



Updated Beneficial Ownership Rule: What You Need to Know

🔒 risk management AML

Summary: FinCEN issued an updated beneficial ownership information rule to more effectively deter criminals from using shell companies to launder money and perform other nefarious activities. How does this updated rule impact financial institutions? We delve into what we know so far.

The 2019 movie "The Laundromat" is about a Panama law firm that launders money for criminals and other bad actors by forming shell companies and fake trusts, based on the real-life Panama Papers scandal. The lawyers, Jürgen Mossack and Ramón Fonseca, (played by Gary Oldman and Antonio Banderas) narrate three fictional vignettes of people who lost money and more due to the law firm's practices. In the end, the two lawyers remind viewers that while the Panama firm was shut down, many others around the globe are still laundering money these ways.

The Laundromat is a poignant example of why governments around the world are continuing to tighten their anti-money laundering (AML) laws. As part of this, the US government is following through on the mandates passed within three recent laws to implement additional reporting requirements of beneficial owners of companies — individuals who, either directly or indirectly, have a significant ownership interest in a company. The intent is to lessen the chance for people to hide behind shell companies to launder money or engage in other nefarious activities.

Beneficial Ownership Reporting

In September, the Treasury Department's Financial Crimes Enforcement Network (FinCEN) updated the beneficial ownership information (BOI) rule. This rule sets in motion the creation of a national registry of information regarding the individuals behind companies that are registered or doing business in the US. While financial institutions since 2018 have been required to collect the name, date of birth, address, and either a taxpayer or social security number of all the beneficial owners of companies doing business with them, this new rule now also requires companies to directly report their beneficial ownership information to FinCEN.

Companies created or registered on or after January 1, 2024 [will have 30 days to file the required information](#) pertaining to their beneficial owners. Failing to do so or filing false information could result in civil penalties of up to \$500 per day or criminal penalties, including and up to \$10K in fines and imprisonment for up to two years.

"[This] is a major step forward in unmasking shell companies and protecting the US financial system from abuse by money launderers, drug traffickers, sanctioned oligarchs and other criminals," FinCEN Acting Director Himamauli Das [said in the announcement](#).

The Reality of Reporting

Financial institutions were hoping that the new reporting requirements would alleviate their burden to report, but that doesn't seem to be the case — at least until FinCEN further clarifies its updated rule. Institutions may only receive limited access to FinCEN's nonpublic registry, to be termed the Beneficial Ownership Secure

System (BOSS). This means they must continue to collect the required beneficial ownership information (BOI) of their commercial customers. In fact, the updated rule will require institutions to establish and maintain written procedures on how they are verifying beneficial ownership as part of their AML compliance program.

FinCEN may also use BOSS to determine how well institutions are complying with the rule. Some experts believe the language in the updated rule will, in effect, make institutions responsible for policing the accuracy of registry data by comparing what limited data FinCEN will send them with their own collected information.

How To Stay Ahead of the Curve

To prepare, it would be beneficial for community financial institutions (CFIs) to do the following:

- Perform a full review of the BOI rules to thoroughly comprehend the changes.
- Improve their monitoring procedures in order to collect the appropriate data.
- Have a clear understanding of how these changes will affect their recordkeeping, compliance, internal controls, and operational procedures.

While the dust may not have settled yet regarding any enhanced duties for financial institutions, take the time now to become aware of the updated rule as it’s starting to shape up. Check back with us for future clarifications on how this may impact your institution.

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ECONOMY & RATES

Rates As Of: 06/13/2023 11:02AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.40	-0.12	0.98
6M	5.38	-0.08	0.62
1Y	5.18	0.04	0.48
2Y	4.65	0.24	0.22
5Y	3.98	0.22	-0.03
10Y	3.81	0.16	-0.07
30Y	3.92	0.06	-0.04
FF Market	FF Disc	IORR	
5.08	5.25	5.15	
SOFR	Prime	OBER	
5.05	8.25	5.06	

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