

APPROACHING THE CDD RULE

Tim O.L.: As we get closer to the May 11, 2018 final applicability date for the new customer due diligence or CDD rule, it's critical to think about your firm's approach to ensuring that you're in full compliance with the rule. I find it helpful to visualize the preparation for the CDD rule like stops or destination points along a road.

Tim O.L.: In our approach to advising clients on the rule, we recommend that they consider seven major areas related to their preparedness, like seven stops or destinations on that roadway. Those seven areas of focus are:

1. Conducting a gap analysis.
2. Creating a project plan to shore up any gaps identified.
3. Communicating with technology.
4. Socializing the CDD rule.
5. Writing or updating your policies and procedures.
6. Training.
7. Testing.

Tim O.L.: While all of these areas need to be considered, today I'd like to focus on the first key area, conducting a gap analysis. The purpose of the gap analysis is to identify gaps between existing policies, procedures, processes and controls, and then compare those to the requirements of the CDD rule.

Tim O.L.: Firms should be methodical in their approach. My recommendation is to first begin with the requirements of the CDD rule and then map those to your specific policies, procedures, processes and controls. The key here is to look for daylight. Where is there a requirement under the CDD rule that you have no corresponding process or control in your current compliance program.

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Tim O.L.: The gap analysis should look at individual components of the rule, not just high-level themes. For example, although many firms are already collecting some level of beneficial ownership information for at least a portion of their customer base, the rule is quite specific as to when a covered financial institution must collect this information, and how it should be collected.

Tim O.L.: Or consider that under the CDD rule, there is also a new requirement that dictates a covered financial institution should develop a customer risk profile, and to conduct ongoing monitoring against that profile to identify and report suspicious activity or transactions, and to maintain and update customer information.

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