



National Association  
of Federal Credit Unions  
3138 10th Street North  
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

May 3, 2012

Regulatory Policy and Programs Division  
Financial Crimes Enforcement Network  
Department of Treasury  
Vienna, VA 22183  
Attn: PRA Comments-BSA Required Electronic Filing

RE: ANPR on Consumer Due Diligence; RIN 1506-AB15; Docket No.  
FINCEN-2012-0001

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 (FCU), I am writing to you regarding the Financial Crimes Enforcement Network (FinCEN) Advance Notice of Proposed Rulemaking (ANPR) on requiring credit unions and other institutions to adopt a customer due diligence (CDD) program.

Under the ANPR, a credit union would be required to: (1) conduct due diligence and verify the identity of customers when opening accounts; (2) understand the purpose and intended nature of the account; (3) identify and verify the beneficial owner(s) of all customers pursuant to a risk-based approach; and (4) monitor the customer relationship and undertake further due diligence as needed.

While fully appreciating the importance of Bank Secrecy Act (BSA) requirements to national security, NAFCU opposes the ANPR and urges FinCEN to discontinue the rulemaking. Ultimately, the ANPR would impose far too much burden and cost on credit unions while providing very little economic or other benefits.

The ANPR contemplates imposing new sets of BSA-related regulatory requirements. For credit unions, the BSA and implementing regulations already impose significant amount of burden and cost. Allocating the resources necessary to comply with the already large amount of regulations has cost credit unions and their members an exorbitant amount of funds that could have been used to further member services. Adding more regulation without a clear benefit is not, especially during a time when credit unions continue to dig out of difficult and challenging times, advisable.

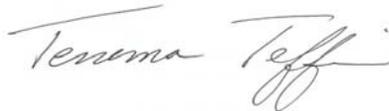
If adopted as proposed, the rule would require many credit unions to devote additional resources and personnel for BSA-related regulatory compliance. New or additional systems, software, artificial intelligence applications and human resources would be needed. Given that much of the objectives that the ANPR seeks to achieve is already being accomplished through compliance with current FinCEN guidelines, including the agency's BSA/AML examination manual, the benefit of codifying the guidelines and adding the requirements to identify "beneficial owners" and to conduct due diligence measures on an ongoing basis, are not significant enough to warrant the cost and burden.

Further, NAFCU believes that this rulemaking is representative of exactly the type of regulation that President Obama sought to address in two executive orders, both issued in 2011, establishing a reasonable, but firm, standards that both executive and independent agencies should meet before issuing regulations. Executive Orders 13563 and 13579 specifically direct executive and independent agencies to conduct careful analysis of the likely consequences of regulation, including the cost and benefits. The ANPR places far too much weight on the benefits of having a standard regime across regulated institutions, and offers very little discussion, let alone much weight, to the cost that many institutions would bear.

The Executive Orders also direct agencies to ensure regulations promote economic growth, innovation, competitiveness and job creation. The ANPR would achieve none of these goals. In fact, these goals would be undermined as the proposal would force credit unions to devote more financial and human capital to regulatory compliance rather than to lending and other products and services.

NAFCU appreciates the opportunity to provide comments on FinCEN's ANPR regarding consumer due diligence. Should you have any questions or would like to discuss these issues further, please contact me at (703) 842-2268 or by e-mail at [ttefferi@nafcu.org](mailto:ttefferi@nafcu.org).

Sincerely,

A handwritten signature in cursive script that reads "Tessema Tefferi".

Tessema Tefferi  
Regulatory Affairs Counsel