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DEPARTMENT OF THE TREASURY

Financial Crimes Enforcement Network

31 CFR Part 1010

RIN 1506-AB78

Customer Due Diligence Requirements for Covered Financial Institutions

AGENCY: Financial Crimes Enforcement Network (FinCEN), Treasury.

ACTION: Proposed rule.

SUMMARY: FinCEN is issuing this proposed rule to strengthen customer due diligence requirements under the Customer Due Diligence Rule consistent with the policy goals of, and as directed by, Executive Order 14406, *Restoring Integrity to America's Financial System*. Specifically, the proposal ensures financial institutions covered by the Customer Due Diligence Rule collect sufficient information to verify the identities of beneficial owners of legal entity customers and maintain the authority, where warranted, to obtain additional information, including information relevant to whether the beneficial owners of legal entity customers possess lawful immigration status and employment authorization in the United States when such information is relevant to assessing risks.

DATES: Comments must be received by **[INSERT DATE 60 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*]**.

ADDRESSES: Comments must be submitted in one of the following two ways (please choose only one of the ways listed):

- Electronically at https://www.regulations.gov. Follow the "Submit a comment" instructions under Docket FINCEN-2026-0298. If you are reading this document on federalregister.gov, you may use the green "SUBMIT A PUBLIC COMMENT" button beneath this rulemaking's title to submit a comment to the regulations.gov docket.

- You may mail written comments to the following address: Regulatory and Strategic Affairs Division, Financial Crimes Enforcement Network, P.O. Box 39, Vienna, VA 22183. Mailed comments must be received by the close of the comment period.

All comments will be made available to the public. Do not include personal identifiable information in submissions; submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication a comment that contains threats of violence, classified information, or information potentially related to a whistleblower submission or that identifies a whistleblower. Comments may be submitted anonymously. When multiple comments are submitted with identical or near-identical content, FinCEN may post only a single representative example of identical or substantially identical comments. All related documents and comments are posted on https://www.regulations.gov.

In accordance with 5 U.S.C. 553(b)(4), a summary of this proposed rule may be found at www.regulations.gov.

FOR FURTHER INFORMATION CONTACT: FinCEN's Regulatory Support Section by submitting an inquiry at www.fincen.gov/contact.

SUPPLEMENTARY INFORMATION:

I. Scope

This proposed rule would amend the Customer Due Diligence (CDD) Rule, which was promulgated under authorities provided by the Bank Secrecy Act (BSA), to strengthen certain customer due diligence requirements. This proposed rule supports the efforts of the Department of the Treasury to make the CDD Rule more effective, risk-based, and focused on the greatest threats to financial institutions and national security, as well as promote Treasury's efforts to reduce unnecessary regulatory burden consistent with Executive Order 14192, *Unleashing Prosperity Through Deregulation*. This proposal implements the directive in Executive Order 14406, *Restoring Integrity to America's Financial System* (hereinafter "Executive Order 14406")

to propose changes to applicable BSA regulations to strengthen risk-based customer due diligence requirements.

II. Background and Authority

A. The Bank Secrecy Act

Enacted in 1970 and amended several times since, the BSA is designed to combat money laundering, the financing of terrorism, and other illicit finance risks.[1] Congress has authorized the Secretary of the Treasury to administer the BSA. The Secretary has in turn delegated the authority to implement, administer, and enforce compliance with the BSA and its associated regulations to the Director of FinCEN.[2]

Since its original enactment, Congress has expanded the BSA to address various aspects of anti-money laundering (AML) and countering the financing of terrorism (CFT) compliance, including through expansion of the BSA. In 1992, the Annunzio-Wylie Anti-Money Laundering Act[3] gave the Secretary authority to require financial institutions, as defined in the BSA regulations, to "carry out" AML programs and to prescribe minimum standards for such programs, including: "(A) the development of internal policies, procedures, and controls; (B) the designation of a compliance officer; (C) an ongoing employee training program; and (D) an independent audit function to test programs."[4]

Later, the USA PATRIOT Act further amended the BSA, reinforcing the Annunzio-Wylie framework by making it mandatory for financial institutions to maintain AML programs

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[1] Certain parts of the Currency and Foreign Transactions Reporting Act, its amendments, and the other statutes relating to the subject matter of that Act, are collectively referred to as the Bank Secrecy Act or BSA. These statutes are codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1960, and 31 U.S.C. 5311-5314 and 5316-5336 and notes thereto, with implementing regulations at 31 CFR chapter X.

[2] *See* Treasury Order 180-01, at ¶ 3 (Jan. 14, 2020), https://home.treasury.gov/about/general-information/orders-and-directives/treasury-order-180-01; *see also* 31 U.S.C. 310(b)(2)(I) (providing that the Director of FinCEN shall "[a]dminister the requirements of subchapter II of chapter 53 of this title, chapter 2 of title I of Public Law 91-508, and section 21 of the Federal Deposit Insurance Act, to the extent delegated such authority by the Secretary of the Treasury").

[3] Section 1517 of Public Law 102-550, 106 Stat. 3672 (Oct. 28, 1992) (Annunzio-Wylie).

[4] Section 1517(b) of Public Law 102-550 (amending 31 U.S.C. 5318(h)(1)).

that meet minimum prescribed standards.[5] The USA PATRIOT Act also, among other things, directed the Secretary to set minimum standards for financial institutions regarding customer identity in connection with the opening of accounts, commonly referred to as customer identification program (CIP) requirements,[6] and expanded the definition of "financial institution" under the BSA, and by extension the AML program requirement, to cover certain other financial industry participants (e.g., credit unions and futures commission merchants).[7]

Finally, on January 1, 2021, Congress enacted the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (FY 2021 NDAA), of which the Anti-Money Laundering Act (AML Act) was a component.[8] Among the purposes of the AML Act, as stated by Congress, was to reinforce that required policies, procedures and controls should support the need for AML/CFT programs to be "risk-based."[9] Consistent with the goals of the AML Act, Treasury recognizes the urgent need to modernize the AML/CFT regime in the United States so that it is effective, risk-based, and focused on the greatest threats to financial institutions and national security.[10]

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[5] *See* 31 U.S.C. 5318(h), as added by section 352 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Public Law 107-56, 115 Stat. 272 (Oct. 26, 2001).

[6] *See* 31 U.S.C. 5318(*l*) as added by section 326 of the USA PATRIOT Act.

[7] *See* 31 U.S.C. 5312(a)(2)(E) and 31 U.S.C. 5312(c), as added by section 321 of the USA PATRIOT Act.

[8] William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Public Law 116-283, 134 Stat. 3388 (Jan. 1, 2021).

[9] Section 6002(4) of the FY 2021 NDAA; *see also* 31 U.S.C. 5311(2), (3) as added by section 6101 of the AML Act (establishing that among the purposes of the BSA are to prevent money laundering and terrorist financing through the establishment of "risk-based programs" and facilitate the "tracking of money that has been sourced through criminal activity"). Section 5318(h), as amended by section 6101 the AML Act, also requires that when prescribing minimum standards for programs under this section, the Secretary shall take into account certain factors: (i) financial institutions are spending private compliance funds for a public and private benefit, including protecting the United States financial system from illicit finance risks; (ii) extension of financial services to the underbanked and the facilitation of financial transactions, including remittances, coming from the United States and abroad in ways that simultaneously prevent criminal persons from abusing formal or informal financial services networks are key U.S. policy goals; (iii) effective AML/CFT programs safeguard national security and generate significant public benefits by preventing flow of illicit funds in the financial system and by assisting law enforcement and national security agencies with identification and prosecution of persons attempting money laundering and other illicit activity in the financial system; and (iv) AML/CFT programs should be reasonably designed to assure and monitor compliance with BSA requirements and be risk-based, including ensuring that more attention and resources of financial institutions be directed towards higher risk customers and activities than lower risk. FinCEN took these factors into consideration when preparing this proposal.

[10] *See, e.g.*, FinCEN, *Anti-Money Laundering and Countering the Financing of Terrorism Programs*, 91 FR 18704, 18708 (Apr. 10, 2026) (discussing Treasury's guiding principles for BSA reform and providing examples of steps taken to implement a modernized BSA regulatory and supervisory regime).

B. The Customer Due Diligence Rule

FinCEN has implemented these statutory mandates and authorities by promulgating program rules, among other requirements. Most notably in a 2016 rulemaking, FinCEN, in consultation with the Federal functional regulators, incorporated both general and specific customer due diligence (CDD) requirements into FinCEN's regulations.[11]

First, the 2016 rulemaking required banks, brokers and dealers in securities, mutual funds, and futures commission merchants and introducing brokers in commodities (collectively "covered financial institutions") to implement and maintain, as part of their AML programs, "appropriate risk-based procedures for conducting ongoing customer due diligence," including "[u]nderstanding the nature and purpose of customer relationships for the purposes of developing a customer risk profile" and "[c]onducting ongoing monitoring" both "to identify and report suspicious transactions" and "on a risk basis, to maintain and update customer information."[12] This became what is now colloquially known as the "fifth pillar" of an AML compliance program.[13]

Second, the CDD rulemaking codified at 31 CFR 1010.230 a requirement that covered financial institutions "identify and verify beneficial owners of legal entity customers."[14] Under what became known as the "ownership prong" of this requirement, covered financial institutions collect the names and identifying information of "[e]ach individual, if any, who, directly or indirectly . . . owns 25 percent or more of the equity interests" of the legal entity customer.[15] Under what became known as the "control prong" of this requirement, covered financial

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[11] FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 FR 29398 (May 11, 2016).
[12] FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 FR at 29457 (setting out the regulatory text); *see also id.* at 29450, note 185; 31 CFR 1020.210(b)(2)(v), 1023.210(b)(5), 1024.210(b)(5), 1026.210(b)(5).
[13] As indicated above, the other pillars are the four requirements listed in 31 U.S.C. 5318(h): "(A) the development of internal policies, procedures, and controls; (B) the designation of a compliance officer; (C) an ongoing employee training program; and (D) an independent audit function to test programs."
[14] FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 FR at 29451 (*codified at* 31 CFR 1010.230(a)).
[15] *Id.* (*codified at* 31 CFR 1010.230(d)(1)).

institutions collect the name and identifying information of "[a] single individual with significant responsibility to control, manage, or direct a legal entity customer."[16] For the status of the specified individuals as beneficial owners of the legal entity customer, covered financial institutions could "rely on the information supplied by the legal entity customer . . . provided that [the covered financial institution] has no knowledge of facts that would reasonably call into question the reliability of such information."[17] For verification of the identity of the individual beneficial owners, covered financial institutions, at a minimum, would have to follow procedures containing all of the elements required for verification of individual account-holders under applicable CIP regulations.[18] Covered financial institutions were required to undertake this identification and verification "at the time a new account is opened," meaning every time that a legal entity customer opened a new account.[19]

C. Recent Modifications to CDD Rule Obligations

In 2026, FinCEN used its authority under the BSA to grant exceptive relief to covered financial institutions from the requirement to identify and verify the identities of beneficial owners of legal entity customers at each new account opening.[20] That order, FIN-2026-R001, acknowledged that the CDD Rule requires a covered financial institution to identify and verify a legal entity customer's beneficial owners each time that customer opens an account with the covered financial institution, regardless of how little time passes between account openings or

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[16] *Id.* (*codified at* 31 CFR 1010.230(d)(2)).
[17] *Id. (codified at* 31 CFR 1010.230(b)(2)).
[18] *Id.* (*codified at* 31 CFR 1010.230(b)(2)). The CIP regulations are category-specific rules establishing the requirements for some categories of financial institutions, including all covered financial institutions, in connection with customer identification and verification of identity. *See* 31 CFR 1020.220 (CIP for banks), 31 CFR 1023.220 (CIP for brokers and dealers in securities), 31 CFR 1024.220 (CIP for mutual funds), 31 CFR 1026.220 (CIP for futures commission merchants and introducing brokers in commodities).
[19] FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 FR at 29451 (*codified at* 31 CFR 1010.230(a)(1)). CDD Rule requirements were effective long before the passage of the Corporate Transparency Act, and the two legal authorities differ in numerous ways. The CTA's objective, creating a nationwide system of direct reporting to the federal government of highly useful information related to beneficial ownership, is different from that of the CDD Rule, as are its definition of beneficial owner, the information in which it is interested, the entities reporting that information, and the recipients of that information.
[20] *See* FinCEN, FIN-2026-R001, *Exceptive Relief from Requirement to Identify and Verify Beneficial Owners at Each Account Opening* (Feb. 13, 2026), https://www.fincen.gov/system/files/2026-02/FinCEN-Order-CCDExceptiveRelief.pdf.

whether the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information last obtained about the customer. Consistent with the Trump Administration's policy of reducing unnecessary regulatory burden and enhancing the risk-based framework of the AML/CFT regulations, FinCEN granted relief so that a covered financial institution—instead of being required to undertake identification and verification "at the time a new account is opened"—"may instead limit its identification and verification of the identities of beneficial owners . . . to the following scenarios: (1) when a legal entity customer first opens an account with a covered financial institution; (2) any time thereafter when the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer; and (3) as needed based on a covered financial institution's risk-based procedures for conducting ongoing customer due diligence."[21] FinCEN noted in its exceptive relief order that it would consider whether to codify this relief via a rulemaking.

