

## SEC Rulemaking Update Customer Identification Program Requirements for RIAs and ERAs Proposed Rulemaking

In May 2024, the Securities and Exchange Commission (**SEC**) together with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (**FinCEN**) issued a joint notice of proposed rulemaking to apply customer identification program (**CIP**) obligations to certain investment advisers. The proposed rule would require SEC-registered investment advisers (**RIAs**) and exempt reporting advisers (**ERAs**) to, among other things, implement a CIP that includes risk-based procedures for:

- Verifying the identity of each customer to the extent reasonable and practicable within a reasonable time before or after the customer's account is opened; and
- Maintaining records of the information used to verify a customer's identity, including name, address, and other identifying information.

The procedures would have to enable the RIA and ERA to form a reasonable belief that it knows the true identity of each customer. RIAs and ERAs would be required to obtain certain identifying information with respect to each customer, such as the customer's name, date of birth or date of formation, address, and identification number.

The proposal is generally consistent with the CIP requirements for other financial institutions, such as brokers or dealers and mutual funds, and is designed to align with the CIP requirements across these financial institutions. Under these proposed requirements, this rulemaking would make it more difficult for persons to use false identities to establish customer relationships with investment advisers for the purposes of laundering money, financing terrorism, or engaging in other illicit finance activity.

This rulemaking is intended to complement the separate February 2024 FinCEN proposal to designate RIAs and ERAs as "financial institutions" under the Bank Secrecy Act and subject them to AML/CFT program requirements, as well as obligations to file suspicious activity reports.

The comment period for the proposed rulemaking ends on July 22, 2024.

See Proposed Rule – <https://www.sec.gov/rules/2024/05/cip>