

REQUIREMENT TO DISCLOSE BENEFICIAL OWNERS

The U.S. Department of Treasury recently issued a final rule titled “Customer Due Diligence Requirements for Financial Institutions” that creates new due diligence obligations for credit unions.

The credit union is now required to collect and verify the identities of certain individuals who own or control legal entity customers.

Beneficial Owners:

Individuals who own, or control, legal entities are considered “beneficial owners” of that entity. A beneficial owner is any individual that has ownership and/or control of the legal entity customer. Under the rule, an individual is considered a beneficial owner if she/he directly or indirectly, through any contract, arrangement, or understanding, relationship or otherwise, has an individual equity interest of **25%** or more of the legal entity customer.

Control Individual:

Under the new rule, a “control” individual 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. a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer).

Certification Required:

The person opening the account or making changes to the account (or other persons as deemed necessary), are required to certify who the legal entity beneficial owners are as well as the control individual.

Considered a Legal Entity under the Beneficial Ownership Rule:

- Corporations, including single owner S-corporations
- Limited Liability Companies
- Other entities that are created by the filing of a public document with a Secretary of State or similar office
- General partnerships
- Any similar entity formed under the laws of a foreign jurisdiction that open an account
- Limited Partnerships
- Business Trusts created by a filing with a state office, or any other entity created in this manner as well as similar entities formed under the laws of other countries

Not Considered a Legal Entity under the Beneficial Ownership Rule:

- Sole proprietorships and most trusts
- Unincorporated associations (small local community organizations such as Scout Troops and youth sports leagues)
- Natural persons opening accounts on their own behalf
- Many U.S. publicly traded entities, regulated entities, and government entities will be excluded from these requirements.

Information Required to be gathered on New and Existing Members:

- Name
- Date of Birth
- Current physical residential or business address
- Social Security Number (or other identification as per regulation or the credit union’s policy)

Documentation (that may be asked for or required):

- A document verifying your identity and date of birth, such as a passport or driver’s license
- A document verifying your current address, if not listed on the document

Certification Information Includes:

- Name (first, middle, last) and job title of the account opener
- Name and address of the legal entity customer (street address, city, state/province, country and zip code)
- The information below is required for beneficial owners:
 - Name
 - Date of birth
 - Physical address
 - For U.S. Persons: Social Security Number
 - For Non-U.S. Persons: Social Security Number, passport, alien ID, other government issued ID including document number and place of issuance.

Learn More:

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

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