D. Executive Order 14406: *Restoring Integrity to America's Financial System*

On May 19, 2026, President Donald J. Trump issued Executive Order 14406 to further the Administration's policy of "restor[ing] integrity to America's financial system, safeguard[ing] financial institutions against structural risks, and deter[ring] fraud and abuse."[22] The Executive Order highlighted risks to the financial system caused by illicit cross-border financial activity and extension of credit or financial services to the inadmissible and removable alien population. To address these risks, it emphasized the importance of the Federal government adopting tailored measures to safeguard the financial system from illicit use and promote safe and sound lending and other practices by financial institutions and stated the need for financial institutions to have in place "proper know-your-customer practices" to prevent

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[21] *Id.*
[22] Executive Order 14406 of May 19, 2026, *Restoring Integrity to America's Financial System*, 91 FR 30479 (May 22, 2026).

abuse of the system and be attentive to "credit risks posed by the extension of . . . consumer credit to the inadmissible and removable alien population."[23] The Executive Order requires actions by various Federal agencies, including changes to the CDD Rule and consideration of changes to CIP rules.[24]

This proposal would implement section 3(b) of Executive Order 14406. Section 3(b) directs the Secretary—in consultation with the "appropriate Federal functional financial regulators," defined in the Executive Order as the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA)—to propose changes to applicable implementing regulations of the BSA to strengthen risk-based customer due diligence requirements for covered financial institutions. Section 3(b) of the Executive Order specifies that such changes should ensure that "(i) institutions collect and verify sufficient customer identity information to reasonably identify the nominal and beneficial owners of accounts in order to assess risks related to illicit finance, sanctions evasion, fraud, or other unlawful activity; and (ii) institutions maintain the authority, where warranted by other risk indicators or supervisory concerns, to obtain additional information necessary to resolve material compliance concerns, including information relevant to whether account holders possess lawful

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[23] *Id.*

[24] Section 3(a) directed the Secretary to issue a formal Advisory to financial institutions regarding the risks associated with the exploitation of the United States financial system by non-work authorized populations and their employers. Executive Order 14406 of May 19, 2026, *Restoring Integrity to America's Financial System*, 91 FR at 30480. The Secretary, through FinCEN and jointly with the FDIC, OCC, and NCUA, on June 5, 2026, issued an advisory that urged financial institutions to be vigilant against fraud schemes and other suspicious or potentially criminal activities involving the unlawful employment of illegal aliens and the associated risks to the integrity of the U.S. financial system. *See* FinCEN, FIN-2026-A002, *Joint Advisory on Non-Work Authorized Populations and Their Employers and Risks to the Integrity of the U.S. Financial System* (June 5, 2026), https://www.fincen.gov/system/files/2026-06/FinCEN-Advisory-Non-Work-Authorized-Populations.pdf. Section 4 directed the Consumer Financial Protection Bureau (CFPB) to consider clarifying that potential deportation and loss of wages are factors that could adversely affect a non-work authorized borrower's ability to repay an extension of credit under the "ability-to-repay" standards, and it required the FDIC, OCC, and NCUA to issue guidance regarding the management of the potential credit risks posed by the non-work authorized population. Executive Order 14406 of May 19, 2026, *Restoring Integrity to America's Financial System*, 91 FR at 30480-81. The CFPB issued its statement on June 8, 2026. *See* CFPB, *Statement on Ability to Repay and Immigration Status*, 91 FR 34607 (June 8, 2026). The FDIC, OCC, and NCUA subsequently published interagency guidance. FDIC, OCC, and NCUA, *Interagency Guidance on Lending to Individuals Not Legally Authorized to Work in the United States* (July 13, 2026), https://www.occ.gov/news-issuances/news-releases/2026/nr-ia-2026-57a.pdf.

immigration status and employment authorization in the United States when such information is relevant to assessing risks associated with fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity, as part of a risk-based customer due diligence program."

E. Other FinCEN Proposed Rules

In developing its proposal to implement section 3(b) of Executive Order 14406, FinCEN has considered other relevant FinCEN regulations—both those in effect and those in consideration—that are relevant to customer due diligence and mitigation of customer risk to inform the specifics of this proposed rule.

FinCEN has issued proposed rules further emphasizing the risk-based approach to AML/CFT programs for covered financial institutions, as well as permitted payment stablecoin issuers (PPSIs).[25] Those rules, if finalized as proposed, would, among other things, require each covered financial institution and PPSI to establish a risk-based set of internal policies, procedures, and controls that must be reasonably designed to conduct ongoing customer due diligence. Under these proposed requirements, if finalized, covered financial institutions must establish and maintain a written AML/CFT program that includes appropriate risk-based procedures for conducting ongoing customer due diligence, to include, but not be limited to, understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile.

Notably, those proposals are consistent with Executive Order 14406's directive to adopt tailored measures to safeguard the financial system from illicit use and ensure that institutions

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[25] FinCEN, *Anti-Money Laundering and Countering the Financing of Terrorism Programs*, 91 FR 18704 (Apr. 10, 2026); FinCEN, *Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Program Requirements*, 91 FR 18582 (Apr. 10, 2026); *see also* FinCEN, OCC, FRB, FDIC, and NCUA, *Permitted Payment Stablecoin Issuer Customer Identification Program*, 91 FR 37234 (June 22, 2026). FinCEN's proposal implementing the GENIUS Act's anti-money laundering obligations for PPSIs also proposes changes to 31 CFR 1010.230. The potential changes under both proposals would be complementary rather than conflicting.

maintain risk-based customer due diligence programs.[26] Most importantly, the proposals would, if finalized, ensure internal policies, procedures, and controls—including those relating to conducting ongoing customer due diligence—must be reasonably designed to mitigate assessed risk, including by allocating more attention and resources toward higher-risk customers and activities rather than toward lower-risk customers and activities.[27]

III. Overview of the Proposal

In drafting this proposed rule, FinCEN has considered how it can best strengthen the CDD Rule by adopting tailored measures to safeguard the financial system, including by ensuring that covered financial institutions have risk-based collection and verification requirements and direct compliance resources towards higher risk customers as directed by Executive Order 14406. In addition to implementing the directive in section 3(b) of Executive Order 14406, FinCEN also seeks to further the Trump Administration's efforts to modernize the AML/CFT regime by making it more effective, risk-based, and focused on the greatest threats to national security, while reducing unnecessary regulatory burden.

After considering the existing regulations, proposals, and obligations, as well as the directives in Executive Order 14406, FinCEN assesses that targeted amendments to the CDD Rule—specifically, § 1010.230—best effectuate the goals of Executive Order 14406.

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[26]This proposal is one element of broader CDD Rule revisions, including those required by the Corporate Transparency Act. The CTA directed Treasury to revise the CDD Rule to: (1) bring it into conformity with the AML Act of 2020, including the CTA; (2) account for financial institutions' access to beneficial ownership information reported to FinCEN so financial institutions may confirm beneficial ownership information provided directly to them for the purpose of facilitating their compliance with anti-money laundering, countering the financing of terrorism, and customer due diligence requirements; and (3) reduce any burdens on financial institutions and legal entity customers that are, in light of the CTA, unnecessary or duplicative. Section 6403(d)(1)(A)-(C) of the FY 2021 NDAA. The current proposal is not the revision to the CDD Rule that addresses the issues specified by the CTA. FinCEN recently issued a final rule regarding beneficial ownership reporting requirements, which limits reporting to foreign entities registered to do business in the United States. FinCEN, *Beneficial Ownership Information Reporting Requirement Revision*, 91 FR 52508 (Aug. 14, 2026). FinCEN has determined that, given how recently the new beneficial ownership reporting regime has been finalized, such changes are more appropriately considered as part of a separate rulemaking. Additionally, FinCEN has proposed, as required by the GENIUS Act, applying CDD obligations to PPSIs. *See* OFAC and FinCEN, *Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Program Requirements*, 91 FR at 18604. This proposal, with respect to PPSIs, if finalized, would apply to PPSIs as a category of institution covered by CDD obligations.

[27] *See, e.g.*, 91 FR at 18717-18.

Specifically, this proposal includes three targeted revisions to the CDD Rule codified at § 1010.230, in addition to other minor regulatory clarifications.

First, consistent with Executive Order 14406, the proposal would strengthen risk-based customer due diligence requirements for covered financial institutions by making explicit that, where warranted by other risk indicators or supervisory concerns, a covered financial institution may obtain additional information necessary to resolve material compliance concerns, including information relevant to whether account holders possess lawful immigration status and employment authorization in the United States when such information is relevant to assessing risks associated with fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity, as part of a risk-based customer due diligence program.

Second, FinCEN is proposing to formally incorporate the exceptive relief provided in FIN-2026-R001. This change would formally eliminate the requirement for covered financial institutions to repeatedly collect and verify beneficial ownership information in cases where there is no reason to believe that the customer's beneficial ownership information has changed since it was last collected, and the circumstances do not indicate a risk-based need to collect and verify beneficial ownership information. By codifying this relief, FinCEN is ensuring that covered financial institutions will continue to benefit from the flexibility to direct compliance resources consistent with their own assessments of risk.

Third, the proposal would specify in § 1010.230 the pieces of information a covered financial institution must collect relating to beneficial owners. This would involve moving the specific details of the requirement to collect information about beneficial owners from the rule's Appendix A into the rule itself. Most, but not all, of those details would not change. The proposal would, however, restrict the ability to satisfy the information collection requirement by collecting a beneficial owner's Individual Taxpayer Identification Number (ITIN). Additional flexibilities described in the proposal would allow institutions to obtain information from third parties. FinCEN assesses that these proposed changes would ensure that covered financial

institutions collect sufficient, appropriate information to be able to verify the identities of beneficial owners while making it less burdensome for covered financial institutions to reasonably identify beneficial owners. As a result, FinCEN expects covered financial institutions will be both able to use their resources more efficiently and better positioned to assess risks related to illicit finance, sanctions evasion, fraud, or other unlawful activity.

