



Highlights & Insights

The FinCEN Enhanced Customer Due Diligence Study

Survey Results

May 2018

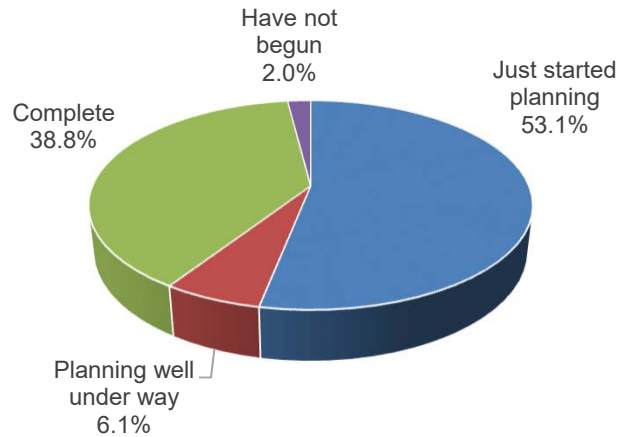
Compliance with the Beneficial Ownership Rule issued by the Financial Crimes Enforcement Network (FinCEN) is having a significant impact on financial institution operations. This report is offered as insight into industry compliance implementation trends in order to aid asset managers in the development of best practices.

FinCEN Enhanced Customer Due Diligence

NICSA conducted a study on FinCEN Enhanced Customer Due Diligence planning in April 2018. Responses were collected from 50 firms, representing a cross section of asset managers, broker dealers, and financial services firms.

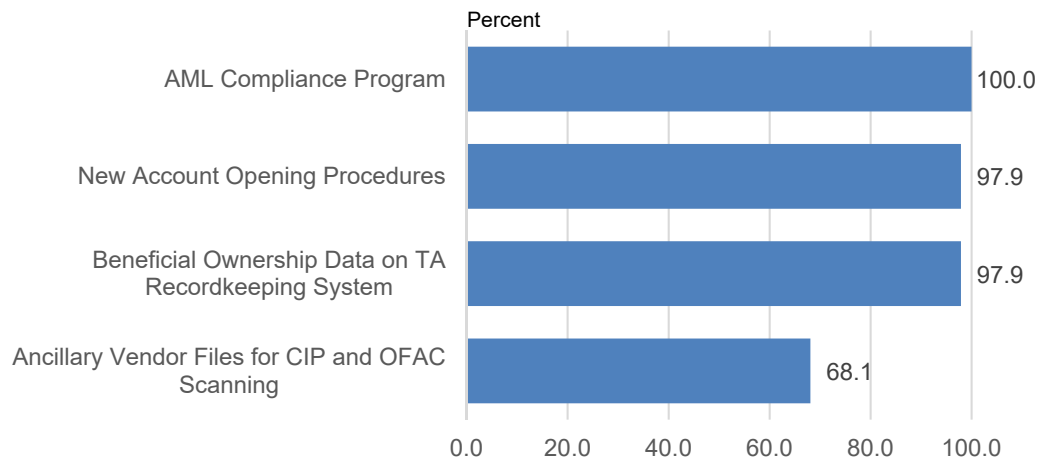
Thirty-nine percent of firms had already completed planning for the FinCEN Enhanced Customer Due Diligence rule and more than half of respondents (53.1%) indicated that their firm had just started planning for operational compliance.

How would you categorize your progress?



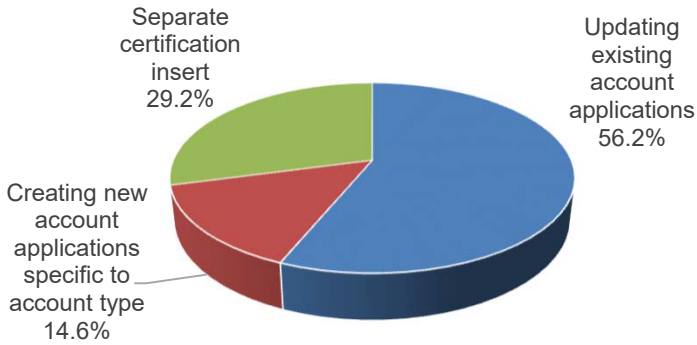
All respondents planned to update their AML Compliance Program based on the FinCEN Enhanced Customer Due Diligence rule. Ninety-eight percent of respondents have or will include updates to their procedures for opening new accounts into their planning. Additionally, 97.9% of respondents report that there will be enhancements made to their firm’s transfer agency recordkeeping system to capture and store beneficial ownership data. Sixty-eight percent of respondents indicated that they will enhance ancillary vendor files for CIP and OFAC scanning.

