

## Appendix 1 – Beneficial Ownership

### Exclusions from the definition of Legal Entity Customer

Under 31 CFR 1010.230(e)(2) a legal entity customer does not include:

- A financial institution regulated by a federal functional regulator<sup>14</sup> or a bank regulated by a state bank regulator;
- A person described in 31 CFR 1020.315(b)(2) through (5):
  - A department or agency of the United States, of any state, or of any political subdivision of any State;
  - Any entity established under the laws of the United States, of any state, or of any political subdivision of any state, or under an interstate compact between two or more states, that exercises governmental authority on behalf of the United States or any such state or political subdivision;
  - Any entity (other than a bank) whose common stock or analogous equity interests are listed on the New York Stock Exchange or the American Stock Exchange (currently known as the NYSE American) or have been designated as a NASDAQ National Market Security listed on the NASDAQ stock exchange (with some exceptions);
  - Any subsidiary (other than a bank) of any “listed entity” that is organized under the laws of the United States or of any state and at least 51 percent of whose common stock or analogous equity interest is owned by the listed entity, provided that a person that is a financial institution, other than a bank, is an exempt person only to the extent of its domestic operations;
- An issuer of a class of securities registered under section 12 of the Securities Exchange Act of 1934 or that is required to file reports under section 15(d) of that Act;
- An investment company, investment adviser, an exchange or clearing agency, or any other entity that is registered with the SEC;
- A registered entity, commodity pool operator, commodity trading advisor, retail foreign exchange dealer, swap dealer, or major swap participant that is registered with the CFTC;
- A public accounting firm registered under section 102 of the Sarbanes-Oxley Act;
- A bank holding company or savings and loan holding company;
- A pooled investment vehicle that is operated or advised by a financial institution that is excluded under paragraph (e)(2);
- An insurance company that is regulated by a state;

<sup>14</sup> Federal functional regulator means: Federal Reserve, FDIC, NCUA, OCC, U.S. Securities and Exchange Commission (SEC), or U.S. Commodity Futures Trading Commission (CFTC).

- A financial market utility designated by the Financial Stability Oversight Council;
- A foreign financial institution established in a jurisdiction where the regulator of such institution maintains beneficial ownership information regarding such institution;
- A non-U.S. governmental department, agency, or political subdivision that engages only in governmental rather than commercial activities;
- Any legal entity only to the extent that it opens a private banking account subject to 31 CFR 1010.620.

## Trusts

Trusts are not included in the definition of legal entity customer, other than statutory trusts created by a filing with a Secretary of State or similar office.<sup>15</sup>

## Exemptions from the Ownership Prong

Certain legal entity customers are subject only to the control prong of the beneficial ownership requirement, including:

- A pooled investment vehicle operated or advised by a financial institution not excluded under paragraph 31 CFR 1010.230(e)(2); and
- Any legal entity that is established as a nonprofit corporation or similar entity and has filed its organizational documents with the appropriate state authority as necessary.

## Exemptions and Limitations on Exemptions

Subject to certain limitations, banks are not required to identify and verify the identity of the beneficial owner(s) of a legal entity customer when the customer opens any of the following categories of accounts:

- Accounts established at the point-of-sale to provide credit products, including commercial private label credit cards, solely for the purchase of retail goods and/or services at these retailers, up to a limit of \$50,000;
- Accounts established to finance the purchase of postage and for which payments are remitted directly by the financial institution to the provider of the postage products;
- Accounts established to finance insurance premiums and for which payments are remitted directly by the financial institution to the insurance provider or broker;
- Accounts established to finance the purchase or leasing of equipment and for which payments are remitted directly by the financial institution to the vendor or lessor of this equipment.

These exemptions will not apply:

- If the accounts are transaction accounts through which a legal entity customer can

<sup>15</sup> FinCEN, [FIN-2016-G003](#), *Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions*, Question #22, July 19, 2016.

- make payments to, or receive payments from, third parties.
- If there is the possibility of a cash refund on the account activity opened to finance the purchase of postage, to finance insurance premiums, or to finance the purchase or leasing of equipment, then beneficial ownership of the legal entity customer must be identified and verified by the bank as required either at the initial remittance, or at the time such refund occurs.