

Beneficial Ownership Rule

Effective May 11, 2018 new rules will aid the government in the fight against crimes to evade financial measures designed to combat terrorism and other national security threats. Provided below are a few Frequently Asked Questions (FAQs) to assist our customers with understanding the new requirements.

Frequently Asked Questions

Q: What is the purpose of the Customer Due Diligence (CDD) Rule?

A: The Financial Crimes Enforcement Network (FinCEN) is issuing the CDD Rule to amend existing regulations in order to clarify and strengthen customer due diligence requirements for certain financial institutions. The CDD Rule outlines explicit customer due diligence requirements and imposes a new requirement for these financial institutions to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.

Q: Does the CDD Rule apply to all banks and credit unions?

A: Yes, all federally regulated banks and federally insured credit unions are covered.

Q: Does the Rule apply to existing accounts?

A: The CDD Rule is applicable to “new” accounts opened at a covered financial institution by a legal entity customer on or after May 11, 2018. Covered financial institutions are required to obtain information on the beneficial owners of a legal entity that opens a “new” account, meaning for each new formal banking relationship established, even if the legal entity is an existing customer on or after that date. For financial services or products established before May 11, 2018, covered financial institutions must obtain certified beneficial ownership information of the legal entity customers of such products and services at the time of the first renewal following that date such as for an auto renewable certificate of deposit or a loan renewal.

Q: Who does the Rule apply to?

A: The Rule applies to Legal Entity Customers which include: a corporation, limited liability company, or other entity that is created by the filing of a public document with a Secretary of State or similar office, a general partnership, and any similar entity formed under the laws of a foreign jurisdiction that opens an account. The definition also includes limited partnerships, business trusts that are created by a filing with a state office, and any other entity created in this manner.

Q: Are any legal entities exempt from the Rule?

A: A legal entity customer does not include sole proprietorships, unincorporated associations, natural persons opening accounts on their own behalf and certain trusts.

Q: Who is a beneficial owner?

A: The Rule defines a beneficial owner to be:

- Each individual, if any, who, directly or indirectly, owns 25% or more of the equity interests of a legal entity customer; and
- A single individual with significant responsibility to control, manage, or direct a legal entity customer, including an executive officer or senior manager (e.g., a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer); or any other individual who regularly performs similar functions.

Q: Are covered financial institutions required to collect any information about beneficial ownership from the legal entity customer?

A: Yes. Covered financial institutions must collect information on individuals who are beneficial owners of a legal entity customer.

Q: What beneficial ownership information will be collected from covered legal entities?

A: Information such as name, date of birth, current physical address, and social security number or other government identification number (passport number or other similar information in the case of foreign persons) for individuals who own 25% or more of the equity interest of the legal entity (if any), and an individual with significant responsibility to control/manage the legal entity at the time a new account (i.e., loan certificate of deposit, deposit account, safe deposit box) is opened and/or maintained.

Q: How will this information be collected?

A: A certification form may be used to obtain the required beneficial ownership information.