BMO Bank N.A.

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, when there are known changes in the ownership structure or during review. 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 the following information for beneficial owners: name; physical address; Internal Revenue Service identification number (i.e., social security number or tax identification number); and date of birth. Banks must also verify the identity of beneficial owners.

Banks may satisfy this regulatory requirement by using a Certification Form completed by the individual opening the account on behalf of the customer.

In the event BMO is made aware of changes in the Beneficial Ownership of the customer, we will take the necessary steps to update our internal systems to reflect those changes. Additionally, a new Certification Form will also have to be completed and signed by the entity's authorized representative.

Finally, BMO reserves the right to conduct reviews on its customers on a periodic basis. In some instances, we may be required to collect updated beneficial ownership information as well as completed and signed Certification Form.

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 Bank Implementation

The Regulation was implemented on May 11, 2018, and BMO has taken the necessary steps to adapt our technology, policies, and procedures to make this process as simple as possible for our clients, and ensure we are able to comply with the Regulation.

Full information on the FinCEN CDD Rule is available at https://www.fincen.gov/resources/statutes-and-regulations/cdd-final-rule

Please contact a BMO Banker for further questions or clarification.

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