In developing this proposal, as directed by Executive Order 14406, FinCEN consulted with the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Credit Union Administration. Additionally, FinCEN consulted the staff of the Securities and Exchange Commission and the Commodity Futures Trading Commission, which are the primary Federal functional regulators for additional categories of institutions covered by the CDD Rule, specifically brokers and dealers in securities, mutual funds, and futures commission merchants and introducing brokers.[28]

IV. Section-By-Section Analysis

A. Proposed Amendment to 31 CFR 1010.230(a) — In General

As mentioned above, this rulemaking is rooted in FinCEN's authority to "prescribe minimum standards for programs" intended to "guard against money laundering and the financing of terrorism through financial institutions … including … the development of internal policies, procedures, and controls[.]"[29] Consistent with Executive Order 14406's emphasis on assessing the risk associated with beneficial owners, the proposed language would clarify that covered financial institutions are required to establish and maintain written procedures reasonably designed to identify and verify *the identity of* beneficial owners of legal entity customers. This proposed addition of the words "the identity of" to § 1010.230(a) is intended to

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[28] As noted in note 26 above, if FinCEN's proposed rule regarding PPSIs is finalized, the list will also include PPSIs.

[29] *See* 31 U.S.C. 5318(h)(1)(A), (2).

make clear that covered financial institutions are required to collect and verify *identifying information* on a beneficial owner (i.e., to verify the individual's existence and identity), not whether that individual is actually a beneficial owner of the legal entity that is the covered financial institution's customer. This is consistent with language in the current rule that a covered financial institution may rely on the information supplied by the legal entity customer regarding the identity of its beneficial owner or owners, provided that it has no knowledge of facts that would reasonably call into question the reliability of such information.[30] This proposed language is intended as a clarification and does not change covered financial institutions' existing obligations to verify the identities of beneficial owners.

FinCEN is also proposing to add "countering the financing of terrorism" to the reference in § 1010.230 to "anti-money laundering compliance programs." The inclusion of countering the financing of terrorism is a technical change, consistent with other FinCEN proposals, which reflects a statutory change requiring institutions to account for risks related to terrorist financing.[31]

B. Proposed Amendment to 31 CFR 1010.230(b) — Identification and Verification

1. Proposed 31 CFR 1010.230(b)(1)(i) —Timing

The proposal would codify the exemptive relief provided in FIN-2026-R001 by amending § 1010.230(b)(1)(i). FinCEN expects that this proposed change, if finalized, will ensure covered financial institutions continue to benefit from the flexibility to allocate compliance resources to focus on customers that present higher risks related to illicit finance, sanctions evasion, fraud, and other unlawful activity as indicated in Executive Order 14406.

The current rule requires a covered financial institution to identify the beneficial owner(s) of each legal entity customer every time a new account is opened, subject to certain limited

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[30] FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 FR at 29407.
[31] *See, e.g.*, FinCEN, *Anti-Money Laundering and Countering the Financing of Terrorism Programs*, 91 FR at 18711 (proposing adding "countering the financing of terrorism" to references to "anti-money laundering program" to reflect USA PATRIOT Act obligation to account for risks related to terrorist financing and to reflect new statutory language in the AML Act amending 31 U.S.C. 5318(h)(1)).

exemptions. Covered financial institutions and their trade associations have characterized this requirement as unnecessarily burdensome, particularly in situations involving legal entity customers whose business happens to involve the frequent creation of new accounts. Where there is no reason to think that the customer's beneficial ownership information has changed since last collected, they have pointed out, repeated collection and verification of the same information wastes resources that, deployed in a more risk-conscious manner, could improve overall risk management.

The proposed rule would address these concerns by replacing the rigid account opening requirement with a more flexible, risk-based approach. The proposed rule provides that a covered financial institution must identify the beneficial owner(s) of a legal entity customer: (1) when the legal entity customer first opens an account with the covered financial institution; (2) any time thereafter when the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer; and (3) as needed based on a covered financial institution's risk-based procedures for conducting ongoing customer due diligence. The proposal would eliminate the requirement for covered financial institutions to collect a legal entity customer's beneficial ownership information at each new account opening except, among other circumstances, as needed based on a covered financial institution's risk-based procedures for conducting ongoing customer due diligence. Whether a financial institution has knowledge of facts that would reasonably call into question the reliability of previously obtained beneficial ownership information would depend upon the facts and circumstances. Notably, if a covered financial institution elects, as part of its risk-based procedures, to continue collecting beneficial ownership information at each account opening, it would be permitted to do so under the proposed rule. FinCEN expects this change would, consistent with the policy goals of Executive Order 14406, improve the risk-based nature of the CDD Rule by allowing financial institutions

to focus on higher risk customers, including those that present risks related to illicit finance, sanctions evasion, fraud, and other unlawful activity.

FinCEN requests comment on the timing element of the proposal. Specifically, FinCEN seeks comment on whether "any time thereafter when the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer" is an appropriate trigger for identification and verification of beneficial owners.

Additionally, one of the three circumstances in which FinCEN's exceptive relief specifies that beneficial ownership information should be collected—and therefore one of the circumstances in which this proposal requires that it be collected—is "when the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer." FinCEN requests comment on its use of "reliability." If, for example, the covered financial institution has reason to believe there has been a change in ownership of the legal entity, the covered financial institution might not be questioning the "reliability" so much as the continuing accuracy of the information originally provided. FinCEN therefore requests comment on whether "reliability" should be used, defined in a more specific fashion, or supplemented.

2. Proposed 31 CFR 1010.230(b)(1)(ii) — Information to Collect

The proposed rule would make two changes relating to the information potentially collected by financial institutions under § 1010.230. Both changes support the policy directives of Executive Order 14406 by ensuring institutions collect information sufficient to reasonably identify the beneficial owners of legal entity customers for the specific purpose of assessing risks related to illicit finance, sanctions evasion, fraud, or other unlawful activity. One change would make explicit the information a covered financial institution must collect, while the second would ensure that covered financial institutions can collect additional information, where

warranted by other risk indicators or supervisory concerns, to assess risks associated with fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity.

This combination reinforces the original CDD Rule's balancing of categorical and risk-based elements. FinCEN has assessed that this balance not only ensures that a covered financial institution will collect sufficient information with regard to beneficial owners of its legal entity customers, but also provides flexibility for a covered financial institution to collect additional information for particular beneficial owners where warranted by risk. In doing so, FinCEN aims to strengthen the risk-based element of the CDD Rule, including by ensuring that institutions maintain the authority to collect additional information based on risk, while still maintaining the categorical aspect of the CDD Rule.

The proposed rule in general requires that a covered financial institution must obtain information about each beneficial owner of a legal entity customer sufficient to allow the institution to identify, and to verify the identity of, the beneficial owner. FinCEN proposes these changes to make plain the specific information that covered financial institutions are required to obtain about beneficial owners of legal entities. The proposed rule specifies a discrete list of information that a covered financial institution must obtain about each beneficial owner of a legal entity customer, which includes a qualifying identifying number for the individual.

Under this proposal the regulatory text would set out a list of identifying numbers that may be used to satisfy this requirement, including a Social Security number, or for non-U.S. persons a passport number with country of issuance, an alien identification card, or a number and country of any other government-issued document evidencing nationality or residence and bearing a photograph—all of which are included in the existing certification form in Appendix A to the current rule. The proposal also specifies that an Individual Taxpayer Identification Number (ITIN) is not an acceptable substitute for a Social Security number.[32] This specification

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[32] IRS, *Instructions for Form W-7 (12/2024)* (revised Dec. 2024), https://www.irs.gov/instructions/iw7 (directing individuals not to apply for an ITIN if they "have an SSN or [are] eligible to get an SSN").

recognizes that an ITIN, as the IRS has noted, is "issued . . . for federal tax purposes only."[33] It also reinforces the analysis set forth in FinCEN's recent advisory that recognized the use of an ITIN in lieu of a Social Security number or valid employment authorization document may be identified as a risk factor requiring enhanced due diligence.[34] Recognizing the risk associated with ITINs, FinCEN proposes to exclude their use as an identifying number for a beneficial owner. It expects that ITIN holders legally in the United States and authorized to work will have alternative identification including, for example, a foreign passport or an alien identification card.

While new in the rule itself, the proposed language identifying core pieces of information is substantively the same as the current rule's optional Appendix A form. The proposed rule returns the appendix to its proper function of providing material supplementary to the regulation, rather than stating the regulatory requirement itself. In maintaining that continuity, FinCEN seeks to preserve a workable level of flexibility for covered financial institutions in complying with this requirement. FinCEN seeks comment on the workability of its specific proposal that an ITIN cannot substitute for a Social Security number under this provision, as well as whether it should make other changes, either specifically to permit or to prohibit acceptance of other identification numbers or documents.

As noted earlier in this section, the proposed rule has a second goal: that covered financial institutions maintain the authority to collect additional information. The proposed rule does this by proposing regulatory text stating that, where warranted by other risk indicators or

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[33] *See, e.g.*, IRS, *Individual taxpayer identification number (ITIN)* (last accessed Nov. 3, 2026), https://www.irs.gov/tin/itin/individual-taxpayer-identification-number-itin. Notably, to obtain an ITIN an individual must provide documents that both establish identity and connection to a foreign country. IRS, *Instructions for Form W-7 (12/2024)* (revised Dec. 2024), https://www.irs.gov/instructions/iw7. In some cases, documents required by the IRS to establish either foreign status or identity could also be used under the proposed rule, including a passport, a visa issued by the U.S. Department of State, or national identification card meeting certain requirements. *Id.*

[34] FinCEN, FIN-2026-A002, *Joint Advisory on Non-Work Authorized Populations and Their Employers and Risks to the Integrity of the U.S. Financial System* (June 5, 2026), https://www.fincen.gov/system/files/2026-06/FinCEN-Advisory-Non-Work-Authorized-Populations.pdf (noting that "the use of an ITIN in lieu of an SSN or valid employment authorization document may be identified as a risk factor requiring enhanced due diligence to ensure the account is not being utilized to facilitate the unlawful employment of unlawful aliens").

supervisory concerns, a covered financial institution may obtain additional information necessary to mitigate indicated risk or address supervisory concerns, including when relevant to assessing risks associated with fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity, lawful immigration status or employment authorization in the United States. This is intended to make clear that, in situations of heightened risk or supervisory concern, a financial institution may consider obtaining additional information in order to confirm a beneficial owner's identity. It is also intended to make clear that such additional information can include immigration status and employment authorization information.

FinCEN anticipates providing additional guidance, alerts, or advisories to financial institutions, including highlighting new and emerging threats and typologies that may further feed into financial institutions' risk-based assessments. Providing this type of feedback through supplemental documents, rather than in specific regulatory text, will allow both Treasury and the financial institutions to more quickly adapt to address new and emerging threats and typologies and allow financial institutions to assess risks associated with fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity, including illicit activity relating to a lack of lawful immigration status or employment authorization in the United States.

This proposal does not specify situations that present heightened risks, instead deferring that judgment to financial institutions and allowing them greater flexibility to identify such situations, relying on appropriate risk-based practices. However, such situations may well be judged to include instances where the identifying information for a beneficial owner residing in the United States presented to covered financial institutions includes documentation issued by a foreign government, rather than an identity document issued by a United States federal or state government agency. An individual may even present an ITIN and represent it to be a Social Security number, which could be a risk factor warranting additional inquiry.

Moreover, the CDD Rule is critical to aiding a covered financial institution's efforts to detect and report suspicious activity, including activity that could expose the institution to loss.

Immigration and employment status would also be germane to reasonably assessing risk if the beneficial owner were providing a financial guarantee based on the beneficial owner's income from U.S. employment—income that might be in jeopardy if the beneficial owner were not legally authorized to work in the United States. Thus, a covered financial institution's compliance with the CDD Rule and its efforts to detect and report suspicious activity may aid the institution in evaluating risk outside of illicit finance.[35]

This permissiveness, however, should not be misinterpreted. The proposed language providing that a covered financial institution "may" obtain such additional information is not intended to suggest any reduction of the requirement to conduct ongoing due diligence or to verify the identity of each beneficial owner according to risk-based procedures that contain, at a minimum, the same elements financial institutions are required to use to verify the identity of individual customers under applicable CIP requirements. It is intended to reinforce the individual covered financial institution's authority, where warranted by other risk indicators or supervisory concerns, to demand additional information as part of a risk-based customer due diligence program.

