Federal Regulation Summary

Rule Introduction

Key Points

- • Joint notice of proposed rulemaking by FinCEN and SEC to implement aspects of the USA PATRIOT Act for investment advisers.
- • Investment advisers classified as "financial institutions" under BSA must establish customer identification programs (CIPs) with procedures to verify client identities.
- • Regulation identified by RIN numbers 1506AB66 (FinCEN) and 3235AN34 (SEC).
- • Aims to enhance compliance with antimoney laundering and counterterrorism financing measures.

Guiding Principles Key Points

- • The regulation impacts investment adviser regulation, which is an area of secondary impact for FSI. Guiding Principles 3.a.i.
- • The regulation may impose unnecessary burdens on registered entities and financial advisors, such as costs of compliance which outweigh the benefits of the regulation. Guiding Principles 3.c.i(1).
- • The regulation is directly related to investor protection, which is a key area of interest for FSI. Guiding Principles 8.a.i.

The joint notice of proposed rulemaking issued by the Financial Crimes Enforcement Network (FinCEN) and the Securities and Exchange Commission (SEC) is aimed at implementing specific provisions of the USA PATRIOT Act related to investment advisers. Under the proposed regulations, investment advisers would be classified as "financial institutions" under the Bank Secrecy Act (BSA), requiring them to establish customer identification programs (CIPs) with reasonable procedures to verify the identities of their clients. The rulemaking is identified by the regulatory information numbers (RIN) 1506-AB66 for FinCEN and 3235-AN34 for the SEC, and it focuses on enhancing compliance with anti-money laundering and counter-terrorism financing measures.

I. Background

Key Points

- • The rule applies to all RIAs and ERAs, regardless of size or type, and will be overseen by the SEC for compliance.

Guiding Principles Key Points

- • The proposed regulation may impose unnecessary compliance burdens on investment advisers, aligning with Guiding Principles 3.c.i.
- • The SEC's oversight could raise concerns about enforcement practices, relevant to Guiding Principles 4.c.i and 4.c.iv.

• Handling customer data under new CIPs ties into privacy concerns, as per Guiding Principles 7.a.i and 7.b.i.

• The regulation aims to protect investors from identity theft, relating to Guiding Principles 8.b.i and 8.b.vi.

• The rule affects a crosssection of members, relevant to Guiding Principles 9.a and 9.b.

The Currency and Foreign Transactions Reporting Act, commonly known as the Bank Secrecy Act (BSA), was enacted in 1970 to address money laundering, terrorism financing, and other illicit financial activities. Administered by the Secretary of the Treasury, the BSA assigns responsibility for its implementation, administration, and enforcement to the Director of the Financial Crimes Enforcement Network (FinCEN). In 2001, the USA PATRIOT Act amended the BSA by introducing Section 326, which requires financial institutions to establish Customer Identification Programs (CIPs). These programs mandate the verification of customer identities, the maintenance of relevant records, and the consultation of government-provided terrorist lists. The definition of "financial institutions" under the BSA is broad, encompassing banks, credit unions, insurance companies, and other entities, with the Secretary of the Treasury holding the authority to expand this definition through regulation.

On February 15, 2024, FinCEN proposed designating certain investment advisers as financial institutions under the BSA, specifically registered investment advisers (RIAs) and exempt reporting advisers (ERAs). This rule must be implemented in coordination with the Securities and Exchange Commission (SEC), which is recognized as the appropriate Federal functional regulator for investment advisers. The proposed rule aligns with existing CIP requirements for other financial institutions, aiming to harmonize regulations across the financial sector. Some investment advisers already implement CIPs if they are dual registrants or part of an enterprise-wide Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) program. The regulation's purpose is to prevent the misuse of identities for illicit activities, thereby enhancing the effectiveness of AML/CFT measures.

Under the proposed rule, RIAs and ERAs are required to implement CIPs, verify customer identities, maintain records, and consult government-provided terrorist lists. The rule applies to all RIAs and ERAs, regardless of their size or type. Compliance will be overseen by the SEC, ensuring consistency with existing regulatory frameworks. The proposal aims to address gaps in AML/CFT measures by preventing identity theft and misuse, while also harmonizing requirements across financial sectors to reduce regulatory inconsistencies. The rule is currently open for public comment until April 15, 2024.

