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COASTAL FEDERAL BANK

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September 5, 2002

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
regs.comments@ots.treas.gov

Attention: No. 2002-27

Dear Madam or Sir:

This letter is in response to the request for comments on the proposed rule requiring institutions to establish written procedures to verify the identities of new account holders, to maintain records of the information used to verify identities and to check the customers against agency lists of known or suspected terrorists. On behalf of the financial institution, I appreciate the opportunity to comment regarding the proposed rule.

We certainly support the effort to combat terrorism and the financing of terrorist activities, however, there are concerns regarding certain requirements of the proposed rule.

The proposed rule applies to all financial institutions with the exception of "money services businesses". We oppose the lack of coverage of money service businesses.

Many of the requirements contained in the proposed rule are duplicative of existing requirements under the Bank Secrecy Act. Financial institutions obtain official government issued articles of identification; the need to keep a copy of that document is burdensome. Recordation of the information obtained, i.e., drivers license number, or passport number and country of origin in account records should be sufficient. We feel that a five-year record retention period is excessive and that the agencies should consider a two-year period for retention, which would be consistent with other record keeping requirements.

The proposed rule requires verification of the items of identification presented by individuals. How will this requirement be satisfied for non-U.S. persons' identification

documents? Will the Department of Immigration establish a database that can be utilized by financial institutions?

The definition of an "account" needs clarification. Additional examples would be beneficial. Does the definition apply to guarantors, trust beneficiaries, attorneys-in-fact and indirect loan customers?

The coverage to all signers on an account would be cumbersome and extremely costly where you have an account with multiple signers. Does this also cover signatories on accounts that are only employees of a company who receive no benefit from the account? We stress the need for a "risk-based" response to the signatory issue where the institution has reasonable belief that the customer has been identified.

The public notice requirement should be standard language for all financial institutions so that compliance can be evaluated objectively. A model notice would be very beneficial. Also, timing and placement requirements should be established.

The effective date of October 25, 2002 will not allow enough time to write procedures; determine how the information can be stored and made available to all of our offices and draft amendments to our Bank Secrecy Act policy in time for Board approval at a regularly scheduled meeting. A mandatory date for compliance with the final rule should be no less than 180 days after publication in the Federal Register.

Again, I appreciate the opportunity to comment on the proposed rule and urge you to carefully consider these concerns.

Sincerely,

Sherry Schoolfield, CRCM
Assistant Vice President
Compliance Officer