Updates and Enhancements Planned

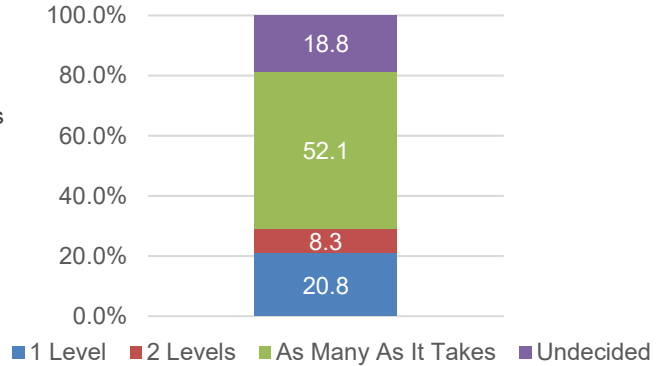


More than half of respondents (56.2%) indicated that their firms are updating existing account applications to collect beneficial ownership information. Twenty-nine percent of respondents will include separate certification inserts and 14.6% are creating new account applications specific to beneficial ownership account types.

How are you collecting beneficial ownership information?



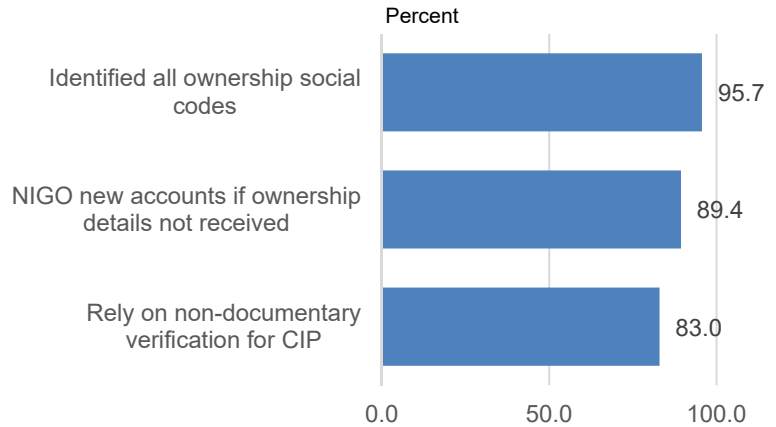
Levels to Determine 25% Ownership



When asked how many levels they intended to pursue with respect to the ownership prong to determine 25% ownership, 52.1% of respondents reported “As many levels as it takes.” Nearly 19 percent selected “Undecided.”

All but 2 respondents had already identified all of the ownership social codes on their TA recordkeeping system.

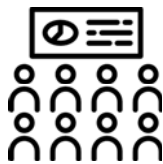
Eighty-nine percent of firms would consider an application NIGO if not accompanied by ownership details. Nine percent of respondents were undecided on this point.



Eighty-three percent of respondents will rely on non-documentary verification for CIP of beneficial owners.

When asked how they planned to train staff on the Enhanced Customer Due Diligence requirements, 53.1% of respondents said classroom training, and 22.4% planned on web-based training for their employees.

Classroom Training



53.1%

Web-based Training



22.4%

Email Communication



14.3%

About NICSA

NICSA is a not-for-profit asset management trade association that connects global asset management industry participants in order to develop, share, and advance leading practices. For over fifty years, the Association has offered a collective, timely view on evolving themes shaping the financial industry.

NICSA member companies operate in all segments of the financial industry and include fund complexes, broker dealers, custodian banks, transfer agents, and other professional service firms including audit, tax, legal, technology, marketing, telecom, and compliance. Deep expertise and unique perspectives come together in an open and collaborative environment to tackle the strategic implementation of the industry's most vital issues. For more information about NICSA and how to become a member, contact 508-485-1500 or visit www.nicsa.org.

National Quality Review (NQR) is a NICSA member firm and industry partner.

About National Quality Review

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