# BENEFICIAL OWNERSHIP AND ENHANCED CUSTOMER DUE DILIGENCE

The U.S. Department of Treasury recently issued a final rule titled "Customer Due Diligence Requirements for Financial Institutions" (31 CFR 1010.230) that creates new due diligence obligations for banks and other financial institutions. All banks, large and small, are now required to collect and verify the identities of certain individuals who own or control legal entity customers. These might include corporations, limited liability companies (LLCs), partnerships, and other legal entities. Individuals who own or control legal entity customers are considered "beneficial owners" of that entity.

## Who has to complete a form?

This beneficial owner form must be completed and signed by the person authorized to open a new account and/or act on behalf of a legal entity with any of the following U.S. financial institutions:

- Bank or credit union
- Broker or dealer in securities
- Mutual fund
- Futures commission merchant
- Introducing broker in commodities

For purposes of this rule, a legal entity includes a corporation, LLC, or other entity that is created by the filing of a public document with the Secretary of State or similar office, a general or limited partnership, statutory business trusts, or any similar business entity formed in the US or a foreign country.

The following **do not** qualify as a legal entity under the rule and would not require Beneficial Ownership requirements:

- Natural Persons
- Sole Proprietorship
- Unincorporated entities such as local community organizations, Girl or Boy Scout troops, etc.
- Trusts other than Statutory Business Trusts
- Financial institutions regulated by federal or state regulators
- Departments or agencies of the US government, state, or any political subdivision of any state
- Entities established to exercise governmental authority such as the power to tax, to exercise eminent domain, or to exercise policing powers
- Publicly traded entities (NYSE, AMEX, NASDAQ National Security Market)
- Subsidiaries of publicly traded entities where at least 51% of the common stock of the subsidiary is owned by the publicly traded entity
- Investment companies or advisors
- Exchange or clearing agencies
- Issuers of certain securities registered with the SEC
- Public accounting firms registered under the Sarbanes-Oxley Act
- Bank holding companies
- State regulated insurance companies
- Foreign financial institutions

First Harrison Bank

**KEEP IT *EASY*. KEEP IT *LOCAL*.**

## How will the new requirement impact me?

The regulation requires First Harrison Bank to gather the following information from Beneficial Owners of its new and existing legal entity customers:

- Name
- Date of Birth
- Current physical residential address or business address
- Social Security Number (or other government issued identification number for non-US citizens without a SSN)

This rule requires you to provide such information for the following individuals:

- **Beneficial Owner** - Each individual who owns, directly or indirectly, 25% or more of a legal entity
- **Control Person** - Under the new rule, a "control" person is a person with significant responsibility for managing the legal entity customer. This may include someone like an executive officer or senior manager (e.g. Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer).

## Where can I learn more?

The Customer Due Diligence Requirements for Financial Institutions Final Rule can be found at:

https://www.gpo.gov/fdsys/pkg/FR-2016-05-11/pdf/2016-10567.pdf

The Financial Crimes Enforcement Network (FinCEN) issued FAQs to assist in understanding the scope of the Customer Due Diligence Requirements for Financial Institutions which can be found here:

https://www.ffiec.gov/bsa_aml_infobase/documents/FAQs_for_CDD_Final_Rule_(7_15_16).pdf

First Harrison Bank does not necessarily control the content of the linked sites, nor does it necessarily endorse all of the products and services offered therein.

First
Harrison
Bank

**KEEP IT *EASY.* KEEP IT *LOCAL.***