

FinCEN's Beneficial Ownership Rules



FinCEN's (Financial Crimes Enforcement Network) new Beneficial Ownership rule requires covered financial institutions to identify and verify the identity of the beneficial owners of all legal entity customers. The implementation date is May 11, 2018.

What is a “legal entity customer”?

Legal entity customers include the following entities created by a filing with a state office or with a Secretary of State:

- Corporations
- Limited Liability Companies
- Limited Partnerships
- General Partnerships
- Statutory Trusts (files with a state office)

The definition of “legal entity customer” does not include:

- Natural Persons
- Sole Proprietorships
- Unincorporated Associations
- Non Profit Corporations
 - A Non Profit Corporation is exempt from identifying a Beneficial Owner, but is required to identify a Beneficial Controller (someone with managerial control)

Who qualifies as a “Beneficial Owner or Beneficial Controller”?

Any individual who, directly or indirectly, owns 25% or more of the legal entity (known as the Beneficial Owners) and one individual who has “significant responsibility to control, manage or direct the legal entity” (known as the Beneficial Controller).

Beneficial Owners

- The owners identified must be natural persons.
- Only list owners that own 25% or more of the legal entity.
- There may not be an individual who owns 25% or more of the legal entity. In this case, a Beneficial Owner would not be listed.

Example for identifying the Beneficial Owner with Indirect Ownership

- Dan Jones owns 20% of Oil Equipment LLC, which owns 80% of Oil Drilling LLP
- Dan Jones also owns 100% of Land Development LLC, which owns 20% of Oil Drilling LLP
- **Dan Jones indirectly owns 36% of Oil Drilling LLP, Dan is listed as a Beneficial Owner**
- Bill Jones owns 20% of Oil Equipment LLC, which owns 80% of Oil Drilling LLP
- **Bill is NOT a Beneficial Owner**
- **Bill Jones indirectly owns 16% of Oil Drilling LLP, which is less than 25% ownership**
- Ken Jones owns 60% of Oil Equipment LLC, which owns 80% of Oil Drilling LLP
- **Ken Jones indirectly owns 48% of Oil Drilling LLP, Ken is listed as a Beneficial Owner**

Beneficial Controller

- One individual with significant managerial control.
- Only one individual needs to be designated as the Beneficial Controller.
- Several job titles usually fit within this definition. ex. CEO, CFO, COO, Managing Member, General Partner, President, Vice President, Treasurer, or any other person who “regularly performs similar functions”.

