

Beneficial Ownership Talking Points

What is the Beneficial Ownership regulation about?

Effective May 11, 2018, Urban Partnership Bank will be required to identify and verify the identity of the beneficial owners of all legal entity customers when a new account is opened or there is another triggering event.

What qualifies as a legal entity customer?

A legal entity customer is any of the following:

- A corporation
- A limited liability company (LLC)
- Any entity created by the filing of a public document with a Secretary of State or similar office, a general partnership, or any similar entity formed under the laws of a foreign jurisdiction.

What qualifies as a beneficial owner?

A beneficial owner is defined as the following:

- Any individual who directly or indirectly owns 25% or more of the equity interests of a legal entity customer
- Or any individual with significant responsibility to control, manage, or direct a legal entity customer (i.e., Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President or Treasurer)

What specifically is required?

Any beneficial owner will be required to present valid identification at the time of account opening and the completion of a certification form.

Why is this required?

This regulation is being implemented to allow the Bank to more fully identify our clients, and ultimately reduce the risk of illicit financial transactions.

What types of accounts is this required for?

This is required for all deposit and loan accounts for legal entities (as defined above). CD accounts that automatically renew will also be subjected to the verification procedures.

What will happen if the customers do not meet this requirement?

If beneficial ownership cannot be obtained and verified at the time of account opening, the account will not be opened.

What activities will trigger the need for beneficial ownership verification?

- When existing legal entity customer opens a new account of any type subject to the regulation.
- Customer requests a change to authorized signor.
- Customer requests a change to guarantor.
- Customer requests a change in entity ownership, officers or other controlling parties.
- Customer applies for a Debit Card.
- Customer requests a Safe Deposit Box.
- Customer requests a loan modification.
- Customer requests a loan renewal.

Are any legal entities exempt from the regulation?

There are some exceptions as listed below.

- Those that are already exempt from CIP (i.e. federally regulated financial institutions; listed Phase I entities)
- Natural persons opening an account on their own behalf
- Investment companies or advisors
- Securities exchange and clearinghouses
- Commodities operators, advisors or dealers
- Public accounting firms
- Attorney escrows and client trust escrows (i.e. Premium Trust Accounts)
- Private label credit card accounts
- Certain special use accounts such as postage accounts
- Insurance companies regulated by the State
- Finance or purchase of leasing equipment