, at the very least it should work to provide that information as Federal Financial Institutions Examination Council (FFIEC) guidance.

While NAFCU has concerns with the proposed rule as discussed above, if FinCEN does finalize the proposed rule, the proposed one year implementation timeframe would not pose significant impediment to implementation.

NAFCU appreciates the opportunity to comment on FinCEN's proposed rule regarding consumer due diligence. If you have any questions or concerns, please feel free to contact me at [pjhoffman@nafcu.org](mailto:pjhoffman@nafcu.org) or (703) 842-2212.

Sincerely,



PJ Hoffman  
Regulatory Affairs Counsel