

Banking and Finance Law Daily Wrap Up, BANK SECRECY ACT— FinCEN answers questions on customer due diligence for financial institutions, (Apr. 4, 2018)

Banking and Finance Law Daily Wrap Up

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The Financial Crimes Enforcement Network has issued Frequently Asked Questions to assist financial institutions in understanding the scope of the customer due diligence requirements for financial institutions. A covered financial institution with a reasonable suspicion that a customer is attempting to evade beneficial ownership requirements, FinCEN warns, should consider whether it should not open an account, close an account, or file a suspicious activity report ([FIN-2018-G001](#)).

FinCEN issued final rules that become effective on July 11, 2016, to strengthen customer due diligence requirements for: banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities. The rules include a requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to exclusions and exemptions (see [Banking and Finance Law Daily](#), May 6, 2016). FinCEN later made technical corrections to the requirements (see [Banking and Finance Law Daily](#), Sept. 27, 2017).

In the first of the 37 questions, FinCEN reminds financial institutions that they may choose to implement stricter written internal policies and procedures for the collection and verification of beneficial ownership information than the requirements prescribed by regulation. The standard is set at 25 percent of beneficial ownership and an individual with managerial control. However, a financial institution may choose to collect information on persons owning a lower percentage of equity interests of a legal entity customer under the ownership prong, as well as information on more than one individual under the control prong.

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