II. Section-by-Section Analysis

Key Points

• The regulation establishes a Customer Identification Program (CIP) framework for investment advisers to enhance identity verification under AntiMoney Laundering (AML) and Countering the Financing of Terrorism (CFT) frameworks.

• Definitions:

• Account: A contractual relationship, excluding certain cases.

• Commission: Refers to the United States Securities and Exchange Commission (SEC).

• Customer: Includes individuals or entities opening new accounts, with exceptions for minors, nonlegal entities, and certain regulated institutions.

• Financial Institution: As defined by the Bank Secrecy Act (BSA).

• Investment Adviser: Encompasses those registered or exempt from SEC registration.

• CIP Requirements:

• Integration of a written CIP into the AML/CFT program.

• Identity verification within a reasonable timeframe before or after account opening.

• Riskbased approach to tailor verification procedures.

• Exemptions for investment advisers advising mutual funds and others under specific circumstances.

• Verification Methods:

• Documentary: Acceptable documents include governmentissued IDs, formation documents, and trust instruments.

• NonDocumentary: Includes thirdparty checks, database queries, and logical consistency analysis.

• HighRisk Customers: Additional verification for nonindividuals, especially in highrisk jurisdictions.

• Failed Verification: Procedures include not opening accounts, providing advisory services while attempting verification, closing accounts, and filing Suspicious Activity Reports (SARs).

• Recordkeeping:

• Identifying Information: Retained while the account is open and for five years after closure.

• Verification Information: Retained for five years from the date of creation.

• Government Lists:

• Check customers against government lists of known or suspected terrorists.

• Conduct checks within a reasonable period after account opening or as required by law.

• Rely on notifications regarding lists without proactive searches.

• Customer Notice:

• Provide notice of verification procedures through website postings, account applications, or oral/written communication before account opening.

• Reliance on Other Institutions:

• Reasonable reliance on regulated financial institutions with AML/CFT programs.

• Contract requiring annual certification of program implementation.

• Monitor and assess CIP effectiveness; no liability for failures if reliance is reasonable.

• Exemptions:

• The SEC and Treasury may grant exemptions under specific circumstances.

• Implementation:

• Effective Date: 60 days after publication in the Federal Register.

• Compliance Timeline: Six months from the effective date.

• Ongoing Obligations: The regulation does not relieve other obligations under relevant chapters.

Guiding Principles Key Points

- Advocating against overly burdensome verification procedures to avoid unnecessary costs and complexity. (Guiding Principles 3.c.i.1, 3.c.i.2)
- Supporting exemptions for mutual funds to reduce regulatory burden. (Guiding Principles 3.c.i.1)
- Promoting flexibility in verification methods to accommodate diverse business models. (Guiding Principles 3.c.i.1, 3.c.i.2)
- Advocating for reasonable recordkeeping requirements to prevent excessive administrative burdens. (Guiding Principles 3.c.i.1)
- Supporting reliance on other financial institutions to streamline compliance. (Guiding Principles 3.c.i.1)
- Encouraging uniform federal regulation to avoid statelevel inconsistencies. (Guiding Principles 3.c.ii)
- Promoting robust privacy measures to protect customer information. (Guiding Principles 7.a.i, 7.b.i)
- Supporting transparent notice requirements to enhance investor trust. (Guiding Principles 8.b.ii)
- Advocating for a reasonable implementation timeline to allow for effective compliance. (Guiding Principles 3.c.i.1)
- Ensuring regulation does not impede competition, particularly for independent firms. (Guiding Principles 6.b.i)

The federal regulation establishes a comprehensive framework for Customer Identification Programs (CIPs) for investment advisers, with the aim of enhancing identity verification processes under the Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) framework. This regulation is designed to mitigate risks associated with financial crimes by ensuring robust identity verification procedures. The key definitions outlined in the regulation include "Account," which refers to any contractual relationship where an investment adviser provides services, excluding accounts acquired through mergers or asset purchases unless subject to other AML/CFT rules. "Commission" refers to the United States Securities and Exchange Commission (SEC), while "Customer" includes individuals or entities opening new accounts, with exceptions for minors, non-legal entities, and certain regulated institutions. The term "Financial Institution" uses the existing definition from the Bank Secrecy Act (BSA), and "Investment Adviser" encompasses those registered or exempt from SEC registration, ensuring uniform application of AML/CFT programs.

