

[Banking and Finance Law Daily Wrap Up, BANK SECRECY ACT—FinCEN grants temporary relief from Beneficial Ownership Rule, \(May 17, 2018\)](#)

Banking and Finance Law Daily Wrap Up

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The Financial Crimes Enforcement Network is providing a 90-day limited exception to covered financial institutions from the obligations of the Beneficial Ownership Requirements for Legal Entity Customers (Beneficial Ownership Rule) with respect to certain financial products and services that automatically rollover or renew, such as certificates of deposit or loan accounts, and were established before the Beneficial Ownership Rule's effective date of May 11, 2018 ([FIN-2018-R002](#)). Under the new rule, covered financial institutions must identify and verify the identity of beneficial owners when those companies open accounts (see [Banking and Finance Law Daily](#), May 11, 2018).

This exception begins May 11, 2018, and expires Aug. 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 that date.

Consistent with the definition of "account" in the Customer Identification Program 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 created. As clarified in the Customer Due Diligence Frequently Asked Questions published on April 3, 2018 (see [Banking and Finance Law Daily](#), April 4, 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.

In its ruling, FinCEN acknowledged that some covered institutions have not treated such rollovers or renewals as new accounts and have established automatic processes to continue the banking relationship with the customer. These covered financial institutions have expressed concern regarding their ability to comply with the Beneficial Ownership Rule with respect to such accounts. FinCEN is granting the temporary exception because it determined that further consideration of this issue is appropriate.

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