

Beneficial Ownership Frequently Asked Questions

The Financial Crimes Enforcement Network ([FinCEN.gov](https://www.fincen.gov)) has issued a new rule to amend existing BSA regulations in order to clarify and strengthen customer due diligence requirements for financial institutions. It outlines explicit customer due diligence requirements and imposes a new requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions. FinCEN intends that the legal entity customer identify its ultimate beneficial owner(s).

Q) What is Beneficial Ownership and why do we need to know who they are?

- A) To help the government fight financial crime, federal regulation now requires us to obtain, verify, and record information about the beneficial owners of legal entity customers. Legal entities can be abused to disguise involvement in terrorist financing, money laundering, tax evasion, corruption, fraud, and other financial crimes. Requiring the disclosure of key individuals (beneficial owners) who own and/or control a legal entity helps law enforcement investigate and prosecute these crimes.

Q) What type of businesses does this new rule apply to?

- A) Legal entities- A legal entity is defined as a corporation, limited liability company, general partnership, and any other entity that is created by filing a public document with Secretary of State or similar office. It also includes limited partnerships, and business trusts that are created by filing with a state office.

Excluded legal entities:

- Financial Institutions
- Sole Proprietors
- Unincorporated Associations or Organizations (informal associations, recreation or club accounts)
- Public Funds/Government Entities,
- Estates
- Trusts not formed by a state filing
- An issuer of securities registered with Securities Exchange Act (SEC)
- Entities traded publically in the US
- a registered entity, commodity pool operator, commodity trade advisor, retail foreign exchange dealer, swap dealer or major swap participant registered with the Commodity Futures Trading Commission, a public

accounting firm registered under section 102 of the Sarbanes- Oxley Act, a bank holding company, a pooled investment vehicle operated and advised by a financial institution, an insurance company regulated by a state, and a financial market utility designated by the FSOC.

Q) What type of accounts does the new Beneficial Ownership rule apply to?

- A) All **new** accounts. This will include checking, savings, money market, certificates of deposit and renewals thereof, safe deposit boxes and all loans, including renewals for any legal entity that meets the rules definition.

Q) What are the 2 prongs to meet Beneficial Ownership requirement?

1. **Ownership Prong-** A person with 25%+ Direct/Indirect Ownership of the equity interests of a legal entity customer. You can have up to 4 owners listed or there is a possibility that no one is listed.
2. **Control Prong-** There will always be someone with this authority. We are required to collect information on one individual with significant control, who manages, or directs a legal entity customer.

Q) Who are the beneficial owners?

- A) Each individual (heartbeat) that has 25% or more ownership in the legal entity. As well as the individual with significant control responsibility of the legal entity.

Q) Who has significant control?

- A) There must be a single individual with significant responsibility for managing the legal entity such as (Chief Executive Officer, CFO, Chief Operating Officer, Managing Member, Vice President, Treasurer, etc.) or any other individual who regularly performs similar functions.

Q) What must be collected from each beneficial owner?

- Name
- Physical Address
- Date of Birth
- Social Security Number/ Passport Number
- Identification Documentation (driver's license, state issued identification, alien registration card or passport).

For More Information

For more information on this regulatory requirement and how it impacts you, please contact Traditional Bank at business@traditionalbank.com , or refer to the [Federal Register website](#) or FinCEN's FAQs [Regarding Customer Due Diligence Requirements for Financial Institutions](#).