The regulation mandates several key requirements for CIPs. First, investment advisers must integrate a written CIP into their AML/CFT program. Second, they are required to verify the identity of customers within a reasonable timeframe before or after account opening, with exemptions for previously verified customers if the adviser maintains a reasonable belief in their identity. Third, the regulation emphasizes a risk-based approach, requiring advisers to consider factors such as account types, opening methods, and jurisdictional risks when tailoring verification procedures. Additionally, the regulation provides exemptions for investment advisers advising mutual funds, as mutual funds are already subject to their own CIP requirements. The SEC and Treasury may also grant additional exemptions under specific circumstances.

Verification methods under the regulation include both documentary and non-documentary approaches. Documentary methods involve the use of government-issued identification documents, formation documents, and trust instruments, provided there are no indicators of fraud. Non-documentary methods include third-party checks, database queries, and logical consistency analysis, particularly for high-risk customers or remote account openings. The regulation also requires additional verification for non-individual customers, especially those in high-risk jurisdictions. In cases of failed verification, investment advisers are required to refrain from opening accounts, provide advisory services while attempting verification, close accounts, and file Suspicious Activity Reports (SARs) as necessary.

Recordkeeping requirements mandate that investment advisers retain identifying information while the account is open and for five years after closure. Verification information, including documentation used and verification methods, must be retained for five years from the date of creation. The regulation also requires investment advisers to check customers against government lists of known or suspected terrorists, as designated by the Treasury in consultation with regulators. These checks must be conducted within a reasonable period after account opening or as required by law, with reliance on notifications regarding the lists without the need for proactive searches.

Investment advisers are further required to provide notice to customers regarding verification procedures through methods such as website postings, account applications, or oral/written communication before account opening. The regulation also allows investment advisers to rely on other financial institutions, including affiliates, provided that such reliance is reasonable, the institution is regulated, and it has an AML/CFT program in place. A contract requiring annual certification of program implementation must be in place, and advisers must monitor and assess the effectiveness of their CIP. The regulation specifies that advisers are not liable for the failures of the institution they rely on if the reliance is reasonable.

The regulation also grants the SEC and Treasury the authority to exempt investment advisers or account types, provided such exemptions are consistent with the purposes of the Bank Secrecy Act and the public interest. Implementation details include an effective date of 60 days after the final rule's publication in the Federal Register, with a compliance timeline of six months from the effective date. This aligns with the compliance timelines for the AML/CFT Program and SAR Proposed Rule. The regulation does not relieve investment advisers of their ongoing obligations under relevant chapters, ensuring continued adherence to AML and CFT requirements.

IV. Analysis of the Costs and Benefits Associated With the Proposed Rule

Key Points

- I'm sorry, but I can't help without the context and bullet points. Could you please provide them?

Guiding Principles Key Points

- Report on Proposed Federal Regulation Requiring Investment Advisers to Implement Customer Identification Programs (CIPs)
- Introduction
- The proposed federal regulation mandates investment advisers to implement Customer Identification Programs (CIPs) to prevent money laundering and terrorism financing.
- Key Requirements
- Investment advisers must establish and maintain CIPs to identify and verify the identity of clients.
- These programs must comply with federal standards to ensure effective risk management.
- Purpose
- The regulation aims to enhance the security of financial systems by preventing illicit activities such as money laundering and terrorism financing.
- It seeks to strengthen compliance with antimoney laundering (AML) regulations and protect the integrity of financial markets.
- Impact on Industry
- Implementation of CIPs will necessitate additional administrative and operational efforts for investment advisers.
- The regulation may lead to increased costs for firms, particularly smaller entities, due to the need for enhanced compliance measures.
- Considerations
- The regulation emphasizes the importance of uniformity in implementation to avoid a patchwork of statespecific requirements.
- There is a focus on minimizing unnecessary burdens on businesses while ensuring robust investor protection.
- This report highlights the essential aspects of the proposed regulation, its implications for the financial services industry, and the considerations for its implementation.

The U.S. Securities and Exchange Commission (SEC) has proposed a new federal regulation requiring investment advisers to implement Customer Identification Programs (CIPs) to prevent money laundering and the financing of terrorism. The regulation would mandate that investment advisers collect and verify customer information, maintain records of such information, and report any suspicious activities to the appropriate authorities. The SEC is currently seeking public comments on the proposed rule.

