

FinCEN Customer Due Diligence Final Rule Overview

Overview of the Regulation

The Financial Crimes Enforcement Network (FinCEN) as part of the United States Department of the Treasury is charged with protecting the financial system from illicit use, combating money laundering and promoting national security through financial intelligence.

In May 2016, FinCEN issued the CDD Rule requiring banks to identify and verify the identity of any beneficial owner (BO) who directly or indirectly owns 25% or more of the equity interest in a legal entity client (called the ownership prong), along with a single individual who exercises control over the legal entity (called the control prong) at the time of account opening. Beneficial owners may fall under the ownership prong, control prong or both prongs.

The FinCEN CDD Rule became effective July 11, 2016, with a mandatory compliance date of May 11, 2018.

Regulatory Requirements

The Regulation requires financial institutions to capture, verify and validate the following information for beneficial owners at the time of account opening: name; physical address; Internal Revenue Service identification number (i.e. social security number or tax identification number); and date of birth. Banks may satisfy this regulatory requirement by using a Certification Form completed by the individual opening the account on behalf of the customer.

How Will This Information be Used?

FinCEN enacted this regulatory requirement to collect information on beneficial owners so that we are able to more fully identify our client population. This information will help foster greater financial transparency and can also help to meaningfully reduce illicit transactions in the financial services industry.

BMO Harris Bank Implementation

In advance of the mandatory compliance date of May 11, 2018, BMO Harris will begin to implement the Regulation and collect this information using a Certification Form in early 2018. This will allow us enough time to adapt our technology, policies and procedures to make this process as simple as possible for our clients, and ensure we are able to fully comply with the Regulation.

Full information on the FinCEN CDD Rule is available at <https://www.gpo.gov/fdsys/pkg/FR-2016-05-11/pdf/2016-10567.pdf>.

Please contact a BMO Harris Banker for further questions or clarification.