

FinCEN Provides Relief from Beneficial Ownership Rule for Certain Rollovers and Renewals

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In response to feedback from financial institutions, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (**FinCEN**) issued a [Ruling granting exceptive relief](#) (the **Ruling**) on September 7, 2018 to covered financial institutions from certain obligations under its beneficial ownership regulation, 31 C.F.R. § 1010.230 (the **Beneficial Ownership Rule**), which became effective on May 11, 2018. Under the Ruling, covered financial institutions will not be required to identify and verify beneficial ownership information of legal entity customers at the time of rollovers, renewals, modifications, or extensions of certain financial products and services. This follows FinCEN's earlier, temporary exception relief, which we [previously discussed](#). The exception may be revoked at FinCEN's discretion.

Specifically, the Ruling applies to:

- a certificate of deposit (CD) rollover;
- a safe deposit rental renewal; and
- a renewal, modification, or extension of a loan, commercial line or credit or credit card account (e.g., setting a later payoff date) that does not require underwriting review and approval.

The exception does not apply to the initial opening of accounts with these features.

Covered financial institutions had argued that the burden of complying with the Beneficial Ownership Rule with respect to renewals of the accounts described above was not commensurate with the low money laundering risks these renewals present.

Although the Ruling relieves financial institutions from treating the rollovers, renewals, modifications, and extensions described above as new accounts for purposes of the Beneficial Ownership Rule, it does not excuse financial institutions from their other requirements under the Bank Secrecy Act, including the obligation to collect sufficient information to understand the nature and purpose of customer relationships in order to develop a customer risk profile. FinCEN emphasized that a financial institution has an obligation under its anti-money laundering program requirement to “conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.”

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If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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