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## FINCEN'S CUSTOMER DUE DILIGENCE AND BENEFICIAL OWNERSHIP RULE

*FinCEN's new rule will require financial institutions to establish written procedures reasonably designed to identify and verify the identities of beneficial owners of legal entity customers. The authors discuss the coverage of the rule, addressing the definitions of "legal entity customer," "beneficial owner," "account," and requirements for identification and verification. They then turn to the rule's amendments to AML Program requirements and set out practical steps for financial institutions as they prepare for compliance.*

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On May 11, 2016, the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") published a long-awaited final rule, Customer Due Diligence Requirements for Financial Institutions (the "Final Rule").<sup>1</sup> The Final Rule, which impacts anti-money laundering ("AML")-related obligations imposed

on financial institutions under the authority of the Bank Secrecy Act ("BSA"), was the culmination of a four-year rulemaking process. The Final Rule explicitly codifies customer due diligence ("CDD") requirements for covered financial institutions, and imposes a new requirement to obtain and verify the identity of beneficial owners of legal entity customers. The Final Rule imposes significant new compliance burdens on financial institutions.

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<sup>1</sup> FinCEN, Final Rule, Customer Due Diligence Requirements for Financial Institutions, 81 Fed. Reg. 29398 (May 11, 2016).

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