FinCEN is interested in receiving comments on whether this rulemaking strikes an appropriate balance between mandating information collection and recognition that covered financial institutions may be better placed to assess what information they should collect. FinCEN is also interested in receiving comments on whether its proposed approach mitigates the risks identified in Executive Order 14406, including by providing covered financial institutions sufficient authority to collect necessary information.

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[35] Immigration status or status as a permanent resident of the United States may be relevant for financial institutions in evaluating risks other than illicit finance risks, such as credit risks of borrowers. *See Interagency Guidance on Lending to Individuals Not Legally Authorized to Work in the United States*, *supra* note 24; *see also* 12 CFR 1002.6(b)(7).

3. Proposed 31 CFR 1010.230(b)(1)(iii) — Sources of Information

The proposed rule also would improve the risk-based nature of the CDD Rule by providing more flexibility in how a covered financial institution obtains information, which is expected to reduce compliance burden. In doing so, this change supports Executive Order 14406 by allowing those financial institutions to direct resources to higher risk customers and activities, including customers that present risks related to illicit finance, sanctions evasion, fraud, and other unlawful activity as indicated in Executive Order 14406.

The CDD Rule specifies that covered financial institutions must obtain information about a legal entity customer's beneficial owners "from the individual opening the account on behalf of the legal entity customer," using the optional certification form found at Appendix A to the rule or its substantive equivalent.[36] Some have attempted to read the regulation as allowing the collection of information from third parties along the lines of the bank-specific CIP Rule's special provision for the opening of individual credit card accounts, provided that a representative of the legal entity customer certified the accuracy of the information.[37] However, given the equivocal support that the CDD Rule's preamble provides for this interpretation, many covered financial institutions have been collecting beneficial ownership directly from their customers every time it was required, despite the time and expense of this practice.[38]

The proposed addition of paragraph (b)(1)(iii) would offer covered financial institutions clarity by providing that a covered financial institution may obtain any information described in paragraph (b)(1)(ii) by acquiring it from a third-party source. Regardless of the source from

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[36] 31 CFR 1010.230(b)(1).

[37] *See, e.g.*, 31 CFR 1020.220(a)(2)(i)(C) (credit card account opening CIP rule for banks). Notably, in the CIP Rule context FinCEN and the Federal Banking Agencies granted exceptive relief to permit banks to obtain Tax Identification Number information from a third-party source rather than the customer for all accounts, provided that the bank otherwise complies with the CIP Rule. *See* FinCEN, OCC, FDIC, NCUA, *Order – Customer Identification Program* (June 27, 2025), https://www.fincen.gov/system/files/2025-06/CIP-TIN-Exemption-Order-final508.pdf; *FinCEN and Board*, *Order – Customer Identification Program* (July 31, 2025), https://www.fincen.gov/system/files/shared/CIP-TIN-Exemption-Order-Board-only-508.pdf.

[38] *See* FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 FR at 29405-29406. The best argument for the expansive reading is based on the negative inference to be drawn from the statement "FinCEN declines to permit reliance solely upon previously gathered alternate sources of beneficial ownership information." *See* 81 FR at 29406.

which information is obtained, a covered financial institution must comply with the certification requirement set forth in paragraph (b)(1)(iv). Similarly, regardless of the source from which information was obtained, a covered financial institution must comply with the requirement to identify the beneficial owner(s) of a legal entity customer any time after the legal entity customer first opens an account with the covered financial institution when the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer.

4. Proposed 31 CFR 1010.230(b)(1)(iv) — Certification

Relatedly, the proposed rule also would improve the risk-based nature of the CDD Rule by providing more flexibility about when an institution must obtain a new certification for an existing legal entity customer. This enables a covered financial institution to rely on beneficial ownership information previously obtained from a certification provided in connection with the initial opening of an account by the legal entity customer with the covered financial institution. This change supports Executive Order 14406 by allowing financial institutions to focus on higher risk customers and activities, instead of activities that result in unnecessary information collection untethered from the risk of a particular customer.

The proposal provides that when a legal entity customer first opens an account with a covered financial institution, the covered financial institution obtaining information on the legal entity customer's beneficial owners must obtain a certification from the individual opening the account on behalf of the legal entity customer that the information obtained is accurate to the best of the individual's knowledge. A covered financial institution may, but is not required, to use the standardized certification form contained in Appendix A to § 1010.230. If the standardized certification form is not used, a covered financial institution must obtain from the individual opening the account the information required by the standardized certification form by another means.

The proposal also provides that, when obtaining information on beneficial owners as needed based on a covered financial institution's risk-based procedures for conducting ongoing customer due diligence, a covered financial institution may rely on beneficial ownership information previously obtained from a certification provided in connection with the initial opening of an account by the legal entity customer with the covered financial institution. In order to rely on such a prior certification, the covered financial institution must obtain from a representative of the legal entity customer either oral or written confirmation that such information is up to date and accurate to the best of the individual's knowledge. This confirmation may, but is not required to, take the form of the standardized certification form in Appendix A of this section. Thus, certification remains essential to collection of beneficial ownership information, but the proposal grants flexibility to institutions with respect to the form of certification obtained.

The covered financial institution must maintain a record of such certification or confirmation, whether the certification or confirmation is oral or written. If a covered financial institution is unable to obtain a necessary certification or confirmation that previously obtained beneficial ownership information is up-to-date and accurate, or if the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer, the covered financial institution must identify and verify the identities of the beneficial owners of the legal entity customer in accordance with the general requirements of § 1010.230.

5. Proposed 31 CFR 1010.230(b)(2) — Verification

Under this proposal, § 1010.230 would contain a discrete list of information that covered financial institutions must collect, which would serve as the factual basis for their verification of the identities of the beneficial owners of their legal entity customers. The presence of this list could create confusion given § 1010.230's current cross-reference to the CIP rules, which encompass those rules' own list of information that must be collected for CIP compliance

purposes. The cross-reference currently requires covered financial institutions to have procedures that "contain the elements required for verifying the identity of customers that are individuals under § 1020.220(a)(2) of this chapter (for banks); § 1023.220(a)(2) of this chapter (for brokers or dealers in securities); § 1024.220(a)(2) of this chapter (for mutual funds); or § 1026.220(a)(2) of this chapter (for futures commission merchants or introducing brokers in commodities)."[39] Sections (a)(2)(ii) and (a)(2)(iii) of the CIP rules concern procedures for customer verification and procedures in situations where verification is impossible. Section (a)(2)(i) of those rules, however, is a list of customer information that a financial institution is required to collect about each individual or corporate customer. Among other things, section (a)(2)(i) of those rules specifically allows use of "a taxpayer identification number," i.e. an ITIN, for a non-U.S. person, which would not be permitted under this proposal and should not be misinterpreted to apply to the CDD Rule.

To clarify which aspects of the CIP rules do and do not apply for purposes of the CDD Rule, FinCEN proposes amending § 1010.230(b)(2). That change will clarify that a covered financial institution must have customer due diligence verification procedures that reflect the requirements of that institution's CIP rule, but also that covered financial institutions must adhere to proposed § 1010.230(b)(1)(ii), which specifies the information to be collected. This change is designed to clarify but not change the current CDD Rule's adoption of CIP verification procedural standards while recognizing that the information a financial institution can use to verify an identity will, if this proposal is adopted, be different under the CIP and CDD Rules. FinCEN requests comment on challenges that may arise from different information collection requirements for CIP and CDD obligations, and whether the revised cross-reference is sufficiently clear.

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[39] 31 CFR 1010.230(b)(2).

In addition, given the continuing reference to, and incorporation of the standards of, the CIP rule, FinCEN solicits comments about the need for the CDD Rule itself to qualify the compliance standard of its verification requirement with the phrase "to the extent reasonable and practicable"—a phrase that is already found in the CIP rule.[40] Alternatively, FinCEN solicits comments on whether it should dispense with cross-references altogether and insert in the CDD Rule all of the specific appropriate procedural language now found in the CIP rule itself, even if such insertion simply reproduces relevant CIP rule language.

V. Effective Date

FinCEN proposes that the rule would be effective 90 days after publication in the *Federal Register*.

VI. Requests for Comment

FinCEN seeks comments on all aspects of the proposed rule and specifically seeks comments on the following topics. For all responses, commenters are encouraged to provide the basis for any conclusions drawn in their comments.

1. Do the information collection requirements proposed in this rulemaking strike an appropriate balance, including between providing covered financial institutions sufficient direction in information collection, as well as discretion to require more information when risk warrants additional collection?

2. Is the information that the proposal requires covered financial institutions to collect and verify sufficient for them to reasonably identify most beneficial owners and assess beneficial ownership-related risks related to illicit finance, sanctions evasion, fraud, or other unlawful activity? If not, what additional or alternative information should covered financial institutions be required to collect?

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[40] *See, e.g.*, 31 CFR 1020.220(a)(2).

3. Does the proposal provide covered financial institutions sufficient certainty that, where warranted, they maintain the ability to collect additional information, including relating to whether beneficial owners possess lawful immigration status and employment authorization in the United States? Should the proposed text be refined in any way?

4. Under the proposal, a covered financial institution may be required to collect beneficial ownership information "any time thereafter [that is, after the initial collection] when the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer." Is this circumstance an appropriate trigger for identification and verification of beneficial owners? Does it need to be refined or clarified, and if so how? For example, could "reliability" be supplemented with another measure, such as "accuracy" or "continuing accuracy," given that, if the covered financial institution has reason to believe there has been a change in ownership of the legal entity, the covered financial institution might not be questioning the "reliability" so much as the continuing accuracy of the information originally provided?

5. Does the proposal's prohibition on use of an ITIN in lieu of a Social Security number appropriately balance risk? Does it represent any compliance challenges for covered financial institutions, including because of the potential divergent approach between the information permitted to be collected under the CIP rules and the CDD Rule? Would additional FinCEN guidance help address those challenges?

6. Should FinCEN consider alternatives to prohibiting use of an ITIN? For example, should FinCEN allow collection of an ITIN for verification purposes but require a covered financial institution to undertake additional steps, such as further due diligence measures or submission of additional information or documentation? Describe benefits and drawbacks of such alternatives.

7. Are there circumstances where an individual lawfully present in the United States would have an ITIN, but no other number or document specified in the proposal? If yes, how could FinCEN account for such scenarios while still accounting for the risk addressed by Executive Order

14406?

8. The CDD Rule incorporates some language borrowed from the CIP rules, and it also cross-references the CIP rules. In general, should FinCEN dispense with cross-references altogether and insert in the CDD Rule all of the specific appropriate procedural language of the CIP rule itself? Whether or not FinCEN adopts this global solution, should FinCEN retain the phrase "to the extent reasonable and practicable," borrowed from the CIP rules, in the verification section of the CDD Rule? Should it use an alternative standard? If the phrase is deleted, what will be the effect?

9. The CDD Rule requirement is, generally speaking, "categorical," imposing essentially the same core requirements with respect to all of a covered financial institution's non-exempt legal entity customers. Should FinCEN provide greater flexibility to covered financial institutions to adjust their due diligence efforts with respect to legal entity customers and their beneficial owners downward with decreased risk, not simply upward with respect to increased risk? What lower risk scenarios might be identified, under which on a risk-basis financial institutions should be permitted to collect less or different information related to beneficial ownership?

10. Should the recordkeeping requirement of the CDD Rule, 31 CFR 1010.230(i), be amended to better account for written or verbal confirmations contemplated under the proposed revisions to 31 CFR 1010.230(b)(1)(iv)(B)? The existing language of 31 CFR 1010.230(i)(1)(i) requires covered financial institutions to keep records that include "For identification, any identifying information obtained by the covered financial institution pursuant to paragraph (b) of this section [the paragraph requiring collection of information], including without limitation the certification (if obtained)[.]" Is it clear that the phrase "any identifying information obtained" includes a confirmation that information previously collected has not changed, or should the text be amended to explicitly address the matter of such confirmations about previously collected information?