V. Paperwork Reduction Act

Key Points

- Regulation: "Amendment to 31 CFR part 1032 under the USA PATRIOT Act" under the Paperwork Reduction Act (PRA) of 1995.
- Mandatory for all registered investment advisers (RIAs) and exempt reporting advisers (ERAs).
- Implements Customer Identification Program (CIP) requirements under Section 326 of the USA PATRIOT Act.

- Requires verification of customer identities, maintenance of records, and checking against government terrorist lists.
- Riskbased approach considering account types, opening methods, identifying information, and adviser characteristics.
- Retention of identifying information for five years after account closure and verification records for five years after creation.
- Affects 14,914 RIAs and 5,546 ERAs as of October 5, 2023.
- Aims to prevent money laundering and terrorism financing by ensuring identity information is obtained and maintained.
- Responses to the Commission are confidential, with billing codes BILLING CODE 481002P and BILLING CODE 481002C.
- Does not explore alternative approaches, focusing solely on implementing CIP and information collection.

Guiding Principles Key Points

- Advocate for the protection of investors through the regulation, aligning with the firm's principles. (Guiding Principles 3.c.i)
- Push to avoid unnecessary burdens such as high compliance costs or complex requirements. (Guiding Principles 3.c.i)
- Support federal uniformity to simplify compliance over state regulations. (Guiding Principles 3.c.i)
- Promote reasonable cybersecurity and privacy measures to protect customer information. (Guiding Principles 7.b.ii)
- Address the widespread impact on the firm's membership, necessitating advocacy efforts. (Guiding Principles 9.a)

The proposed federal regulation, initiated under the Paperwork Reduction Act (PRA) of 1995, pertains to amendments to 31 CFR part 1032 under the USA PATRIOT Act. This regulation focuses on enhancing information collection requirements for investment advisers, including registered investment advisers (RIAs) and exempt reporting advisers (ERAs). The regulation is mandatory and applies to all RIAs and ERAs, introducing new information collection burdens under the PRA. The Office of Management and Budget (OMB) has not yet assigned a control number for this collection.

The regulation implements Customer Identification Program (CIP) requirements under Section 326 of the USA PATRIOT Act. These requirements include the verification of customer identities to the extent reasonable and practicable, the maintenance of records containing customers' names, addresses, and other relevant details, and the checking of customers against government-issued lists of known or suspected terrorists or terrorist organizations. Investment advisers must base their CIP on a risk assessment, considering factors such as account types, account opening methods, available identifying information, and the adviser's size, location, and customer base.

Investment advisers are required to retain identifying information while the account is open and for five years after closure, as well as records of identity verification for five years after creation. As of October 5, 2023, approximately 14,914 RIAs and 5,546 ERAs are subject to these requirements. The information collection is detailed in 31 CFR 1032.220.

The purpose of the regulation is to enhance the ability to prevent, detect, and prosecute money laundering and terrorism financing by ensuring investment advisers obtain, maintain, and verify customer identity information. Responses to the Commission regarding this rule will be confidential, subject to applicable law. The regulation includes billing codes BILLING CODE 4810-02-P and BILLING CODE 4810-02-C. This report focuses on implementing the CIP requirements and associated information collection burdens without exploring alternative approaches.

VI. Regulatory Flexibility Act

Key Points

- The proposed regulation aims to prevent money laundering and terrorism financing by requiring investment advisers to implement customer identification procedures (CIP).
- The regulation aligns investment advisers with other financial institutions, requiring verification of customer identities, record maintenance, and checks against terrorist lists.
- Mandated under the Bank Secrecy Act (BSA) and section 326 of the USA PATRIOT Act, with FinCEN and SEC issuing the regulations.
- Small entities are defined as investment advisers with assets under management (AUM) of less than $25 million; as of October 5, 2023, 276 RIAs and 113 ERAs are classified as small.
- The rule affects 14,914 RIAs and 5,546 ERAs, including all small entities; most small advisers are stateregistered unless meeting specific criteria.
- Compliance requires 249 hours per RIA and 15.76 hours per ERA annually, totaling 70,504.88 hours, with an estimated cost of $7,494,668.74 annually; smaller advisers face higher relative costs.
- Performance standards allow firms to tailor CIPs based on size, account types, and accountopening methods, determining appropriate personnel.
- Alternatives considered included exempting small advisers or establishing different requirements, but these were deemed inappropriate, favoring the current flexible rule.
- Key definitions: CIP, reasonable and practicable, and small entity as per regulatory criteria.
- The regulation aims for consistent identity verification to prevent illegal activities, using performance standards for flexibility while maintaining core requirements, enhancing financial security.

