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May 15, 2018

The Honorable Stevan Pearce  
Chairman  
Subcommittee on Terrorism and Illicit Finance  
Committee on Financial Services  
House of Representatives  
Washington, DC 20515

The Honorable Ed Perlmutter  
Ranking Member  
Subcommittee on Terrorism and Illicit Finance  
Committee on Financial Services  
House of Representatives  
Washington, DC 20515

Dear Chairman Pearce and Ranking Member Perlmutter:

On behalf of America's Credit Unions, I am writing regarding the hearing entitled "Implementation of FinCEN's Customer Due Diligence Rule." The Credit Union National Association (CUNA) represents America's credit unions and their 110 million members.

The Financial Crimes Enforcement Network's (FinCEN) Customer Due Diligence (CDD) Rule went into effect for credit unions and other financial institutions last week. The rule requires financial institutions to obtain identifying information about the beneficial owners of their legal entity accounts. The CDD Rule amends Bank Secrecy Act regulations in an effort to improve financial transparency and prevent criminals and terrorists from misusing companies to disguise illicit activities and launder ill-gotten gains. CUNA strongly supports these objectives.

Specifically, the CDD Rule requires covered financial institutions to establish and maintain written policies and procedures that are reasonably designed to (1) identify and verify the identity of customers; (2) identify and verify the identity of the beneficial owners of companies opening accounts; (3) understand the nature and purpose of customer relationships to develop customer risk profiles; and (4) conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

While the changes necessary to comply with the CDD Rule are significant, particularly for smaller credit unions, credit unions have largely been able to come into compliance during the preceding two-year implementation period. Additionally, the several exemptions included in the final CDD Rule provide some relief for credit unions on an on-going basis.

We would like to express to this Subcommittee our appreciation of FinCEN's responsiveness over the past two plus years as the industry shared concerns and suggestions with the agency before and after the CDD Rule was finalized. FinCEN solicited input on the CDD Rule and directly addressed issues raised by the industry, including specific concerns and suggestions from CUNA and our member credit unions. The guidance was released last month in the form of a Frequently Asked Questions (FAQ) document; we greatly appreciate such guidance ahead of the effective date, which is an uncommon practice among federal financial regulatory agencies.

We urge this subcommittee to continue to encourage FinCEN to work with the industry on implementation issues as they arise. While the CDD Rule is already in effect, matters requiring clarification will undoubtedly continue to present themselves. In addition, we hope FinCEN continues

its practice of providing timely responses to specific inquiries by credit unions and other affected financial institutions.

While the National Credit Union Administration (NCUA) is the lead agency that will examine credit unions for compliance with the CDD Rule, we urge FinCEN and NCUA to work closely together as examiners become more comfortable with the specific requirements of the rule. We believe it is much more efficient and effective for NCUA, the credit union system, and ultimately FinCEN to work together to ensure proper compliance.

On behalf of America's credit unions and their 110 million members, thank you very much for your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large initial "J" and "N".

Jim Nussle  
President & CEO