



Highlights of [GAO-05-412](#), a report to congressional requesters

Why GAO Did This Study

Title III of the USA PATRIOT Act of 2001, passed after the September 11 terrorist attacks, amended U.S. anti-money laundering laws and imposed new requirements on financial institutions. Section 326 of the act required the development of minimum standards for verifying the identity of financial institution customers. Section 314 required the development of regulations encouraging the further sharing of information between law enforcement agencies and the financial industry and between the institutions themselves. Because of concerns about the implementation of these new provisions, GAO determined how (1) the government developed the regulations, educated the financial industry on them, and challenges it encountered; (2) regulators have updated guidance, trained examiners, and examined firms for compliance; and (3) the new regulations have affected law enforcement investigations.

What GAO Recommends

To help financial institutions implement their CIPs, GAO recommends that Treasury, through FinCEN and with the federal financial regulators and SROs, develop additional guidance on ongoing implementation issues. To improve examinations of compliance with CIP, GAO also recommends that FinCEN work with the federal financial regulators to develop additional guidance for examiners. Treasury agreed with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-412.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Yvonne Jones at (202) 512-2717 or jonesy@gao.gov.

USA PATRIOT ACT

Additional Guidance Could Improve Implementation of Regulations Related to Customer Identification and Information Sharing Procedures

What GAO Found

Treasury (including its Financial Crimes Enforcement Network (FinCEN)), the federal financial regulators, and self-regulatory organizations (SRO) overcame challenges to create regulations that apply consistently to a diverse financial sector and have used several outreach mechanisms to help the financial industry understand and comply with Customer Identification Program (CIP) requirements under section 326 and information sharing requirements under section 314. However, several implementation challenges remain. Industry officials told us some of their concerns have been addressed but they are still concerned about (1) how some CIP requirements will be interpreted during compliance examinations, (2) the lack of feedback from law enforcement on information provided by financial institutions through section 314(a), and (3) the extent to which they can share information with each other under section 314(b).

The six federal financial regulators and five SROs in our review have issued examination guidance covering sections 326 and 314, subsequently trained examiners, and begun examining financial institutions for compliance with CIP and section 314. GAO's review of examinations showed progress, but coverage varied in part because the examinations were conducted during early implementation. One aspect of CIP that was not always covered in examinations was whether financial institutions had adequately developed a CIP appropriate for their business lines and types of customers. However, this aspect of CIP is critical for ensuring that the identification and verification procedures are appropriate for types of customers and accounts that are at higher risk of being linked to money laundering or terrorist activities. Some examinations also revealed implementation difficulties related to CIP that could lead to inconsistencies in the way examiners conduct examinations. For example, some examiners did not differentiate between the CIP requirement and other procedures that require customer identification information. Coverage in the examinations GAO reviewed of how institutions had implemented section 314 requirements was somewhat lower than for CIP, in part, because CIP received more attention from examiners and information sharing between financial institutions is voluntary. In the examinations GAO reviewed, apparent violations of the CIP requirement and section 314(a) regulations were mostly addressed through informal actions between the institution and the regulator.

Officials from the Department of Justice and other law enforcement agencies told us that CIP and section 314 have assisted them in the investigation of money laundering and terrorist financing cases. Some officials said that CIP has been useful because financial institutions have more information on their customers so they obtain more useful information when issuing grand jury subpoenas and other requests for information. Many officials said the 314(a) process had improved coordination between the law enforcement community and the financial industry and increased the speed and efficiency of investigations.