



Ultimate Beneficial Ownership (UBO) and Beneficial Ownership Information (BOI) Quick Guide FAQs

With the implementation of new FinCEN regulations, understanding Beneficial Ownership Information (BOI) and Ultimate Beneficial Ownership (UBO) is essential for businesses and financial institutions alike. This FAQ document highlights the key differences between UBO and BOI rules, along with practical insights on compliance requirements.

As these regulations impact not only banks, but also fintechs, marketplaces, and nearly all U.S. businesses, participation in the BOI registry is critical for maintaining transparency and combating financial crimes. From verifying beneficial ownership to meeting reporting deadlines, this guide provides the information you need to stay compliant in today's regulatory environment, protecting your organization and ensuring trust in the marketplace.

What are the differences between the UBO Rule and the Corporate Transparency Act's (CTA's) BOI rule?

The UBO Rule and CTA's BOI rule are distinct but related. The UBO Rule applies to financial institutions and requires them to identify and verify the beneficial owners of their legal entity customers. The CTA's BOI rule, on the other hand, requires certain companies to report their beneficial ownership information directly to FinCEN.

Is collecting an attestation of ownership sufficient, or are documents required to verify beneficial ownership?

Generally, an attestation alone is not sufficient for verifying beneficial ownership. Financial institutions are typically required to collect documentary evidence to verify the identity of beneficial owners, such as government-issued identification documents or corporate records.

Are there any reporting requirements for beneficial owners with less than 25% ownership?

The CTA generally requires reporting of beneficial owners with 25% or more ownership. However, financial institutions may have their own policies requiring disclosure of lower ownership percentages as part of their risk assessment and due diligence processes.



How does the 25% ownership threshold apply in complex ownership structures (e.g., corporations owning corporations)?

In complex ownership structures, the 25% threshold typically applies at each level. If a corporation owns 25% or more of another company, the beneficial owners of that corporation would need to be identified and reported if they indirectly own 25% or more of the underlying company.

What are the requirements for collecting beneficial ownership information for non-profit organizations (NPOs)?

NPOs are generally subject to the same beneficial ownership requirements as other legal entities. Financial institutions typically apply the 25% ownership threshold to NPOs as well, but may need to adapt their approach to account for the unique structure of NPOs, focusing on control persons or board members.

How will financial institutions access the FinCEN BOI database, and what are the consent requirements?

FinCEN has indicated that financial institutions will have access to the BOI database, but they are considered a lower priority compared to law enforcement and regulatory agencies. Financial institutions will likely need to obtain customer consent before accessing their BOI data in the FinCEN database.

What are the international implications of the BOI reporting requirements, especially for foreign entities or cross-border transactions?

The BOI reporting requirements primarily focus on U.S. entities, but they can affect international transactions. Foreign entities doing business in the U.S. may need to report their beneficial ownership information. For cross-border transactions, financial institutions may need to conduct enhanced due diligence to ensure compliance with both U.S. and international AML/KYC regulations.

How does the FinCEN registration process work for businesses, and is it mandatory before onboarding with a financial institution?

FinCEN registration is separate from onboarding with a financial institution. While businesses are required to register with FinCEN under the CTA, financial institutions are not responsible for enforcing this registration. However, some institutions may choose to incorporate FinCEN registration verification into their onboarding process as an additional due diligence measure.



How does the BOI reporting requirement apply to crypto/DeFi companies and business lending?

Crypto and DeFi companies are not explicitly exempt from BOI reporting requirements and may need to comply if they meet the definition of a reporting company under the CTA. Business lending is typically subject to beneficial ownership requirements, with lenders needing to identify and verify the beneficial owners of their business borrowers.

What are the timelines for compliance, and are there any phase-in periods for the new BOI reporting requirements?

The CTA's BOI reporting requirements took effect on January 1, 2024. Existing companies have until January 1, 2025, to file their initial reports, while newly formed companies must report within 30 days of formation. FinCEN has indicated that enforcement will be phased in, focusing initially on education and outreach.

As businesses navigate the complexities of UBO and BOI compliance, having access to accurate and up-to-date information is crucial. Middesk's solution offers the freshest data on business identity in the market, enabling seamless compliance and enhanced due diligence. To learn more about how Middesk can help your organization stay compliant and ahead of the curve, [reach out today](#) and discover how our solutions can simplify your business identity verification processes.

Disclaimer: This overview is for informational purposes only and does not constitute legal advice. Consult with a qualified legal professional for specific guidance regarding your company's UBO and BOI reporting obligations.