

Corporate & Financial Weekly Digest

March 2, 2012 by [Jeffrey M. Werthan](#)

FinCEN Seeks To Strengthen Customer Due Diligence Requirements

The Financial Crimes Enforcement Network (FinCEN) on February 29 issued an [advance notice of proposed rulemaking](#) (ANPRM) to solicit public comment on a wide range of questions pertaining to the possible application of an explicit customer due diligence (CDD) obligation on financial institutions, including a requirement for financial institutions to identify beneficial ownership of their accountholders.

The agency stated that "despite efforts to highlight and clarify CDD and beneficial ownership expectations over this time, FinCEN is concerned that there is a lack of uniformity and consistency in the way financial institutions address these implicit CDD obligations and collect beneficial ownership information within and across industries." In addition to expanding CDD requirements, the proposal would "establish a categorical requirement for financial institutions to identify beneficial ownership of their accountholders, subject to risk-based verification and pursuant to an alternative definition of beneficial ownership..."

While the scope of the ANPRM includes all of the industries that have anti-money laundering (AML) program requirements under FinCEN's regulations, "at this time, and as an initial matter, FinCEN is considering developing a CDD rule to cover banks, brokers or dealers in securities, mutual funds, futures commission merchants, and introducing brokers in commodities."

Comments on the ANPRM will be accepted for 60 days from the date of publication in the *Federal Register*.

For more information, click [here](#).

Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC