



PRIME

Prime Associates, Inc.

Prime Compliance Newsletter

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ENHANCED DUE DILIGENCE OUTLINED

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Section 326 of the Patriot Act outlines customer due diligence needs. Proposed requirements have been issued for comments.

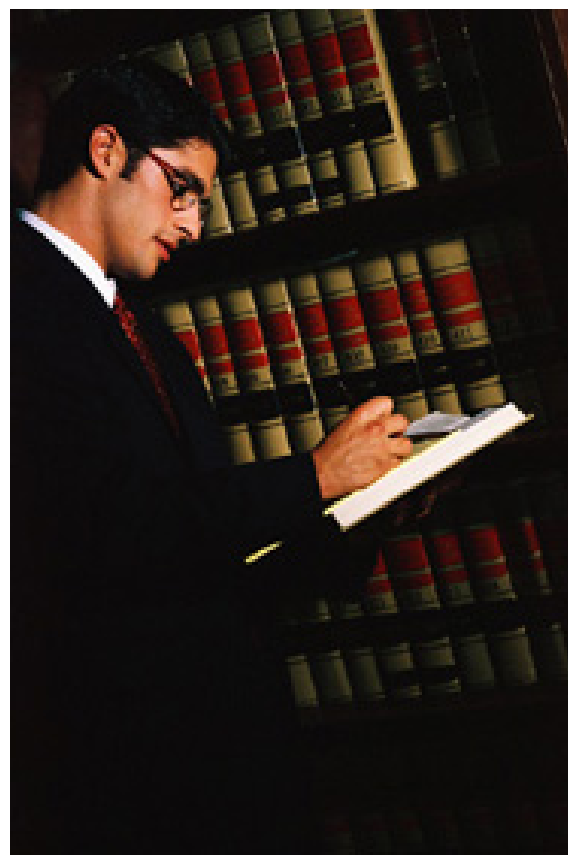
1. Verifying the identity of any person seeking to open an account
2. Maintaining records of the information used to verify the person's identity including name and address.
3. Determining if the persons appears on any of the government terrorist lists

A customer identification program must be put into place (CIP). The rule requires that the CIP be written and approved by the banks board of directors or a committee of the board. It must be included in the Banks BSA program.

Before opening an account the following information must be validated: name, address, date of birth for individuals, and identification number.

For U.S persons the bank must obtain a U.S. taxpayer identification number (e.g. social security number, TIN, or employment ID number.

For Non U.S. persons a bank must obtain one or more of the following: TIN, passport number and county of issuance, alien ID card number or number and country of issuance of any other country government issued



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document evidencing nationality or residence and bearing a photograph.

Verification through documents

The CIP must contain procedures describing when the bank will verify identity through documents.

For individuals, these documents may include: unexpired government issued ID showing nationality or residence and bearing a photograph.

For corporations, partnerships, trusts and other persons that are not individual's documents of incorporation, a government-issued business license, partnership agreement or trust instrument.

Non- Documentary Verification

The CIP should address instances where accounts are not opened face to face.

Some methods include contacting a customer after an account is opened. Obtaining a financial statement. Comparing ID information provided by the customer against fraud databases. Comparing information with information from a credit report from a consumer-reporting agency and checking references with other financial firms. Logistic verification should be maintained as well.

Banks should use verification methods that prove the information provided is valid. A banks ID verification procedure should be risk-based, they should identify types of accounts that pose a heightened risk, and prescribe additional measures to verify the ID of any person seeking to open an account.

In instances of a lack of Verification banks should only open an account when it can form a reasonable belief that it knows the true identity of the customer. A CIP program should also have procedures that are in place while a customer's identity is being determined.

SAR filing

The CIP program should also contain procedures that outline if a SAR should be filed in instances where a positive ID cannot be maintained.

Record Keeping

A bank must keep records for a period of 5 years after the account is closed. The bank must keep records of the methods and results of any additional measures taken to verify the identity of the customer.

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