



Prepare for the FinCEN Final Rule with these key considerations

Proactively evaluate your approach to AML/BSA compliance

New FinCEN regulatory expectations extend to include your institution

FinCEN has issued a final rule ([FinCEN final rule](#)) that extends the regulatory obligations of the Bank Secrecy Act to cover all non-federally regulated banks, including private banks, non-federally insured credit unions and trust companies. The final rule takes effect on March 15, 2021 and requires non-federally regulated banks to establish and implement customer identification programs (CIP) and anti-money laundering (AML) programs that align with Bank Secrecy Act (BSA) requirements. This tip sheet provides key considerations for evaluating how the final rule impacts your business and steps to proactively prepare as the deadline for compliance approaches.



Be confident in your customer identification program

A robust customer identification program that aligns with Section 326 of the [USA PATRIOT ACT](#) is at the core of a strong AML/BSA compliance strategy. Under FinCEN's final rule, your business is expected to demonstrate that you have verified the true identity of each customer you serve by following these steps:

- Collect four pieces of identifying information: name, date of birth, address and identification number
- Follow risk-based procedures to verify and validate the identifying information
- Assess the identity against any potential risks tied to identity theft (Red Flags Rule), money laundering or inclusion on sanctions, enforcements or Politically Exposed Persons lists
- Document your verification processes
- Maintain a record of the identifying information provided by the customer for five years after the termination of the account

To streamline compliance with the final rule, take time now to confirm your customer identification program addresses each of these requirements and is optimized to function effectively across remote and in-person service channels.



Prioritize the five pillars of the Bank Secrecy Act

Under the FinCEN final rule, your business is expected to follow the regulatory requirements of the Bank Secrecy Act, which is built on a foundation of five pillars:

1. A system of internal policies, procedures and controls
2. Independent testing of the efficacy of the internal controls
3. Designation of an AML/BSA compliance officer
4. Compliance training program for employees
5. Risk-based procedures for Customer Due Diligence (CDD)

The good news is your organization may already have these elements in place. The fifth pillar represents FinCEN's Customer Due Diligence Rule ([CDD requirements](#)), which became law in 2018

and may warrant extra attention to ensure your business is in compliance. The CDD Rule codifies customer due diligence requirements for all financial institutions to follow:

- Identify and verify the identity of customers
- Identify and verify the identity of Beneficial Owners of legal entity customers
- Understand the nature and purpose of customer relationships to develop risk profiles
- Conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, maintain and update customer information

Establishing risk profiles and conducting ongoing monitoring may require your business to complete a deeper level of enhanced due diligence and investigation to fully evaluate the extent of risk represented by specific customers. The CDD Rule obligations also require your business to document reporting protocols, retain information to maintain a thorough audit trail and obtain and verify the identity of beneficial owners with greater than or equal to 25% direct or indirect ownership of the legal entity and persons exercising control. These additional requirements are likely to increase due diligence workloads. By proactively preparing for these extended requirements your business can balance the new obligations of the final rule with your overall operations objectives.



Close potential gaps in your current due diligence protocols

The FinCEN final rule is built around the inherent expectation for your organization to truly know your customer and fully understand the AML and BSA risks they may pose to your business across the entire lifecycle of the relationship. To achieve and maintain this level of compliance you need to understand the gaps in your current due diligence approach and establish a game plan to manage customer situations that fall outside of certain risk parameters. Taking time to identify resources to leverage for enhanced due diligence, deeper research and investigations, alert escalation and remediation can ultimately save time and strengthen risk visibility across your entire portfolio.



Add in a layer of efficiency

Compliance with FinCEN's final rule is critical to avoid reputational damage and regulatory fines that can easily derail your business goals. Unfortunately, the new mandate comes exactly when many organizations are facing margin pressures and compressed budgets. The past year saw many businesses accelerating digital transformation efforts and adjusting onboarding processes to serve their customers on remote channels. The final rule raises due diligence demands and introduces potential onboarding delays that can drain already-strained resources and impact revenue.

Automating the workflows that support customer identification programs and customer due diligence requirements can save time and help offset the increased resource demands of the FinCEN final rule. Utilizing quality risk intelligence to support due diligence efforts can also improve efficiencies: starting with comprehensive, current and easy-to-consume information reduces decision delays and helps quickly resolve investigations. By building in greater efficiencies across key workflows, you can position your business to meet expanded expectations and effectively maintain compliance.



Realize the benefits of a risk-based approach

The requirements of the FinCEN final rule place expanded due diligence demands on your business, but also offer a bridge to better risk visibility across your customer base. Stronger compliance not only protects your business; it can also help reveal customer opportunities. LexisNexis® Risk Solutions helps improve the effectiveness and efficiency of your compliance program by offering tailored solutions that reflect your risk appetite and budget realities. Our tools leverage the industry's most relevant and recent identity and business content, sophisticated linking technology and advanced analytics to support a robust AML and BSA compliance program. We connect you to customizable tools to:

- Automate identity verification and validation
- Align onboarding workflows with the FinCEN final rule
- Resolve identity discrepancies that require deeper investigation
- Simplify record retention and audit preparation

It is never an ideal time to navigate new compliance expectations, but there are ways to make achieving compliance with the FinCEN final rule easier. By proactively evaluating where your current due diligence program stands today, you can identify the most impactful steps to help meet FinCEN expectations beginning March 15, 2021. Confidently prepare for the FinCEN final rule and position your business to capture the complete benefits of a robust AML and BSA compliance program.



For more information, visit risk.lexisnexis.com/AML or call 800.658.5638

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