Guiding Principles Key Points

- The proposed regulation imposes unnecessary compliance burdens on small investment advisers, particularly in terms of costs and lack of economies of scale. (Guiding Principles 3.c.i.1.a, 3.c.i.1.d)
- The regulation may impact a crosssection of FSI’s members, particularly small entities, warranting consideration of advocacy resources. (Guiding Principles 9.a)
- The likelihood of the regulation being enacted is high, given its legal basis under the BSA and USA PATRIOT Act. (Guiding Principles 9.b)

- The regulation's impact on FSI’s relationship with regulators and policymakers should be carefully considered. (Guiding Principles 9.c)
- Advocacy efforts could affect FSI’s image and reputation, necessitating a strategic approach. (Guiding Principles 9.d)
- FSI should consider notifying regulators of concerns before making them public. (Guiding Principles 9.e)
- The potential impact on membership retention and acquisition due to advocacy involvement should be evaluated. (Guiding Principles 9.f)
- The resources required to pursue advocacy, including staff and budget, need to be assessed. (Guiding Principles 9.g)
- The tone and tactics for advocacy should align with FSI’s strategy framework. (Guiding Principles 9.h)
- Other trade associations may be involved, and FSI should assess if another organization is better suited to address the issue. (Guiding Principles 9.i)
- Members should be able to quantify the cost/benefit of the regulation, which is provided in the report. (Guiding Principles 9.j)

The proposed federal regulation for investment advisers is designed to prevent money laundering and the financing of terrorism by requiring the implementation of specific customer identification procedures (CIP). This report provides an overview of the regulation, its objectives, legal foundation, impact on small entities, compliance requirements, and alternatives considered. The regulation aims to align investment advisers with other financial institutions in implementing Customer Identification Programs (CIP) to verify the identity of customers opening accounts, maintain records of this information, and check against lists of known or suspected terrorists provided by federal agencies.

The legal basis for the proposed rule is rooted in the Bank Secrecy Act (BSA) and section 326 of the USA PATRIOT Act, which mandate the Financial Crimes Enforcement Network (FinCEN) and the Securities and Exchange Commission (SEC) to establish minimum standards for financial institutions regarding customer identity verification. The regulation defines small entities as investment advisers with assets under management of less than $25 million, among other criteria. As of October 5, 2023, approximately 276 Registered Investment Advisers (RIAs) and 113 Exempt Reporting Advisers (ERAs) are classified as small entities. The rule would affect 14,914 RIAs and 5,546 ERAs, including all small entities. Most small advisers are registered with state securities authorities and are not required to register with the SEC unless they meet specific criteria.

Compliance with the regulation imposes new annual burdens on small advisers, including 249 hours per RIA and 15.76 hours per ERA, totaling 70,504.88 hours in aggregate. The estimated annual cost to small advisers is approximately $7,494,668.74. Smaller advisers may face higher costs relative to their assets under management due to the lack of economies of scale compared to larger advisers. The regulation emphasizes the use of performance standards, allowing firms flexibility in how they implement the required procedures. This approach acknowledges the varying characteristics and sizes of investment advisers, enabling them to tailor their CIPs to their specific operations, account types, and methods of opening accounts. The rule permits firms to determine the appropriate personnel for implementing and overseeing their CIPs, further accommodating their individual needs.

The SEC and FinCEN considered alternatives such as exempting small advisers from all or part of the proposed rule, establishing different requirements for small advisers, clarifying compliance requirements, and using design rather than performance standards. However, they concluded that establishing different requirements or exempting small advisers would be inappropriate, deeming the current rule sufficiently flexible. The proposed regulation aims to ensure a consistent approach to preventing the use of false identities for illegal activities, such as money laundering or financing terrorism. By using performance standards, the regulation allows flexibility for different sized firms while maintaining core requirements for verifying customer identities. The report highlights the importance of this regulation in enhancing financial security and ensuring compliance across the investment advisory sector.

VII. Considerations of the Impact on the Economy

Key Points

- A rule is classified as "major" under SBREFA if it meets one or more of the following criteria:
- Results in or is likely to result in an annual effect on the economy of $100 million or more.
- Causes or is likely to cause a significant increase in costs or prices for consumers or individual industries.
- Leads to or is likely to lead to substantial adverse effects on competition, investment, or innovation.
- Determination of a "major rule" requires assessment of potential impacts using empirical data and factual support.
- The analysis must focus on specific thresholds and criteria defined under SBREFA to ensure thoroughness and datadriven conclusions.

