

FinCEN Issues Exceptive Relief to Streamline Beneficial Ownership Requirements

February 20, 2026

On February 13, 2026, the Financial Crimes Enforcement Network (“**FinCEN**”) issued an order granting exceptive relief to covered financial institutions from the requirement to identify and verify the beneficial owners of legal entity customers at each new account opening (the “**Order**”).¹ Under the Order, covered financial institutions may adopt a more risk-based approach to beneficial ownership verification. Specifically, institutions may limit their identification and verification of beneficial owners to three circumstances: (1) when a legal entity customer first opens an account with the covered financial institution; (2) whenever the covered financial institution becomes aware of facts that would reasonably question the reliability of previously obtained beneficial ownership information; and (3) as necessary based on the institution’s risk-based procedures for conducting ongoing customer due diligence.

The relief is optional and takes effect immediately. Covered financial institutions must continue to comply with all other applicable anti-money laundering/countering the financing of terrorism (“**AML/CFT**”) requirements under the Bank Secrecy Act (“**BSA**”)² and its implementing regulations.

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¹ See FinCEN, Order Granting Exceptive Relief from Certain Customer Due Diligence Requirements for Covered Financial Institutions, Order No. 2026-01 (13 February 2026), available at <https://www.fincen.gov/system/files/2026-02/FinCEN-Order-CCDExceptiveRelief.pdf>.

² See Bank Secrecy Act of 1970, Pub. L. No. 91-508, 84 Stat. 1114 (codified as amended at 12 U.S.C. §§ 1829b, 1951–1960 and 31 U.S.C. §§ 5311–5314, 5316–5332).

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I. Background

In 2016, FinCEN introduced customer due diligence requirements for covered financial institutions³ (collectively, the “**2016 CDD Rule**”)⁴ to remedy a perceived gap in the U.S. AML/CFT regulatory framework. Before these rules took effect on May 11, 2018, covered financial institutions were not obligated to identify the beneficial owners of their legal entity customers.

The 2016 CDD Rule required covered financial institutions to identify and verify the beneficial owner(s)⁵ of each legal entity customer whenever a new account is opened, using risk-based procedures to the extent reasonable and practicable.⁶ Under this requirement, institutions had to conduct beneficial ownership identification and verification each time a legal entity customer opened an account, even if multiple accounts were opened in quick succession or if the institution possessed no new information that would cast doubt on previously obtained beneficial ownership details. Industry representatives have argued that these requirements impose significant burdens without corresponding benefits to AML efforts, despite FinCEN’s various attempts to reduce this burden. In response to FinCEN’s 2022 review of BSA regulations, industry commenters noted that “the requirement under the CDD rule that financial institutions collect beneficial ownership information at each new account opening should be replaced with a risk-based approach.”⁷

On January 31, 2025, President Trump issued Executive Order 14192, Unleashing Prosperity Through Deregulation,⁸ establishing an administration policy to “significantly reduce the private expenditures required to comply with Federal regulations”. FinCEN has assessed that this exceptive relief furthers the deregulatory policy objectives set out in Executive Order 14192 while remaining aligned with the risk-based framework of the BSA and fulfilling FinCEN’s obligations under the Corporate Transparency Act⁹ to revise the 2016 CDD Rule.

II. Exceptive Relief

(i) Limited Identification and Verification Scenarios

As described above, through this Order, FinCEN grants exceptive relief to covered financial institutions from the requirements set forth in 31 C.F.R. § 1010.230(b) to identify and verify beneficial owners of legal entity customers at each new account opening. Instead, a covered financial institution may limit its beneficial ownership identification and verification to three 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

³ Covered financial institutions include banks, mutual funds, brokers or dealers in securities, futures commission merchants, and introducing brokers in commodities. *See* 31 C.F.R. § 1010.230 (cross-referencing 31 C.F.R. § 1010.605(e)(1)).

⁴ *See* Customer Due Diligence Requirements for Financial Institutions, 81 Fed. Reg. 29,398 (May 11, 2016) (codified at 31 C.F.R. § 1010.230).

⁵ A “beneficial owner” means (1) each individual, if any, who directly or indirectly owns 25 per cent or more of the equity interests of a legal entity customer, and (2) a single individual with significant responsibility to control, manage or direct a legal entity customer. *See* 31 C.F.R. § 1010.230(d).

