



OHIO CREDIT
UNION LEAGUE

October 24, 2016

Policy Division
Financial Crimes Enforcement Network
P.O. Box 39
Vienna, VA 22183

RE: Customer Identification Programs, Anti-Money Laundering Programs, and Beneficial
Ownership Requirements for Banks Lacking a Federal Functional Regulator
Docket No. FinCEN-2014-0004
RIN 1506-AB28

Dear Sir or Madam:

Ohio has a long tradition of providing choices in financial services for consumers, allowing the membership of a credit union to choose to insure their deposits through an insurer other than the National Credit Union Administration Share Insurance Fund. Currently, out of 136 state-chartered credit unions, 50 of them are privately-insured and therefore fall under this proposed regulation extending Bank Secrecy Act (BSA) requirements to financial institutions lacking a federal functional regulator.

The USA PATRIOT Act requires the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) to prescribe regulations that oblige financial institutions to establish programs to assure that the institution has a reasonable basis to know the identity of persons conducting business with them. More recent regulations extend the requirements to cover individuals with beneficial ownership of most legal entities. By definition, the regulations only extended to financial institutions supervised by a federal regulator, omitting privately-insured credit unions, among others, from complying with those requirements. FinCEN now proposes to expand the coverage of the regulations.

Impact on State-Chartered Privately-Insured Credit Unions

In theory, many BSA requirements do not apply to financial institutions lacking a functional federal regulator. In actuality, Ohio's privately-insured credit unions have complied with the existing Anti-Money Laundering (AML) rules outlining the measures needed to assure that they "know their members" and to prevent or uncover terrorist or criminal activity for the same period of time as other credit unions in the state. The Ohio Division of Financial Institutions' examination processes do not make a distinction between federally-insured and privately-insured credit unions when supervising BSA programs.

Therefore, we see little if any additional impact of the extension of these BSA rules on the operations or safety and soundness of Ohio's privately-insured credit unions. We commend FinCEN for making the coverage of its BSA rules more explicitly cover important actors in the financial services marketplace who were previously omitted.



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Extend BSA Beneficial Ownership & Other Requirements to Payment/Acceptance Services

FinCEN requested comments about whether there are other entities in the financial services marketplace that should also be included in the BSA requirements for an effective AML program, including the recent beneficial ownership identification standards. We note that nonbank payment and acceptance services such as PayPal, Western Union, and Apple Pay collectively transfer and settle millions of dollars in payments. These transactions are not subject to the same stringent rules as the same types of services from credit unions and banks. Extending the AML program requirements to cover these actors would further strengthen the protections in place.

Beneficial Ownership Rule Implementation Period Should Match Other Financial Institutions

FinCEN also requested comments about the appropriate implementation period for requiring financial institutions without a functional federal regulator to come into compliance with AML program rules. We suggest that to avoid confusion, the implementation period match the one already in place for financial institutions that have functional federal regulators, requiring compliance by May 18, 2018.

Conclusion

On behalf of Ohio's 295 credit unions and their nearly 3 million members, we commend FinCEN on this effort to coordinate its BSA regulations to level the playing field for those providing financial services to consumers. We urge FinCEN to further extend coverage of BSA beneficial ownership and other requirements to additional types of providers who have entered or are entering the marketplace in less-traditional areas of payment services, such as Western Union and PayPal. Bringing those actors under the same BSA regime will further protect the integrity of our financial system. If you have any questions, please do not hesitate to contact me at (800) 486-2917, ext. 262, or cmccallister@ohiocul.org.

Sincerely,



Carole McCallister
Manager, Research & Analysis

cc: Stan Barnes, OCUL Chair
Barry Shaner, OCUL Government Affairs Chair
Credit Union National Association