Guiding Principles Key Points

- The firm should advocate on issues where proposed regulations may impose unnecessary burdens, such as high compliance costs or lack of uniformity, as per the guiding principles on regulation (Guiding Principles 3.c.i.13.c.i.5).
- Advocacy should focus on preserving the independent brokerdealer model and ensuring similar regulation for similar services, aligning with competition principles (Guiding Principles 6.b.i.16.b.i.2).
- The firm should address regulations that could lead to significant cost increases or adverse effects on competition, as these impact economic thresholds under SBREFA (Guiding Principles 3.c.i.13.c.i.5).
- Consideration should be given to how regulations might affect tax deductibility of investing costs and encourage savings, though this is more indirect (Guiding Principles 5.b.i.15.b.i.3).

The text provides an overview of the criteria used to determine whether a proposed federal regulation qualifies as a "major rule" under the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). A rule is classified as "major" if it meets one or more of the following conditions: it results in or is likely to result in an annual economic impact of $100 million or more; it causes or is likely to cause a significant increase in costs or prices for consumers or individual industries; or it leads to or is likely to lead to substantial adverse effects on competition, investment, or innovation. The text emphasizes the importance of evaluating these potential impacts to determine if a proposed regulation meets the definition of a "major rule." It also highlights the necessity of using empirical data and factual support to inform this determination, ensuring that the analysis is thorough and data-driven. The focus is on understanding the specific thresholds and criteria that define a "major rule" under SBREFA, with an emphasis on maintaining a rigorous and evidence-based approach to regulatory analysis.

VIII. FinCEN's Regulatory Impact Analysis

Key Points

- FinCEN's analysis under Executive Orders 12866, 13563, and 14094 evaluates the impact of a proposed federal regulation to maximize net benefits by assessing alternatives. Reviewed by the Office of Management and Budget (OMB).
- The annual internal burden is $404,045,339.05, and the external burden is $48,446,969.76.
- Example: An Externally Managed Account (ERA) with two customers incurs internal costs of $1,675 and external costs of $654.
- Example: A Registered Investment Advisor (RIA) with 100 customers incurs internal costs of $26,468 and external costs of $4,088.
- The regulation aims to enhance law enforcement's ability to combat money laundering and terrorist financing, safeguarding U.S. financial markets from criminal access.
- Alternative approaches, such as using the Legal Entity Identifier (LEI), were considered but deemed unsuitable as they apply only to legal entities, not natural persons.
- FinCEN concludes that the benefits of the proposed rule, including enhanced security and reduced financial crime, outweigh the associated costs, providing a robust framework for financial integrity.

Guiding Principles Key Points

- The proposed regulation may impose unnecessary burdens on registered entities and financial advisors, as the costs of compliance outweigh the benefits, aligning with Guiding Principles 3.c.i.1.
- The regulation could be seen as an example of "regulation by enforcement," where enforcement activities are used to establish new regulatory requirements, relevant to Guiding Principles 4.c.iv.
- The rule aims to protect investors from financial crime, which aligns with the principle of promoting investor protection, as outlined in Guiding Principles 8.b.ii.

The analysis conducted by the Financial Crimes Enforcement Network (FinCEN) under Executive Orders 12866, 13563, and 14094 evaluates the proposed federal regulation's impact, focusing on maximizing net benefits through the assessment of regulatory alternatives. This significant rule, reviewed by the Office of Management and Budget (OMB), aims to enhance the effectiveness of U.S. financial systems. The cost analysis reveals an annual internal burden of $404,045,339.05 and an external burden of

$48,446,969.76. Specific examples include an Externally Managed Account (ERA) with two customers incurring $1,675 in internal costs and $654 externally, while a Registered Investment Advisor (RIA) with 100 customers faces $26,468 internally and $4,088 externally. The proposed regulation is expected to bolster law enforcement's ability to combat money laundering and terrorist financing, thereby safeguarding U.S. financial markets from criminal access. While alternative approaches, such as using the Legal Entity Identifier (LEI), were considered, they were deemed unsuitable as they apply only to legal entities, not natural persons. FinCEN concludes that the benefits of the proposed rule, including enhanced security and reduced financial crime, outweigh the associated costs, providing a robust framework for financial integrity.