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MEMORANDUM

May 13, 2016

To Our Clients and Friends

Re: U.S. Treasury Department Issues Customer Due Diligence Rule and Proposes Rules and Legislation to Combat Money Laundering

The U.S. Department of the Treasury is taking several new actions to combat money laundering, corruption and tax evasion:

- **Customer Due Diligence Final Rule**. The Treasury Department has issued a rule under the Bank Secrecy Act requiring banks, broker dealers, mutual funds, futures commission merchants and introducing brokers in commodities to conduct customer due diligence (CDD) on beneficial owners of companies when these companies open accounts.

  These institutions must: (i) identify and verify the identity of beneficial owners of companies opening accounts (individuals who own 25% or more of a legal entity, and individuals who control the legal entity); (ii) understand the nature and purpose of customer relationships to develop customer risk profiles; and (iii) conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, maintain and update customer information.

  The covered institution is to use information it collects as it uses other information it gathers regarding customers (e.g., information gathered for its customer identification program), including for compliance with the Office of Foreign Assets Control regulations and currency transaction reporting requirements.

  The rule will become effective July 11, 2016. Covered financial institutions must comply with the rule by May 11, 2018.

- **Proposed Beneficial Ownership Legislation.** The Treasury Department is also proposing legislation to Congress to require companies formed within the United States to file beneficial ownership information with the Treasury Department at the time a company is created. The legislation would clarify the Financial Crimes Enforcement Network's ability to collect information under Geographic Targeting Orders, such as bank wire transfer information.

- **Proposed Regulations on Foreign-Owned Single Member LLCs**. The Treasury Department is proposing regulations to require foreign-owned "disregarded entities," including single-member limited liability companies, to obtain an employer identification number with the Internal Revenue Service. This requirement will permit the IRS to determine federal tax liability and share information with other tax authorities to prevent use of these entities for avoidance of U.S. taxes.

A copy of the Treasury Department's releases can be found on our website at http://www.schwartzandballen.com/news.html

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, or Heidi Wicker at (202) 776-0700.