The Rules for

New Account Opening and Beneficial Ownership

- What Is beneficial ownership?
- Who is affected?
- What are the new rules?

Helping to fight money laundering and other financial crimes

The Financial Crimes Enforcement Network (FinCEN) of the U.S. Treasury has issued rules that require financial institutions to expand their customer due diligence programs to include the collection and verification of beneficial ownership information for business and legal entity customers at new account openings.

■ What Is beneficial ownership?

An individual's beneficial ownership in a business or legal entity is determined by applying two separate criteria: ownership percentage and management control.

Ownership percentage – If an individual owns a 25 percent or more equity interest (e.g. a shareholder) in the business or legal entity then they must be identified. This minimum standard for ownership percentage could affect zero to 4 persons.

Management control – The one individual that holds a significant responsibility to control, manage or direct the business or legal entity (e.g. CEO, President, Treasurer, General Partner, Managing Member, etc.) in other words a high-level official.

The beneficial ownership rule requires that a business or legal entity customer must provide identifying documentation for at least one person to open a new account.

■ What type of documentation is needed?

Beneficial owners must provide documents with their name, address, date of birth and Social Security number or other government identification number. In the case of foreign person, a passport number or other similar information is required.

Original documents are not required.

Copies of identity documents are acceptable in the case of the beneficial owners. In some instances, copies of other identifying documents may also be required for each beneficial owner.

What is a legal entity customer?

The legal entity definition includes a corporation, a limited liability company, other entity 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. Importantly, also included are limited partnerships, business trusts that are created by filing with a state office, and any other entity created in this manner.

What is an account?

An account means a formal financial relationship established to provide or engage in services, dealings, or other financial transactions including a deposit account, a transaction or asset account, a credit account, or other extension of credit. Account also includes a relationship established to provide a safety deposit box or other safekeeping services, or cash management, custodian, and trust services.

How long are records retained?

The financial institution must retain the information for five years after the date the account is closed or, in the case of credit cards, five years after the account Is closed or becomes dormant.

The rules that expand the customer due diligence programs are subject to certain exclusions and exemptions. For a complete explanation of the program please check with our new account specialist.

Thank you for your cooperation in this important effort.