11. The Appendix A form provides a list of corporate positions that could have "significant

responsibility for managing the legal entity," which includes "Vice President" and "Treasurer." Should these or any other positions be listed as possible control persons? Alternatively, should any of these or other positions be excluded from the category of control person?

12. Should FinCEN consider a longer or shorter implementation period? Why?

VII. Severability

As part of this proposal, FinCEN proposes that if one portion of the proposed regulation, if finalized, is found to be invalid, the invalidated portion of the regulation should be severed with the remaining portions of the regulation remaining in full force and effect. FinCEN's position is that invalidation of any one provision, or application thereof to any one person or circumstance, does not, and should not, affect any other provision in this proposed regulation. Each provision serves an important, related, but distinct purpose and application, designed to benefit the public by protecting the U.S. financial system from illicit financial activity. FinCEN accordingly has proposed each provision such that invalidity to one provision would not undermine the operability or usefulness of the other provisions.

VIII. Executive Order 14294 Fighting Overcriminalization in Federal Regulations

Executive Order 14294 *Fighting Overcriminalization in Federal Regulations* requires that agencies promulgating regulations potentially subject to criminal enforcement explicitly describe the conduct subject to criminal enforcement, the authorizing statutes, and the *mens rea* standard applicable to those offenses.[41] Section 5 of Executive Order 14294 directs that all future notices of proposed rulemaking and final rules published in the **Federal Register**, the violation of which may constitute criminal regulatory offenses, should include a statement identifying that the rule or proposed rule is a criminal regulatory offense and the authorizing

[41] Executive Order 14292 of May 9, 2026, *Fighting Overcriminalization in Federal Regulations*, 90 FR 20363, 20364 (May 14, 2025).

statute.[42] Executive Order 14294 directs agencies to draft this statement in consultation with the Department of Justice.[43]

Executive Order 14294 further directs that the regulatory text of all NPRMs and final rules with criminal consequences published in the **Federal Register** after May 9, 2025 should explicitly state a *mens rea* requirement for each element of a criminal regulatory offense, accompanied by citations to the relevant provisions of the authorizing statute.

Willful violations of the regulations set forward in this proposed rule, if finalized, may be subject to criminal penalties pursuant to 31 U.S.C. 5322 and regulations promulgated in 31 CFR chapter X. The statutory authority for criminal liability requires a *mens rea* of willfulness as an element pursuant to 31 U.S.C. 5322(a) and 31 U.S.C. 5322(b). FinCEN's existing regulation, 31 CFR 1010.840, that sets out criminal penalties for violations of regulations promulgated in 31 CFR chapter X also includes a *mens rea* of willfulness. In drafting this statement, FinCEN has consulted with the Department of Justice.

IX. Regulatory Impact Analysis

FinCEN has analyzed this proposed rule as required under Executive Orders 12866, 13563, and 14192; the Regulatory Flexibility Act (RFA); the Unfunded Mandates Reform Act (UMRA); and the Paperwork Reduction Act (PRA). This section presents the findings of its analysis, including a discussion of the expected incremental economic effects of the proposed rule relative to the current regulatory baseline and invites comment on all aspects of this analysis, including any data or information that would assist FinCEN in better quantifying the costs, cost savings, or other effects of the proposed rule.

The proposed rule would amend the CDD Rule, 31 CFR 1010.230, primarily by making three overarching revisions, and introduce certain minor regulatory clarifications. These revisions, as discussed in section III: (1) make it explicit that covered financial institutions may

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[42] *Id*.
[43] *Id.*

obtain additional information necessary to mitigate indicated risk or address supervisory concerns; (2) incorporate FinCEN's exceptive relief and required information, permissible sources, and certification; and (3) specify pieces of information required to be collected, while providing additional flexibility in how such information is obtained. The following analysis focuses on the expected incremental economic effects of these revisions.

As a threshold matter, FinCEN does not expect the proposed amendments would have a significant economic effect. Among other things, the proposal would not expand the set of covered financial institutions, would not expand the definition of legal entity customer, would not require covered financial institutions to collect beneficial ownership information from a new class of customers, and would not impose a new mandatory reporting or recordkeeping requirement. Instead, the proposal would codify regulatory flexibility that reduces duplicative beneficial ownership identification and verification at repeat account openings while identifying select risk-based triggers for obtaining and updating information when appropriate. The proposed clarification regarding the collection of additional information in heightened-risk circumstances is itself risk based; it does not impose a categorical obligation to collect any particular additional document or information, nor does it expand the pre-existing authority or obligation of covered financial institutions to collect risk-relevant information.[44]

A. Analysis of Impact

1. Broad Economic Considerations

As it proposes these amendments to § 1010.230, FinCEN remains mindful of the fundamental economic tensions observed in the original rule. The analysis in the CDD Rule framed beneficial ownership requirements as addressing externalities associated with illicit finance. Covered financial institutions bear the private costs of collecting and verifying beneficial ownership information, while many of the benefits of improved transparency,

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[44] *See supra* section IV.B.2.

including reduced money laundering, terrorist financing, fraud, sanctions evasion, and related illicit activity, accrue broadly to the public, law enforcement, national security agencies, and the financial system as a whole. Absent a standard of collection requirements, covered financial institutions may underinvest in beneficial ownership information collection, particularly if they believe more rigorous requirements could place them at a competitive disadvantage relative to institutions with less comprehensive practices.

Prior FinCEN analysis also recognized cross-border spillovers.[45] Jurisdictions with less stringent AML/CFT standards may become more attractive destinations for laundering proceeds generated by illicit activity elsewhere, allowing those jurisdictions to receive capital inflows without bearing the full social costs of the underlying crimes. A clear and consistent CDD framework can help mitigate this concern by improving beneficial ownership transparency and making it more costly for illicit actors to misuse legal entities to access the U.S. financial system.

The proposed revisions build on that same general framework but are expected to have more limited incremental economic effects than the original CDD Rule. Rather than creating a new beneficial ownership information-collection obligation, the proposal would clarify and refine existing CDD requirements, reduce duplicative collection at repeat account openings, and preserve risk-based authority to obtain additional information when warranted by risk indicators or supervisory concerns. Thus, the relevant economic trade-off is not whether to impose a new beneficial ownership framework, but how best to preserve the benefits of beneficial ownership transparency while reducing unnecessary or duplicative compliance activity.

Having taken the original animating concerns into consideration, FinCEN believes the proposed amendments would enhance the balance of imposing private costs on financial institutions for the public benefit of standardized due diligence practices.

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[45] *See* FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 FR at 29432–33; FinCEN, *Notice of Availability of Regulatory Impact Assessment and Initial Regulatory Flexibility Analysis Regarding the Customer Due Diligence Requirements for Financial Institutions*, 80 FR 80308 (Dec. 24, 2015).

2. Institutional Baseline and Affected Parties

a. Regulatory Baseline

The anticipated incremental economic effects of the proposed rule were analyzed against a counterfactual state of the world in which a covered financial institution's obligations under the BSA would maintain the *status quo*. For purposes of this analysis, FinCEN considered the most salient component of the regulatory baseline to be comprised of both the original CDD Rule, as currently implemented and interpreted, and FinCEN's February 2026 exceptive relief.[46] Additionally, the impact analysis takes into account that covered financial institutions continue to be subject to, among other obligations, applicable AML/CFT program, customer identification, suspicious activity reporting, and recordkeeping requirements under the BSA. FinCEN further took into consideration that covered financial institutions' business practices may be subject to other regulatory standards and requirements that govern operating risks.[47]

Using this baseline, FinCEN does not expect the proposed rule to impose significant incremental costs because the primary change is to codify and make durable an existing form of relief, while clarifying that covered financial institutions may obtain additional information in risk-based circumstances. In the alternative, if the proposed rule were evaluated relative to the pre-relief requirement to identify and verify beneficial owners each time a legal entity customer opened a new account, the proposed rule would be expected to generate cost savings by eliminating duplicative beneficial ownership collection and verification at repeat account openings.

b. Baseline of Affected Parties

The primary affected parties of the proposed amendments are the covered financial institutions already subject to the CDD Rule and, indirectly, their current and prospective legal

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[46] Covered financial institutions also currently have flexibility under the February 2026 exceptive relief order to identify and verify beneficial owners at the first account opening, when facts reasonably call previously obtained information into question, and as otherwise required by risk-based ongoing customer due diligence procedures.
[47] *See, e.g.*, *Interagency Guidance on Lending to Individuals Not Legally Authorized to Work in the United States*, *supra* note 24.

entity customers and beneficial owners. Because the proposal would not expand the definition of covered financial institution, legal entity customer, account, or beneficial owner, FinCEN does not expect the proposal to impose new compliance costs on any newly affected population. FinCEN encourages commenters who do not share this expectation to submit comments on the subject, ideally supported by specific information.

i. Covered Financial Institutions

The proposed rule would apply to all financial institutions currently subject to the CDD Rule: banks, brokers or dealers in securities (broker-dealers), mutual funds, and futures commission merchants (FCMs) and introducing brokers in commodities (IBCs). FinCEN estimates that there are approximately 14,554 potentially affected covered financial institutions, consisting of 8,988 banks; 3,277 brokers-dealers; 1,335 mutual funds; and 954 FCMs and IBCs.[48] While these estimates provide a useful reference point for the total population of financial institutions with CDD obligations, they do not identify how many covered financial institutions have legal entity customers that open more than one account with the same institution during a given period. As such, the estimates of expected affected covered financial institutions summarized in table 1 are provided for illustrative purposes only.

Table 1. Estimates of Covered Financial Institutions by Type

Covered Financial Institution Type[a]	Number of Financial Institutions
Banks with a Federal functional regulator[b]	8,623[c]
Banks without a Federal functional regulator[d]	365[e]
Broker-dealers[f]	3,277[g]
Mutual funds[h]	1,335[i]
FCMs and IBCs[j]	954[k]
Total	**14,554**

[a] *See* 31 U.S.C. 5312(a)(2); *see also* 31 CFR 1010.100(t) (definition of financial institution).

[48] For a complete description of the sources of data and methodologies utilized to form these estimates, see the endnotes provided in table 1. As previously discussed, FinCEN has separately proposed to apply CDD Rule obligations to a proposed new type of regulated financial institution, PPSIs. *See supra* section II.E, note 28. Because that proposal is not yet finalized, meaning that PPSIs are not currently a covered financial institution, this analysis does not incorporate PPSIs. Notably, however, FinCEN has estimated that the number of PPSIs would be small. *See* OFAC and FinCEN, *Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements*, 91 FR at 18628 (estimating 50 PPSIs).

