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Bank Regulators Issue Guidance Clarifying Customer Identification Requirements for Payroll Cards

On March 21, the Federal Reserve, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the U.S. Department of Treasury's Financial Crimes Enforcement Network issued interagency guidance clarifying whether banks must apply their Customer Identification Program (CIP) to the cardholders of general purpose prepaid cards that have the features of an account and are issued by a bank [Interagency Guidance to Issuing Banks on Applying Customer Identification Program Requirements to Holders of Prepaid Cards, 3-21-16, <https://www.federalreserve.gov/bankinfo/reg/srletters/sr1607a1.pdf>]. Generally, under the USA PATRIOT Act, banks are required to identify their customers by obtaining, at least, their name, date of birth, address, and taxpayer identification number. The interagency guidance addresses how these requirements apply to prepaid cards, including payroll cards. The guidance provides that:

- **Payroll cards funded solely by employer.** If the employer (or the employer's agent) is the only person that may deposit funds into the payroll card account, the employer should be considered the bank's customer for purposes of the CIP rule. In that case, the bank need not apply its CIP to each employee. The employer should be considered to be the customer even if there are subaccounts that are attributable to each employee.
- **Payroll cards funded by additional sources.** If the employee is permitted to access credit through the card, or reload the payroll card account from sources other than the employer, then the employee should be the customer of the bank and the bank should apply its CIP to the employee.