

On February 13, 2026, FinCEN issued an order (Order) granting exceptive relief to covered financial institutions from the requirement to identify and verify beneficial owners of legal entity customers at each new account opening.<sup>1</sup> The Order applies to covered financial institutions (CFI) under the 2016 customer due diligence (CDD) rule: (i) banks; (ii) brokers or dealers in securities; (iii) mutual funds; and (iv) futures commission merchants and introducing brokers in commodities.<sup>2</sup>

### 5 insights you should know

- 1 2016 CDD rule requirements:** The 2016 CDD rule requires institutions to establish and maintain written procedures for identifying and verifying the beneficial owner of legal entity customers at each new account opening.<sup>3</sup> Institutions are required to collect the name, date of birth, address, and government identification number for each beneficial owner who owns or controls 25% or more of a legal entity customer. Operationally, this requirement applied to each new instance of account opening for existing customers.
- 2 New triggers for identification and verification:** The Order, derived from the implementation of the Corporate Transparency Act (CTA), shifts the trigger from an account-level requirement to a risk-based, customer-level approach. Institutions are now required to only identify and verify a legal entity customer's beneficial owners in the following circumstances: (i) At initial account opening with the CFI; (ii) When the CFI is aware of information that reasonably calls into question the reliability of the previously obtained beneficial ownership information; and (iii) As a result of the CFI's risk-based, ongoing CDD procedures\*.
- 3 Relief still requires written procedures:** Although the Order relaxes the trigger for verification at each new account opening for the same customer, CFIs must continue to maintain written procedures that are reasonably designed to identify and verify beneficial owners of legal entity customers and to include these procedures in their anti-money laundering compliance program.<sup>4</sup> These programs must include procedures to maintain and update customer information for ongoing due diligence.
- 4 \*Customer certification:** When a CFI determines that identification and verification are required under its risk-based procedures, it may rely on previously collected beneficial ownership information if the customer confirms (verbally or in writing) that the information remains accurate. The CFI must retain a record of that confirmation. If the customer cannot confirm its accuracy, or if the CFI has knowledge that calls information's reliability into question, the CFI must conduct a full re-identification and verification.
- 5 Modernization and deregulatory efforts:** With the Order, FinCEN has indicated that it continues to move toward a risk-based compliance framework. Within the Order, FinCEN has previewed that future revisions to the CDD rule are expected through future rulemaking, as required by the CTA and broader Bank Secrecy Act (BSA) modernization efforts.<sup>5</sup>

### 5 considerations to evaluate

1

**Reassess policies and procedures:** CFIs should not automatically scale back their identification and verification practices. Rather, CFIs should ensure that applicable policy and procedures reflect continued compliance with the 2016 CDD rule overall, and any revisions made as a result of the Order consider and take into account the CFI's overall inherent risk profile, risk appetite and tolerance as driven by mature risk assessment processes. Additionally, CFIs should assess and address the downstream impact of potential CDD procedures made on broader key Program control dependencies, including but not limited to Suspicious Activity Report (SAR) processes.

2

**Strengthen documentation of risk-based decisions:** Ensure the implementation of clear procedures governing processes to obtain and retain certifications, including documenting the rationale for reasonable reliance on previously obtained beneficial ownership information, as well as the establishment and consistent application of specific triggers that may require the initiation of a refreshed full identification and verification process.

3

**Train staff on updates:** As with any periodic change in governing policies and procedures, the CFI should ensure that corresponding training programs adequately reflect any new updates to associated procedures and are tailored appropriately based on the roles and responsibilities of personnel tasked with executing impacted controls.

4

**AML and sanctions obligations remain the same:** The Order does not alter obligations under the Bank Secrecy Act (BSA) or Office of Foreign Asset Control (OFAC) sanctions programs. CFIs should ensure that procedural changes do not impede SAR reporting or sanctions compliance.

5

**Monitor regulatory developments:** Stay abreast of additional rulemaking. Monitor rulemaking developments and consider engaging in the comment process, either alone or with an industry association.

## Endnotes

1. Financial Crimes Enforcement Network (FinCEN), "[Exceptive Relief from Requirement to Identify and Verify Beneficial Owners at Each Account Opening \(FIN-2026-R001\)](#)," February 13, 2026.
2. FinCEN, "[Customer Due Diligence Requirements for Financial Institutions](#)," *Federal Register*, May 11, 2016.
3. Ibid.
4. 31 C.F.R. § 1020.210(a)(2)(v).
5. 116<sup>th</sup> Congress, "[H.R.6395 - William M. \(Mac\) Thornberry National Defense Authorization Act for Fiscal Year 2021](#)," January 1, 2021; The White House, "[Unleashing Prosperity Through Deregulation](#)," January 31, 2025.

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