[b] *See* 31 CFR 1010.100(t)(1); *see also* 31 CFR 1010.100(d), 31 CFR 1020.210(a).
[c] This includes 4,336 FDIC-insured depository institutions (i.e., federally regulated banks) according to the FDIC's *Quarterly Bank Profile* for 2025 Q4, p. 2 (https://www.fdic.gov/quarterly-banking-profile/past-quarterly-banking-profiles). It also includes 4,287 NCUA-insured credit unions as of December 31, 2025, according to the NCUA's *Quarterly Credit Union Data Summary: 2025 Q4*, p. i (https://ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data-summary-reports).
[d] *See* 31 CFR 1020.210(b).
[e] The Board of Governors of the Federal Reserve System Master Account and Services Database (https://www.federalreserve.gov/paymentsystems/master-account-and-services-database-existing-access.htm) contains data as of November 30, 2025, on financial institutions that use Federal Reserve Bank financial services, including those with no additional Federal regulator. FinCEN used this data to identify 365 banks and credit unions with no additional Federal regulator using Federal Reserve Bank financial services.
[f] *See* 31 U.S.C. 5312(a)(2)(G); *see also* 31 CFR 1010.100(t)(2).
[g] This estimate is based on U.S. Securities and Exchange Commission (SEC) data on active broker-dealers, *see Company Information About Active Broker-Dealers* (last updated Oct. 1, 2026), December 2025 Data table (https://www.sec.gov/foia-services/frequently-requested-documents/company-information-about-active-broker-dealers), which listed 3,277 active broker-dealers registered with the SEC as of December 31, 2025.
[h] *See* 31 U.S.C. 5312(a)(2)(I); *see also* 31 CFR 1010.100(t)(10) and 31 CFR 1010.100(gg).
[i] This estimate is based on the number of registered investment companies filing Form N-1A in SEC's *Annual Registered Investment Company Update: Form N-CEN Data, Period Ending December 2025* (May 2026), table 1.3, p. 4 (https://www.sec.gov/files/annual-registered-investment-company-update-20260512.pdf).
[j] *See* 31 U.S.C. 5312(a)(2)(H); *see also* 31 CFR 1010.100(t)(8-9).
[k] According to Commodity Futures Trading Commission data on FCMs, *see Financial Data for FCMs*, December 31, 2025 data, (https://www.cftc.gov/MarketReports/financialfcmdata/index.htm), there were 66 registered FCMs as of December 31, 2025. The number of IBCs as of December 31, 2025 (888) was obtained from the National Futures Association "NFA Membership and Registration" website (https://www.nfa.futures.org/registration-membership/membership-and-directories.html). Because deduplication of entities registered as both FCMs and IBCs was not feasible, this estimate may double-count some entities registered in both categories. FinCEN, however, believes this subpopulation may be small.

ii. Legal Entity Customers and their Beneficial Owners

Legal entity customers and their beneficial owners are also affected because covered financial institutions obtain and verify beneficial ownership information when a legal entity customer first opens an account and, as applicable, when facts call prior information into question or risk-based procedures otherwise require it. FinCEN cannot estimate the total number of unique legal entity customers or beneficial owners that may be directly affected parties from the estimated 5,465,250[49] annual responses projected using its historical methodology because

[49] *See* FinCEN, *Customer Due Diligence Requirements for Financial Institutions Final Rule,* 81 FR at 29448 (explaining that FinCEN had no direct data on annual legal entity account openings by small financial institutions and that the estimate, based in part on information from one very large financial institution, assumed small institutions would open at most 1.5 such accounts per day, and probably fewer); *see also* FinCEN, *Agency Information Collection Activities; Proposed Renewal; Comment Request; Renewal Without Change of the Beneficial Ownership Requirements for Legal Entity Customers*, 84 FR 72137, 72138 n.9 (Dec. 30, 2019); FinCEN, *Agency Information Collection Activities; Proposed Renewal; Comment Request; Renewal Without Change of the Beneficial Ownership Requirements for Legal Entity Customers*, 89 FR 14148, 14149 n.16 (Feb. 26, 2024) (applying an average of 1.5 new legal entity accounts per business day to all covered financial institutions). Applying that rate to the 14,554 covered financial institutions identified in Table 1 and 250 business days yields 5,457,750 legal entity customer accounts opened per year (14,554 × 1.5 × 250). Industry comments suggest the estimate may be low, at least for banks.

that measure may include multiple responses for the same legal entity customer and information concerning multiple beneficial owners. Because the 1.5-account-per-day assumption that informed that estimate is based on limited information developed for the CDD Rule in 2016, and a 2024 banking-industry survey has since suggested that it may be low,[50] FinCEN considers 5,457,750 a rough estimate and requests comments that include current data on legal entity account openings, including variation by institution type and size.

c. Current Market Practices

Covered financial institutions currently use a range of processes to manage account-opening, customer due diligence, customer identification, and beneficial ownership information-related activities. These processes may be implemented through internal systems, third-party vendors, core processors, transfer agents, introducing and carrying broker relationships, or other operational arrangements, depending on the institution type and business model. Many covered financial institutions maintain customer or party master files and account master records that allow the institution to associate multiple accounts with the same legal entity customer. The degree of centralization, comingling of data and automation varies by institution size, product mix, and technology architecture.

FinCEN expects that covered financial institutions have already developed policies and procedures to obtain and verify beneficial ownership information for legal entity customers and to update customer information on a risk basis. FinCEN also expects that some covered financial institutions have revised or begun revising their procedures in response to the February 2026 exceptive relief. As a result, the proposed rule is expected to align the text of the CDD Rule with practices that many institutions may already have adopted or planned to adopt.

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[50] *See* American Bankers Association, *Letter to FinCEN on CDD PRA Rule,* Docket No. FINCEN-2024-0008, OMB Control No. 1506-0070, at 5 (Apr. 26, 2024) (reporting that 92 percent of 141 surveyed banks disagreed with the 1.5-account estimate and that 94 percent of those respondents characterized it as "very low"), https://www.aba.com/-/media/documents/comment-letter/clfincencdd20240426.pdf?rev=07c23ff3932e4fe5a5f3f7033bb57344.

3. Description of Proposed Regulation

For purposes of the RIA, FinCEN considered the various components of the proposed rule with a view towards the specific features or elements that may generate, either directly or indirectly, an economic benefit or cost or lead to changes in a market participant's incentives in a way that may generate economic benefits or costs.[51] To balance the completeness of the RIA with the desire for expositional clarity and ease of tractability between the proposed regulatory text and sections IV (Section-by-Section Analysis) and IX (Regulatory Impact Analysis), FinCEN has included table 2, to provide a mapping of the various components of the proposed rulemaking as presented in section IV to their analogous categorization in the RIA.

[51] *See infra* section IX.A.4.

Table 2. Overview/Mapping of the Proposed Rule

Elements of the Proposed Rule	Section IV Analysis	Discussed in RIA Subsection(s)	Proposed Regulatory Text Location
Revise the general requirement to clarify that covered financial institutions must establish and maintain written procedures reasonably designed to identify and verify the identity of beneficial owners of legal entity customers, and include such procedures in their AML/CFT programs.	IV.A	IX.A.3	1010.230(a)
Add "countering the financing of terrorism" to the reference to anti-money laundering compliance programs.	IV.A	IX.A.3	1010.230(a)
Replace the current requirement to identify and verify beneficial owners at each new account opening with a timing framework requiring identification and verification: (1) when the legal entity customer first opens an account with the covered financial institution; (2) when the institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer; and (3) as needed based on risk-based procedures for conducting ongoing customer due diligence.	IV.B.1	IX.A.1, IX.A.3, IX.A.4.a, IX.A.4.b, IX.C, IX.E	1010.230(b)(1)(i)
Specify the minimum information that a covered financial institution must obtain about each beneficial owner, including name, date of birth, address, and an identifying number, unless risk-based procedures warrant obtaining more information.	IV.B.2	IX.A.3, IX.A.4.a, IX.A.4.b, IX.E	1010.230(b)(1)(ii)(A)-(D)
Clarify that, for a U.S. person beneficial owner, the required identifying number is a Social Security number, and that for U.S. and non-U.S. persons, an ITIN is not an acceptable substitute for a Social Security number.	IV.B.2	IX.A.3, IX.A.4.a, IX.A.4.b, IX.E	1010.230(b)(1)(ii)(D)
Clarify that, where warranted by other risk indicators or supervisory concerns, a covered financial institution may obtain additional information necessary to mitigate indicated risk or address supervisory concerns, including when relevant to assessing risks associated with fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity, information relevant to lawful immigration status and employment authorization in the United States.	IV.B.2	IX.A.1, IX.A.3, IX.A.4.a, IX.A.4.b, IX.E	1010.230(b)(1)(ii)
Permit covered financial institutions to obtain required beneficial ownership information from a third-party source, subject to compliance with the certification requirement.	IV.B.3	IX.A.1, IX.A.3, IX.A.4.a, IX.A.4.b, IX.E	1010.230(b)(1)(iii)

Table 2. Overview/Mapping of the Proposed Rule

Elements of the Proposed Rule	Section IV Analysis	Discussed in RIA Subsection(s)	Proposed Regulatory Text Location
Require a covered financial institution, when obtaining beneficial ownership information at the first account opening, to obtain a certification from the individual opening the account on behalf of the legal entity customer that the information obtained is accurate to the best of that individual's knowledge; retain use of the standardized certification form as optional.	IV.B.4	IX.A.3, IX.A.4.a, IX.A.4.b, IX.E	1010.230(b)(1)(iv)(A)
Permit a covered financial institution, when obtaining beneficial ownership information as needed based on risk-based ongoing CDD procedures, to rely on information previously obtained from a certification provided at the first account opening, provided that a representative of the legal entity customer gives oral or written confirmation that the information is up to date and accurate to the best of the individual's knowledge.	IV.B.4	IX.A.1, IX.A.3, IX.A.4.a, IX.A.4.b, IX.E	1010.230(b)(1)(iv)(B)
Clarify the verification cross-reference to the applicable CIP rules so that covered financial institutions must use verification procedures containing the elements required for verifying the identity of individual customers, while avoiding ambiguity that the CIP information-collection list governs beneficial ownership information collection under the CDD Rule.	IV.B.5	IX.A.3, IX.A.4.b	1010.230(b)(2)
Retain the provision allowing a covered financial institution to rely on information supplied by the legal entity customer regarding the identity of its beneficial owner or owners, provided that the institution has no knowledge of facts that would reasonably call into question the reliability of such information.	IV.B.5	IX.A.3	1010.230(b)(2)

4. Anticipated Economic Effects

a. Expected Benefits

FinCEN expects the proposed rule to produce several categories of benefits. First, codifying the relief from beneficial ownership identification and verification at every repeat account opening should reduce duplicative compliance activity. Covered financial institutions would be able to rely on beneficial ownership information obtained at the first account opening unless facts reasonably call the reliability of that information into question or risk-based procedures otherwise require additional or updated information. This should reduce repetitive customer outreach, duplicative collection of identification information, and associated account-opening delays.

Second, the proposed rule should improve regulatory clarity. Codifying the February 2026 exceptive relief in the CDD Rule would reduce uncertainty about the continued availability and operation of that relief and would allow covered financial institutions to design policies, procedures, systems, and training around the text of the regulation. Clearer regulatory text may also promote more consistent supervisory expectations across covered financial institutions and functional regulators, possibly reducing examination costs.

Third, the proposal should better align the CDD Rule with a risk-based approach to AML/CFT compliance. The proposal would preserve the ability, and where applicable the obligation, of covered financial institutions to update or obtain additional information when facts call previously obtained beneficial ownership information into question or when risk-based procedures indicate that additional or updated information is appropriate. At the same time, the proposal would avoid requiring covered financial institutions to repeat the same identification and verification steps at every account opening without regard to risk or whether the institution already has reliable information about the legal entity customer.

Fourth, the proposed clarification concerning additional information in heightened-risk or supervisory-concern circumstances may help covered financial institutions resolve material

compliance concerns involving fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity. By clarifying that covered financial institutions may obtain additional information where warranted by risk indicators or supervisory concerns, the proposal may support more effective risk assessment while avoiding a categorical, one-size-fits-all requirement.

FinCEN has not quantified these benefits at this stage because public data are limited regarding the number of repeat account openings by the same legal entity customer at the same covered financial institution and regarding the degree to which institutions have already implemented the February 2026 exceptive relief.

b. Expected Costs

FinCEN does not expect the proposed rule to impose significant economic costs. The proposal would not impose a new obligation to file reports with FinCEN, would not require covered financial institutions to retain a new category of records, would not expand the population of covered financial institutions, and would not impose a new mandatory customer due diligence procedure for all accounts or all customers.