⁶ *See* 31 C.F.R. § 1010.230(b)(2).

⁷ *See, e.g.,* Institute of International Bankers, Response to Review of Bank Secrecy Act Regulations and Guidance, Docket Number FINCEN-2021-0008 (Feb. 14, 2022), p. 10, available at <https://www.regulations.gov/comment/FINCEN-2021-0008-0115>.

⁸ *See* Exec. Order No. 14192, 90 Fed. Reg. 9,065 (31 January 2025).

⁹ *See* Corporate Transparency Act, Pub. L. No. 116-283, div. F, tit. LXIV, 134 Stat. 3388, 4638 (2021) (codified at 31 U.S.C. § 5336).

procedures for conducting ongoing customer due diligence.

(ii) Reliance on Previously Obtained Beneficial Ownership Information

When a covered financial institution determines, based on its risk-based procedures for ongoing customer due diligence, that it needs to identify and verify the identity of the beneficial owner(s) of a legal entity customer, the covered financial institution may rely on previously obtained beneficial ownership information (gathered in accordance with 31 C.F.R. § 1010.230(b)(1)), provided the customer certifies or confirms (orally or in writing) that such information is up-to-date and accurate. The covered financial institution must maintain a record of such certification or confirmation, regardless of whether it was provided orally or in writing.

If, in this circumstance, a customer cannot certify or confirm that previously obtained beneficial ownership information remains 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, the covered financial institution must identify and verify the identities of the beneficial owners of the legal entity customer in accordance with 31 C.F.R. § 1010.230.

III. Risk-Based Framework Preserved

Pursuant to the Order, covered financial institutions must still maintain written procedures to identify and verify beneficial owners of legal entity customers as part of their AML compliance programs. These programs must include appropriate risk-based procedures for maintaining and updating customer information, including beneficial ownership information, for ongoing due diligence of legal entity customers. This may require collecting and verifying beneficial ownership information for existing legal entity customers based on certain risk-related triggers or events.

The Order does not prevent covered financial institutions from exceeding minimum compliance

requirements if appropriate for their risk profile and tolerance. Therefore, notwithstanding the exceptive relief provided by the Order, a covered financial institution may choose to establish or maintain customer due diligence processes that identify and verify beneficial owners at each new account opening.

The Order does not affect covered financial institutions' obligations to comply with other applicable AML/CFT requirements under the BSA. This includes the obligation to conduct ongoing monitoring to identify and report suspicious transactions and to maintain and update customer information on a risk basis. Additionally, the exceptive relief does not affect the exemptions (and limitations on exemptions) from beneficial ownership identification and verification requirements set out in 31 C.F.R. § 1010.230(h).

IV. Practical Implications

The exceptive relief offers several practical benefits for covered financial institutions:

- **Reduced Administrative Burden and Simplified Customer Experience:** Institutions with legal entity customers that frequently open multiple accounts may benefit from reduced compliance burdens and a streamlined account opening process, eliminating the need to collect and verify beneficial ownership information each time.
- **Tailored Compliance Approach:** Institutions maintain the flexibility to adopt the relief entirely or continue with broader verification practices aligned with their specific risk appetite and profile.
- **Emphasis on Risk-Based Monitoring:** The Order shifts focus towards comprehensive risk-based ongoing due diligence rather than routine, repetitive compliance at every account opening.

However, institutions should note several key considerations:

- **Record-Keeping Requirements:** Institutions must maintain records of customer certifications or confirmations (whether oral or in writing) when

relying on previously obtained beneficial ownership information.

- **Ongoing Due Diligence Obligations:** The Order does not diminish the requirement to maintain and update customer information through ongoing due diligence. Institutions will still need to have appropriate risk-based procedures in place to identify when beneficial ownership information requires updating.
- **Suspicious Activity Reporting:** Existing obligations to monitor for and report suspicious activities remain unchanged.

V. Next Steps

Covered financial institutions should assess whether to adopt the exceptive relief by reviewing their customer due diligence policies and evaluating alignment with their risk profile. Institutions choosing to implement the relief provided by the Order should update their written AML/CFT compliance programs to include clear procedures for obtaining and documenting customer certifications or confirmations when relying on previously collected beneficial ownership information. Institutions should continue to monitor regulatory developments in this area, as FinCEN anticipates pursuing additional modifications to the 2016 CDD Rule through the rulemaking process.

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