



RULING

FIN-2018-R002

Issued: May 16, 2018

Subject: Beneficial Ownership Requirements for Legal Entity Customers of Certain Financial Products and Services with Automatic Rollovers or Renewals

The Financial Crimes Enforcement Network (FinCEN) is issuing this ruling to provide a 90-day limited exceptive relief to covered financial institutions from the obligations of the Beneficial Ownership Requirements for Legal Entity Customers (31 CFR § 1010.230) (Beneficial Ownership Rule) with respect to certain financial products and services that automatically rollover or renew (i.e., certificate of deposit (CD) or loan accounts) and were established before the Beneficial Ownership Rule's Applicability Date, May 11, 2018. This exception begins, retroactively, on May 11, 2018, and will expire on August 9, 2018. During this time, FinCEN will determine whether and to what extent additional exceptive relief may be appropriate for such financial products and services that were established before May 11, 2018, but are expected to rollover or renew after such date.

Consistent with the definition of "account" in the Customer Identification Program (CIP) rules and subsequent interagency guidance,¹ each time a loan is renewed or a certificate of deposit is rolled over, the bank establishes another formal banking relationship and a new account is created. As clarified in the Customer Due Diligence Frequently Asked Questions (CDD FAQs) published on April 3, 2018, covered financial institutions are required to obtain information on the beneficial owners of a legal entity that opens a new account for each new formal banking relationship established, even if the legal entity is an existing customer. FinCEN understands that some covered institutions have not treated such rollovers or renewals as new accounts and have established automatic processes to continue the

1. See "Interagency Interpretive Guidance on Customer Identification Program Requirements under Section 326 of the USA PATRIOT Act, FAQs: Final CIP Rule," p. 8 (April 28, 2005).

banking relationship with the customer.² These covered financial institutions have expressed concern regarding their ability to comply with the Beneficial Ownership Rule with respect to such accounts.

FinCEN believes that further consideration of this issue is appropriate and is, therefore, granting this temporary exception with respect to collecting beneficial ownership on certain financial products and services (*i.e.*, CD and loan accounts) that automatically rollover or renew and were established before the Beneficial Ownership Rule's Applicability Date.

Exceptional Relief

Under 31 U.S.C. § 5318(a)(5) and 31 CFR § 1010.970, FinCEN has the authority to make exceptions to the requirements of 31 CFR Chapter X. Such exceptions may be either conditional or unconditional and may apply to particular persons or classes of persons. FinCEN may extend, modify or revoke exceptions at its discretion.

For the reasons discussed above, FinCEN grants an exception to covered financial institutions for 90 days, up to and including August 9, 2018, from the Beneficial Ownership Rule's requirements to identify and verify beneficial ownership information for rollover or renewal of certain financial products and services (*i.e.*, CD and loan accounts) that were established before May 11, 2016.

For questions concerning this ruling, please contact FinCEN's Regulatory Helpline at (800) 949-2732.

2. See CDD FAQ, Q.12, at p.9 (https://www.fincen.gov/sites/default/files/2018-04/FinCEN_Guidance_CDD_FAQ_FINAL_508_2.pdf). The response to Q.12 provides, in pertinent part, consistent with the definition of "account" in the CIP rules and subsequent interagency guidance, each time a loan is renewed or a certificate of deposit is rolled over, the bank establishes another formal banking relationship and a new account is established. Covered financial institutions are required to obtain information on the beneficial owners of a legal entity that opens a new account, meaning (in the case of a bank) for each new formal banking relationship established, even if the legal entity is an existing customer. 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. At the time of each subsequent renewal, to the extent that the legal entity customer and the financial service or product (e.g., loan or CD) remains the same, the customer certifies or confirms that the beneficial ownership information previously obtained is accurate and up-to-date, and the institution has no knowledge of facts that would reasonably call into question the reliability of the information, the financial institution would not be required to collect the beneficial ownership information again. In the case of a loan renewal or CD rollover, because we understand that these products are not generally treated as new accounts by the industry and the risk of money laundering is very low, if at the time the customer certifies its beneficial ownership information, it also agrees to notify the financial institution of any change in such information, such agreement can be considered the certification or confirmation from the customer and should be documented and maintained as such, so long as the loan or CD is outstanding.