Covered financial institutions may incur limited one-time costs to review the final rule and revise policies, procedures, forms, account-opening workflows, monitoring processes, or training materials. FinCEN expects these costs to be small because covered financial institutions already maintain CDD policies and procedures and because the proposed rule generally aligns with existing exceptive relief and ordinary-course risk-based due diligence practices. To the extent an institution has already implemented the February 2026 exceptive relief, any incremental implementation cost attributable to this proposal should be further reduced.

FinCEN does not expect that its specification of information covered financial institutions must collect and exclusion of ITINs will impose significant costs. FinCEN believes its proposed regulatory text largely aligns with current practices, though some institutions may

incur limited one-time costs to review the final rule and revise policies, procedures, forms, account-opening workflows, monitoring processes, or training materials accordingly.

FinCEN does not expect the proposed clarification regarding additional information in heightened-risk circumstances to require covered financial institutions to collect additional information in every case. The proposed language would clarify that an institution may consider obtaining additional information where warranted by risk indicators or supervisory concerns and where the information is relevant to resolving material compliance concerns. FinCEN does not expect this clarification to result in significant recurring costs.

FinCEN also does not expect the proposed rule to have significant adverse effects on competition, innovation, access to financial services, or market structure. By reducing duplicative collection and verification requirements, the proposal may reduce account-opening friction for legal entity customers, including small businesses.

5. Consideration of Alternatives

In developing the proposed rule, FinCEN considered several policy alternatives, including alternatives specifically tailored to accommodate small entities that may otherwise be disproportionately burdened by regulatory compliance. FinCEN invites comment on these alternatives, and on any other alternatives that were not considered here but could reasonably be expected to accomplish the same policy objectives with equal or greater efficiency.

a. Alternative 1: Strictly Risk-Based Information Collection

First, FinCEN considered adopting an entirely risk-based approach to the determination of the types of information that covered financial institutions would have to collect in order to identify and verify the identity of beneficial owners of legal entity customers.[52] In contrast to the

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[52] The proposed rule sets out a discrete list of information that a covered financial institution must obtain about each beneficial owner of a legal entity customer: name; date of birth; residential or business street address, or if the beneficial owner does not have a residential or business street address an Army Post Office (APO) or Fleet Post Office (FPO) box number, or the residential or business street address of next of kin or of another contact individual;

proposed rule, the alternative considered would eliminate the proposed list of required information and instead grant covered financial institutions complete discretion to determine what information to obtain from a beneficial owner of a legal entity customer, based upon the institution's own risk-based analysis.

FinCEN believes that the proposed rule, which specifies certain information that a covered financial institution must collect, appropriately acknowledges a continuing need for a minimum standard, supplemented, rather than replaced, by tailoring based on risk. FinCEN is concerned that declining to set a minimum requirement for information to be collected across covered financial institutions would make it easier for illicit actors to enter into the financial system by persuading covered financial institutions that they are low-risk customers and therefore should not provide much, if any, identifying information, or by targeting covered financial institutions with less comprehensive CDD programs or less sophisticated risk-analysis capabilities. In return for focusing on heightened risks, the financial services industry as a whole might obtain some regulatory relief, but in FinCEN's judgment not significantly more than the proposal itself provides. Accordingly, FinCEN has opted against this alternative. This alternative could reduce compliance costs for some covered financial institutions by allowing them to collect less information for beneficial owners they determine to present lower risk. The cost savings would likely arise from reduced customer outreach, fewer information fields collected, and potentially shorter account-opening processes in low-risk cases. The magnitude of those savings, however, is uncertain and may be limited because the proposed rule already reduces duplicative compliance activity by eliminating repeated beneficial ownership identification and verification at repeat account openings unless facts or risk-based procedures call for updated information. The proposed rule also already permits covered financial

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and (1) for a U.S. person, a Social Security number (not including an ITIN), or (2) for a non-U.S. person, (a) a Social Security number (not including an ITIN); (b), a passport number and country of issuance; (c) an alien identification card number; or (d) a number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

institutions to obtain additional information only where warranted by risk indicators or supervisory concerns, rather than imposing a categorical obligation to collect additional information in every case.

This alternative would also likely provide greater discretion and potentially greater burden reduction in some low-risk circumstances, but at the cost of reduced uniformity, less regulatory certainty, and potentially weaker beneficial ownership transparency. This trade-off may be particularly important for smaller or less technologically sophisticated covered financial institutions. Although the alternative could appear less burdensome because it would allow such institutions to collect less information in some cases, it could also require them to make and document more case-specific judgments about what information is sufficient to identify and verify beneficial owners. That added discretion could increase uncertainty, training needs, supervisory risk, and inconsistency in implementation.

FinCEN therefore expects that the proposed rule would better balance costs and benefits. Compared with the alternative, the proposed rule is expected to preserve more of the AML/CFT, countering fraud, countering sanctions-evasion, and countering illicit-finance benefits associated with a uniform beneficial ownership identification baseline, while still reducing burden through relief from duplicative collection at repeat account openings, greater flexibility to use third-party sources, and risk-based authority to obtain additional information when warranted. Accordingly, FinCEN preliminarily assesses that the alternative would likely provide, at most, modest additional compliance cost savings relative to the proposal, while presenting greater risks to regulatory consistency and the effectiveness of customer due diligence.

b. Alternative 2: Additional Data Collection Requirements

FinCEN separately considered a version of the proposed rule that would have required covered financial institutions to collect additional information beyond what this proposal would require by expanding the list of information an institution must obtain about each beneficial owner of a legal entity customer beyond the beneficial owner's name, date of birth, address, and

qualifying identifying number. The goal of such an enhanced data collection requirement would be to reduce uncertainty about whether the information that a covered financial institution can be relied upon to collect will be sufficient to perform a meaningful analysis of beneficial ownership-related risks.

FinCEN believes that such an approach would be overly prescriptive and inconsistent with the aim of Executive Order 14406 to improve the risk-based nature of the CDD Rule by allowing financial institutions to focus on higher-risk customers, including those that present risks related to illicit finance, sanctions evasion, fraud, and other unlawful activity. FinCEN believes that the proposed rule would ensure that covered financial institutions collect sufficient information concerning the beneficial owners of their legal entity customers, while providing the necessary flexibility for a covered financial institution to collect additional information for specific beneficial owners where such collection is warranted by risk. The small benefit in terms of increased regulatory certainty that the alternative would achieve would come at significant cost to covered financial institutions. Thus, FinCEN rejected this alternative approach.

This alternative would likely produce greater regulatory certainty than the proposed rule by specifying additional information that covered financial institutions must obtain from each beneficial owner of a legal entity customer. A more prescriptive information-collection requirement could reduce ambiguity about whether an institution has collected enough information to conduct a meaningful beneficial ownership risk assessment and could promote more uniform practices across covered financial institutions.

However, relative to the proposed rule, this alternative would likely impose materially greater costs, by requiring additional information in all cases, including for legal entity customers and beneficial owners that present lower risk and for whom the additional information may have limited marginal value. The principal costs of this alternative would likely include increased customer outreach, longer account-opening processes, additional form and system changes, additional training, and greater compliance and quality-control burdens. These costs

would be recurring because institutions would have to collect any additional information for each covered beneficial owner whenever beneficial ownership information is required. The alternative could also increase burden on legal entity customers and beneficial owners by requiring them to provide additional information even when no risk-based factor suggests that the information is needed.

FinCEN preliminarily assesses that the proposed rule better balances costs and benefits. Compared with the alternative, the proposed rule preserves a clear minimum standard, maintains flexibility to collect additional information in higher-risk circumstances, and avoids imposing additional recurring burden on all covered financial institutions, legal entity customers, and beneficial owners.

c. Alternative 3: Delayed Effective Date for Small Financial Institutions

FinCEN separately and additionally considered modifying the proposed rule to provide a delayed effective date for small financial institutions as defined by the RFA, as a way of minimizing costs to small businesses. However, FinCEN does not believe that implementation of the proposed rule would impose a significant burden on small financial institutions, as much of the proposal is permissive rather than prescriptive or captures existing industry practices. Additionally, FinCEN is mindful that by introducing a staggered effective date by financial institution size, this may inadvertently create confusion or unequal burdens for the small businesses that are the legal entity customers of covered financial institutions by causing them to face different standards of information provision based on the size of the institutions where they maintain an account. Accordingly, FinCEN has opted against this alternative.

This alternative could reduce near-term implementation burden for small covered financial institutions by giving them additional time to review the final rule and make any needed updates to policies, procedures, forms, workflows, systems, or training materials. A delayed effective date could be most useful in providing additional time for small institutions

with less automated account-opening systems, fewer compliance personnel, or greater reliance on third-party vendors or core processors whose services might be more difficult to obtain or more expensive for small financial institutions if required to compete with larger institutions in the run-up to a universal, industry-wide effective date.

FinCEN expects, however, that the incremental benefit of this alternative would be limited. The proposed rule is not expected to impose significant costs because it would not expand the population of covered financial institutions, legal entity customers, accounts, or beneficial owners, and would not impose new mandatory reporting, recordkeeping, or customer information collection requirements. A delayed effective date for small financial institutions would also delay the benefits of regulatory clarity and burden reduction for those institutions.

FinCEN preliminarily assesses that the proposed rule better balances costs and benefits. A delayed effective date for small financial institutions could provide some additional implementation flexibility, but the likely cost savings would be modest because the proposal is expected to reduce, rather than increase, recurring beneficial ownership collection and verification obligations. The proposed rule also aligns with practices that at least some institutions have already revised or begun revising in response to the February 2026 exceptive relief.

B. Executive Orders 12866, 13563, and 14192

Executive Orders 12866 and 13563 direct agencies to assess the costs and benefits of available regulatory alternatives and, to the extent permitted by law, to select regulatory approaches that maximize net benefits, including potential economic, environmental, public health and safety, distributive, and equity effects. Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility.

FinCEN has considered the expected costs and benefits of the proposed rule and does not anticipate that it would introduce an effect of $100 million or more on the economy in a given

year. Notwithstanding a lack of expected economic significance under section 3(f)(1) of Executive Order 12866, the proposed rule has been reviewed by the Office of Management and Budget (OMB) and found to otherwise meet the criteria for a significant regulatory action under section 3(f) of Executive Order 12866. Accordingly, FinCEN has conducted the requisite regulatory impact analysis and included a summary thereof in section IX.A.

FinCEN expects that this action, when finalized, would be an Executive Order 14192 deregulatory action because it is expected to reduce compliance burden and to have total costs less than zero. The proposal would codify relief from duplicative beneficial ownership identification and verification at repeat account openings and would not impose a new mandatory reporting, recordkeeping, or customer information collection requirement.

C. Regulatory Flexibility Act

The RFA requires an agency either to provide an initial regulatory flexibility analysis with a proposed rule or to certify that the proposed rule, if promulgated, would not have a significant economic impact on a substantial number of small entities. The proposed rule would apply to covered financial institutions, some of which are small entities. However, the proposal would not expand the categories of covered financial institutions, would not impose a new reporting or recordkeeping requirement, and would not require covered financial institutions to collect additional information in all cases.

FinCEN expects that any one-time costs for small covered financial institutions would be limited to ordinary-course review of the final rule and conforming updates to policies, procedures, forms, training, or workflows. FinCEN expects those costs to be small because small covered financial institutions already maintain CDD procedures and because the proposal is expected to reduce rather than increase recurring beneficial ownership collection and verification obligations for repeat account openings. Accordingly, FinCEN certifies that the proposed rule, if finalized, would not have a significant economic impact on a substantial number of small entities.

D. Unfunded Mandates Reform Act

Section 202 of the UMRA,[53] Public Law 104–4, requires that an agency prepare a budgetary impact statement before promulgating a rule that may result in new, incremental expenditures by State, local, and Tribal governments, in the aggregate, or by the private sector, of $193 million or more in any one year ($100 million in 1995, adjusted for inflation).[54] If a budgetary impact statement is required, section 202 of the UMRA also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. FinCEN has determined that this rule will not result in increased expenditures by State, local, and Tribal governments, or by the private sector, of $193 million or more. Accordingly, FinCEN has not prepared a budgetary impact statement.

