Hello Kitty Is Not A Cat

by Steve Brown

We were astonished to read that that Hello Kitty is not really a cat. Sanrio, the Japanese toymaker who created Hello Kitty some 40Ys ago, has announced that she is a cartoon character that portrays a little girl. An English girl at that, but certainly not a cat. She never walks on all fours explained the Sanrio spokesman. We say Mickey Mouse never walked on all fours either, nor did Bullwinkle, but no one doubts that Mickey was a mouse and Bullwinkle always referred to himself and his sidekick as "moose and squirrel," so this is odd indeed.

This misidentification reminds us that FinCEN, the financial crimes unit of the Department of Treasury is also very concerned with accurate identification. They have recently come out with proposed updates to customer due diligence requirements that address the issue of identity when financial institutions do business with legal entities. The proposed rule includes a new regulatory requirement to identify beneficial owners of legal entities. This includes the identity of the individual representing the entity and owners of the entity - those who have direct ownership and control. There is also a duty to understand the purpose of the entity and nature of its customer relationship with the financial institution, plus banks will need to maintain all information in order to identify and report suspicious activity.

Banks already identify customers as a part of their Customer Identification Program (CIP) but the second element here which is concerned with the beneficial ownership of the legal entity customer is new. An individual opening an account on behalf of a legal entity will be required to provide the beneficial owner's name, date of birth, address and SS#. In addition, the financial institution will be required to verify the identity of beneficial owners in the same manner as any other customer.

That's not all, as there are now two prongs to the definition of who is a beneficial owner. One prong is actual ownership (defined as owning at least 25% of equity interest) and the other addresses control of the entity. If no one has 25% equity interest, then one individual with significant managerial control over the entity must be identified. The control prong could include the CEO, the CFO, COO, a general partner, president, VP or treasurer. The determination is made more by the capacity of the individual - do they function as a senior officer? This seems fairly clear, but what if a board hires a consultant regarding a restructuring? If the rule is adopted as is, financial institutions will need to be certain they understand if there are "shadow" officers who could be considered a part of the control prong. There are a number of exemptions including publicly traded companies, swap dealers, banks, investment companies and charities, but that still leaves many more. It would seem that most privately held companies and partnerships, those kinds of entities that make up the majority of a community bank's business customers, would fall under the new rule. The proposal is open for comment through the end of September, so the clock is ticking.

As for Hello Kitty's apparent mistaken identity, it will be interesting to watch what happens as a result. Twitter and Facebook exploded with confusion and outrage. Sanrio's marketing people must be having kittens given the level of negative response and are probably worried about how it could affect the wildly successful brand. Personally, we think Hello Kitty is an anthropomorphized cat, regardless of what Sanrio says. We were nonetheless relieved when Peanuts announced that Snoopy is indeed a dog. In any case, accurate identity is serious business whether one is talking about cartoon characters or banking.

BANK NEWS

Not Opposed

The director of the regulatory agency overseeing the FHLB system, Mel Watt, said in a recent speech that the agency is not opposed to the proposed merger of FHLB Des Moines and Seattle. His support could mean bankers will see more FHLB mergers in the future.

Greener Pastures

CNN Money reports research by Fidelity finds Baby Boomers stay in their jobs a median of 14Ys vs. only 3Ys for Millennials.

No to Debt

A new Bankrate survey finds 63% of Millennials don't have even one credit card vs. only 35% of those over 30Ys old.

Few Branches

Research firm Celent projects branches could consolidate 30% to 40% in coming years, as digital channels continue to grow and in response to changing customer behavior.

CEO Traits

A survey by Korn/Ferry International finds only 3% of CEOs surveyed (from a variety of industries) completely cut themselves off from the office while on vacation and 84% have canceled trips because of work demands.

Innovation

Deloitte reports 60% of senior executives of global companies it surveyed in 2013 said employees, external partners and company research and development centers are extremely or very important sources for innovation and for coming up with new ideas.

Attitudes

A recent Gallup poll finds the top 3 states people most want to leave if they could are IL (50%), CT (49%) and MD (47%). Meanwhile, the bottom 3 states where people would leave are MT (23%), HI (23%) and ME (23%). On average, about 33% of people surveyed say they would like to move to another state if they could. The main reasons people said they wanted to move included work (31%), family/social (19%), weather (11%), quality of life (9%), school (8%), cost of living (5%) and taxes (3%).

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