

§§ 1022.610–1022.670

subpart which apply to money services businesses.

§§ 1022.610–1022.670 [Reserved]

PART 1023—RULES FOR BROKERS OR DEALERS IN SECURITIES

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AUTHORITY: 12 U.S.C. 1829b and 1951–1959; 31 U.S.C. 5311–5314 and 5316–5332; title III, sec. 314, Pub. L. 107–56, 115 Stat. 307.

SOURCE: 75 FR 65812, Oct. 25, 2010, unless otherwise noted.

Subpart A—Definitions

§ 1023.100 Definitions.

Refer to §1010.100 of this chapter for general definitions not noted herein. To the extent there is a differing definition in §1010.100 of this chapter, the definition in this section is what applies to part 1023. Unless otherwise indicated, for purposes of this part:

(a) *Account*. For purposes of §1023.220:

(1) Account means a formal relationship with a broker-dealer established to effect transactions in securities, including, but not limited to, the purchase or sale of securities and securities loaned and borrowed activity, and to hold securities or other assets for safekeeping or as collateral.

(2) *Account* does not include:

(i) An account that the broker-dealer acquires through any acquisition, merger, purchase of assets, or assumption of liabilities; or

(ii) An account opened for the purpose of participating in an employee benefit plan established under the Employee Retirement Income Security Act of 1974.

(b) *Broker-dealer* means a person registered or required to be registered as a broker or dealer with the Commission under the Securities Exchange Act of 1934 (15 U.S.C. 77a *et seq.*), except persons who register pursuant to 15 U.S.C. 78o(b)(11).

(c) *Commission* means, for the purposes of §1023.220, the United States Securities and Exchange Commission.

(d) *Customer*. For purposes of §1023.220:

(1) *Customer* means:

(i) A person that opens a new account; and

(ii) An individual who opens a new account for:

(A) An individual who lacks legal capacity; or

(B) An entity that is not a legal person.

(2) *Customer* does not include:

(i) A financial institution regulated by a Federal functional regulator or a bank regulated by a state bank regulator;

(ii) A person described in §1020.315(b)(2) through (4) of this Chapter; or

(iii) A person that has an existing account with the broker-dealer, provided the broker-dealer has a reasonable belief that it knows the true identity of the person.

(e) *Financial institution* is defined at 31 U.S.C. 5312(a)(2) and (c)(1).

Subpart B—Programs

§ 1023.200 General.

Brokers or dealers in securities are subject to the program requirements set forth and cross referenced in this subpart. Brokers or dealers in securities should also refer to subpart B of part 1010 of this chapter for program requirements contained in that subpart which apply to brokers or dealers in securities.

§ 1023.210 Anti-money laundering program requirements for brokers or dealers in securities.

A financial institution regulated by a self-regulatory organization shall be deemed to satisfy the requirements of 31 U.S.C. 5318(h)(1) if:

(a) The financial institution complies with the requirements of §§1010.610 of this chapter and 1010.620 and any applicable regulation of its Federal functional regulator governing the establishment and implementation of anti-money laundering programs; and

(b)(1) The financial institution implements and maintains an anti-money laundering program that complies with the rules, regulations, or requirements of its self-regulatory organization governing such programs; and

(2) The rules, regulations, or requirements of the self-regulatory organization have been approved, if required, by the appropriate Federal functional regulator.

§ 1023.220 Customer identification programs for broker-dealers.

(a) *Customer identification program: minimum requirements—(1) In general.* A broker-dealer must establish, document, and maintain a written Customer Identification Program (“CIP”) appropriate for its size and business that, at a minimum, includes each of the requirements of paragraphs (a)(1) through (a)(5) of this section. The CIP must be a part of the broker-dealer’s anti-money laundering compliance program required under 31 U.S.C. 5318(h).

(2) *Identity verification procedures.* The CIP must include risk-based procedures for verifying the identity of each customer to the extent reasonable and practicable. The procedures must enable the broker-dealer to form a reasonable belief that it knows the true identity of each customer. The procedures must be based on the broker-dealer’s assessment of the relevant risks, including those presented by the various types of accounts maintained by the broker-dealer, the various methods of opening accounts provided by the broker-dealer, the various types of identifying information available and the broker-dealer’s size, location and customer base. At a minimum, these procedures must contain the elements described in this paragraph (a)(2).

(i)(A) *Customer information required.* The CIP must contain procedures for opening an account that specify identifying information that will be obtained from each customer. Except as permitted by paragraph (a)(2)(i)(B) of this section, the broker-dealer must obtain, at a minimum, the following information prior to opening an account:

(1) Name;

(2) Date of birth, for an individual;

(3) Address, which shall be:

(i) For an individual, a residential or business street address;

(ii) for an individual who does not have a residential or business street address, an Army Post Office (APO) or Fleet Post Office (FPO) box number, or the residential or business street address of a next of kin or another contact individual; or