E. Paperwork Reduction Act

Under the PRA, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by OMB. Written comments and recommendations for the proposed information collection can be submitted by visiting https://www.reginfo.gov/public/do/PRAMain. Find this particular document by selecting "Currently Under Review—Open for Public Comments" or by using the search function. Comments are welcome and must be received by **[INSERT DATE 60 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*]**.

In accordance with requirements of the PRA, 44 U.S.C. 3506(c)(2)(A), and its implementing regulations, 5 CFR part 1320, the following information concerns the collection of information as it relates to the amendments to covered financial institutions' AML/CFT program regulations.

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[53] 2 U.S.C. 1532.

[54] The U.S. Bureau of Economic Analysis reports the annual value of the gross domestic product implicit price deflator for calendar year 1995 (the year UMRA was enacted) as 66.939, and as 128.974 for calendar year 2025 (the most recent available). Thus, the inflation-adjusted estimate for $100 million is 128.974 ÷ 66.939 × $100 million, or $192.7 million. *See* U.S. Bureau of Economic Analysis, Table 1.1.9. Implicit Price Deflators for Gross Domestic Product, BEA Interactive Data Application.

1. Description of Affected Financial Institutions and OMB Control Numbers

OMB Control Number(s): 1506-0020, 1506-0035, 1506-0081, 1506-0088, and 1506-0070.

The proposed amendments, if adopted, may affect covered financial institutions' recordkeeping activities, and as a result, burdens incurred. To the extent that covered financial institutions' CDD-related recordkeeping burdens are currently accounted for under FinCEN OMB control numbers, they have been so primarily under OMB control number 1506-0070,[55] with additional components currently accounted for under 1506-0081 (applicable to Investment Advisers)[56] or under proposal to be accounted for under OMB control numbers 1506-0020 (Mutual Funds), 1506-0035 (Banks Without a Federal Functional Regulator), and 1506-0088 (PPSIs).[57]

2. Estimated Annual Burden

The PRA requires that agencies consider the impact of paperwork and other information collection burdens imposed on the public. FinCEN does not estimate any incremental burden under the PRA associated with this proposed rule because the proposal would not impose any new reporting, recordkeeping, or third-party disclosure requirement. The proposal would codify existing relief from the requirement to identify and verify beneficial owners at each repeat account opening and would clarify that covered financial institutions may obtain additional information in heightened-risk circumstances where warranted by risk indicators or supervisory concerns. The decision by a covered financial institution to obtain additional information in a

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[55] *See* FinCEN, *Agency Information Collection Activities; Proposed Renewal; Comment Request; Renewal Without Change of the Beneficial Ownership Requirements for Legal Entity Customers*, 89 FR 14148 (Feb. 26, 2024).
[56] *See* FinCEN, *Financial Crimes Enforcement Network: Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers*, 89 FR 72156, 72261–64 (Sept. 4, 2024).
[57] *See* FinCEN, *Anti-Money Laundering and Countering the Financing of Terrorism Programs*, 91 FR at 18746–50. As proposed, a covered financial institution would be required to establish and maintain a written AML/CFT program that includes: "appropriate risk-based procedures for conducting ongoing customer due diligence, to include, but not be limited to: understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile." *Id.*; s*ee also* OFAC and FinCEN, *Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements*, 91 FR 18582.

particular case would depend on its own risk-based assessment and the need to resolve a material compliance concern. FinCEN requests comment on whether the proposed rule could reasonably be expected to introduce incremental PRA effects that should be identified and included in this burden analysis.

3. General Request for Comments under the PRA

Comments submitted in response to this proposed rule will be summarized and included in a request for OMB approval. All comments will become a matter of public record. FinCEN invites comments on: (1) whether the collection of information is necessary for the proper performance of FinCEN's mission, including whether the information shall have practical utility; (2) the accuracy of FinCEN's estimate of the burden of the collection of information; (3) ways to enhance the quality, utility, and clarity of the information to be collected; (4) ways to minimize the burden of the collection of information on reporting persons, including through the use of technology; and (5) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services required to provide information.

F. Additional Requests for Comment

1. FinCEN requests comment on the appropriate baseline and on any data that would help quantify cost savings relative to either baseline.

2. FinCEN requests comment on current practices, including the extent to which covered financial institutions have already adjusted procedures, forms, systems, training, or quality-control processes in response to the February 2026 exceptive relief.

3. FinCEN requests data on the distribution of accounts per legal entity customer, the annual number of repeat account openings by legal entity customers, the time required to collect and verify beneficial ownership information at repeat account openings, and the extent of any implementation costs or savings associated with the proposed rule.

4. FinCEN requests comment on whether the proposed clarification could cause covered financial institutions to change policies, procedures, training, systems, or customer-facing

practices in ways that would generate incremental costs not identified here.

5. FinCEN requests comment on any potential distributional effects, including whether the proposal would have different effects across banks, brokers or dealers in securities, mutual funds, futures commission merchants, and introducing brokers in commodities, or across small and large covered financial institutions.

6. FinCEN requests comment on the expected cost savings and any potential costs associated with implementing the proposed rule.

7. FinCEN invites comment from small entities on all aspects of its certification pursuant to RFA requirements that the proposed rule is not expected to have a significant economic impact on a substantial number of small entities, including any data on implementation costs, cost savings, or operational effects.

8. FinCEN requests comment on the extent of any one-time implementation costs and on whether such costs vary materially by institution type or size.

9. FinCEN requests data on the distribution of accounts per legal entity customer, the annual number of repeat account openings by legal entity customers, the time required to collect and verify beneficial ownership information at repeat account openings, and the extent of any implementation costs or savings associated with the proposed rule.

List of Subjects in 31 CFR Part 1010

Administrative practice and procedure, Aliens, Authority delegations (Government agencies), Banks, Banking, Brokers, Business and industry, Citizenship and naturalization, Commodity futures, Crime, Currency, Electronic filing, Federal savings associations, Federal-State relations, Fiduciaries, Foreign banking, Foreign currencies, Foreign persons, Gambling, Holding companies, Indians, Indians—law, Indians—tribal government, Insurance companies, Investigations, Investment companies, Law enforcement, Penalties, Reporting and recordkeeping requirements, Savings associations, Securities, Small business, Terrorism, Time.

Amendment to FinCEN Regulations

For the reasons discussed in the preamble, the Financial Crimes Enforcement Network proposes to amend 31 CFR part 1010 as follows.

PART 1010 — GENERAL PROVISIONS

1. The authority citation for part 1010 continues to read as follows:

Authority: 12 U.S.C. 1829b and 1951–1959; 31 U.S.C. 5311–5314 and 5316–5336; title III, sec. 314, Pub. L. 107–56, 115 Stat. 307; sec. 2006, Pub. L. 114–41, 129 Stat. 457; sec. 701 Pub. L. 114–74, 129 Stat. 599; sec. 6403, Pub. L. 116–283, 134 Stat. 3388.

2. Section 1010.230 is amended by:

a. Revising paragraph (a) to read as follows:

(a) ***In general***. Covered financial institutions are required to establish and maintain written procedures that are reasonably designed to identify and verify the identity of beneficial owners of legal entity customers and to include such procedures in their anti-money laundering/countering the financing of terrorism program required under 31 U.S.C. 5318(h) and its implementing regulations.

b. Revising paragraph (b) to read as follows:

(b) ***Identification and verification***. With respect to legal entity customers, the covered financial institution's customer due diligence procedures shall enable the institution to:

(1) Identify the beneficial owner(s) of each legal entity customer, unless the customer is otherwise excluded pursuant to paragraph (e) of this section or the account is exempted pursuant to paragraph (h) of this section.

(i) *Timing*. A covered financial institution must identify the beneficial owner(s) of a legal entity customer:

(A) when the legal entity customer first opens an account with the covered financial institution;

(B) any time thereafter when the covered financial institution has knowledge of facts that would reasonably call into question the reliability of beneficial ownership information previously obtained about the legal entity customer; and

(C) as needed based on a covered financial institution's risk-based procedures for conducting ongoing customer due diligence.

(ii) *Information necessary for identification and verification of identity*. A covered financial institution must obtain information about each beneficial owner sufficient to allow the covered financial institution to identify, and to verify the identity of, the beneficial owner. The financial institution must obtain, at minimum, the information described in paragraph (b)(1)(ii)(A)-(D) about each beneficial owner, and may obtain additional information as described in paragraph (b)(1)(ii)(E):

(A) name;

(B) date of birth;

(C) residential or business street address, or if the beneficial owner does not have a residential or business street address an Army Post Office (APO) or Fleet Post Office (FPO) box number, or the residential or business street address of next of kin or of another contact individual; and

(D) (*1*) for a U.S. person, a Social Security number (not including an Individual Taxpayer Identification Number), or (*2*) for a non-U.S. person, (*i*) a Social Security number (not including an Individual Taxpayer Identification Number); (*ii*) a passport number and country of issuance; (*iii*) an alien identification card number; or (*iv*) a number and country of issuance of any other government issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

(E) Where warranted by other risk indicators or supervisory concerns, including but not limited to indicators of risks associated with fraud, identity misrepresentation, sanctions evasion, or other illicit financial activity, the covered financial institution may obtain additional information useful in mitigating risk or addressing supervisory concerns, including but not limited to information relevant to lawful immigration status and employment authorization in the United States.

(iii) *Sources of Information*. Subject to compliance with the certification requirement in paragraph (b)(1)(iv) of this section, a covered financial institution may obtain any information described in paragraph (b)(1)(ii) of this section by acquiring it from a third-party source.

(iv) *Certification*.

(A) When obtaining information at a time described in paragraph (b)(1)(i)(A) of this section, a covered financial institution must obtain a certification from the individual opening the account on behalf of the legal entity customer that the information obtained is accurate to the best of the individual's knowledge. This certification may, but is not required to, take the form of the certification in Appendix A of this section.

(B) When obtaining information at a time described in paragraph (b)(1)(i)(C) of this section, a covered financial institution may rely on information to which a certification provided in connection with obtaining information at a time described in paragraph (b)(1)(i)(A) of this section applies, provided that a representative of the legal entity customer provides oral or written confirmation that such information is up to date and accurate to the best of the individual's knowledge. Written confirmation may, but is not required to, take the form of the certification in Appendix A of this section.

(2) Verify the identity of each beneficial owner identified to the covered financial institution, according to risk-based procedures, to the extent reasonable and practicable. At a minimum, these procedures must require collection of information specified in paragraph (b)(1)(ii) and contain the elements required for verifying the identity of customers that are individuals under § 1020.220(a)(2), other than § 1020.220(a)(2)(i), of this chapter (for banks); § 1023.220(a)(2), other than § 1023.220(a)(2)(i), of this chapter (for brokers or dealers in securities); § 1024.220(a)(2), other than § 1024.220(a)(2)(i), of this chapter (for mutual funds); or § 1026.220(a)(2), other than § 1026.220(a)(2)(i), of this chapter (for futures commission merchants or introducing brokers in commodities); provided, that in the case of documentary verification, the financial institution may use photocopies or other reproductions of the

documents listed in paragraph (a)(2)(ii)(A)(*1*) of § 1020.220 of this chapter (for banks); § 1023.220 of this chapter (for brokers or dealers in securities); § 1024.220 of this chapter (for mutual funds); or § 1026.220 of this chapter (for futures commission merchants or introducing brokers in commodities). A covered financial institution may rely on the information supplied by the legal entity customer regarding the identity of its beneficial owner or owners, provided that it has no knowledge of facts that would reasonably call into question the reliability of such information.

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