

<p><b>Important Notice: 18-039</b></p>	<p><b>FinCEN’s Customer Due Diligence (CDD) Rule and Custody New Account Application and Form Changes</b></p> <p>The CDD new rule formally takes effect 05/11/18, but new account applications and forms release 03/15/18 and when used, the new rules apply.</p>
<p>Distribution Date: February 06 , 2018</p> <p>Effective Date: May 11, 2018</p> <p>Questions, contact: Your Relationship Manager Your Client Service Manager</p> <p>Submitter: a050477; RIA</p>	<p><b>Action Required: Yes</b></p> <p>Action Due By: March, 2018</p> <p>Action Steps:</p> <ul style="list-style-type: none"> <li>Upon release March 15, 2018, begin using the new account applications and forms immediately. Starting May 11, 2018, pre-March 2018 versions of the new account applications will no longer be accepted, and new account applications for affected registrations that are missing the required regulatory changes cannot be opened.</li> </ul>

<p>Description &amp; Key Points</p>	<p><b>The Customer Due Diligence rule issued by FinCEN (“Financial Crimes Enforcement Network”) is effective May 11, 2018, but brings important changes starting March 15, 2018.</b></p> <p>A recap of the rule’s requirements include mandating the identification and verification of customers and beneficial owners, conducting ongoing monitoring to identify and report suspicious activity, maintain/update customer information, and understanding the nature and purpose of their relationships for the purpose of developing a customer risk profile..</p> <ul style="list-style-type: none"> <li>Specifically this rule will result in the following changes to establish accounts for legal entities: <ul style="list-style-type: none"> <li>In addition to Corporate (CP), Limited Liability Company (LLC), Partnership (PT), Unincorporated Association (UA), and Trust (TRUA), the following account registrations will now be in scope for beneficial ownership when the owner (inheritor) is a legal entity or trust: Inherited IRA (IRAB), Inherited Roth IRA (RTHB), Inherited Profit Sharing (KPSB), and Inherited Money Purchase (KMPB).</li> <li>Three new stakeholder roles are being added: <ul style="list-style-type: none"> <li>Control Person (CNTL)</li> <li>Revoke/Amend (REVA) – if applicable, a person who has revoke or amend authority over the trust</li> <li>Trust Beneficiary (TBEN) – if applicable and when provided on trust documents</li> </ul> </li> <li>A control person, defined as an individual with significant responsibility for managing the legal entity, must be identified on the application and added to an account with their legal name, date of birth, permanent address, SSN (or if foreign, foreign ID) and citizenship. <ul style="list-style-type: none"> <li>For a partnership or trust account that has a natural person acting as the general partner or trustee, those relationships are defined as a control person, and a separate CNTL stakeholder will not be required.</li> <li>For all other legal entity accounts, if the control person is not also an authorized individual on the account, the control person will not sign the new account application. Regardless, the control person</li> </ul> </li> </ul> </li> </ul>
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	<p>will be required and recorded for the account . A title must be provided for the control person.</p> <ul style="list-style-type: none"> <li>▪ Titles of each authorized individual opening an account for a legal entity must be provided on the new account application. A new field in the Personal Information page for each authorized individual has been added to capture the title. The title will not be viewable or maintained in Wealthscape.</li> </ul> <ul style="list-style-type: none"> <li>○ Entity ownership will be required at the time of account opening for legal entities. For a legal entity customer, in addition to control person, this is defined as any individual that directly or indirectly owns the following equity interest in the entity: <ul style="list-style-type: none"> <li>▪ 25% or greater for domestic operating businesses</li> <li>▪ 10% or greater for domestic non-operating businesses</li> <li>▪ 10% or greater for foreign businesses</li> </ul> </li> </ul> <ul style="list-style-type: none"> <li>● Revised new account applications and forms, and updates to the Account Opening tool in Wealthscape, starting March 15, 2018. <b>Please begin using the new applications and forms immediately upon their release March 15, 2018</b> as pre-March 2018 versions will no longer be accepted starting May 11, 2018. <ul style="list-style-type: none"> <li>○ Business and trust new account applications for standard brokerage, SAM, and Individually Directed Account (IDA) will be updated to reflect the CDD changes.</li> <li>○ In addition to the above CDD changes, all new account applications will also include the following: <ul style="list-style-type: none"> <li>▪ The option of adding a Trusted Contact by owning customers in the Personal Information section of the applications.</li> <li>▪ Expanded AMA option, with the introduction of Level One Limited, which allows an advisor to act on a customer's 1<sup>st</sup> party standing instructions on file, first party journals and checks to record address.</li> <li>▪ Updated CIP Notice Language: <p>To help the government fight financial crimes, Federal regulation requires Fidelity to obtain your name, date of birth, address, and a government-issued ID number before opening your account, and to verify the information. In certain circumstances, Fidelity may obtain and verify comparable information for any person authorized to make transactions in an account. Also, Federal regulation requires Fidelity to obtain and verify the beneficial owners and control persons of legal entity customers. Requiring the disclosure of key individuals who own or control a legal entity helps law enforcement investigate and prosecute crimes. Your account may be restricted or closed if Fidelity cannot obtain and verify this information. Fidelity will not be responsible for any losses or damages (including, but not limited to, lost opportunities) that may result if your account is restricted or closed.</p> </li> </ul> </li> <li>○ To make it easier and more efficient to establish trust accounts, <b>new separate Trust applications</b> will be introduced for the standard brokerage account, SAM, and IDA products. The current Personal Registrations and Trust applications will be retitled to Personal Registration and no longer offer a trust account option.</li> <li>○ The <b>Inherited IRA application</b> will be split into three separate applications: one for persons inheriting an IRA, one for trusts inheriting an IRA, and a third version for business entities inheriting an IRA.</li> <li>○ When using the <b>Nonretirement Account Separately Managed Account Addendum</b> to both convert an existing legal entity account to a SAM account and open an additional SAM sub account, beneficial ownership information must be provided for the new account being established. This information will be used to update</li> </ul> </li> </ul>
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	<p>other accounts the legal entity owns, if applicable.</p> <ul style="list-style-type: none"> <li>○ A new <b>Business Certification form</b>, for use with layered entities, will be introduced to include the new CDD requirements for a control person, titles, and entity owners,.</li> <li>○ The <b>Trust Certification of Investment Powers form</b> will be updated to include identifying person(s) with revoke/amend authority and grantor information.</li> <li>○ Advisor Master Accounts, including Fee, Trade Correction, and Block Trading, are exempt from CDD changes if the advisor firm is a U.S. SEC registered RIA. If not a U.S. SEC registered RIA, CDD changes apply to Advisor Master accounts.</li> <li>○ DVP/RVP accounts established using the DVP/RVP Instructions Form will require the advisor firm be SEC registered.</li> <li>○ <b>DVP/RVP Brokerage Application</b> and <b>Collateral Account Application</b> will be updated to reflect the new CDD and trusted contact changes.</li> <li>○ The <b>Beneficial Ownership for Entities</b> and <b>Beneficial Ownership for Trust Accounts</b> forms will be updated to reflect the new CDD requirements for beneficial ownership.</li> <li>○ From March 15, 2018 through June 15, 2018 the following SAM account registrations will not be available in the AO tool: <ul style="list-style-type: none"> <li>▪ Corporation</li> <li>▪ LLC</li> <li>▪ Partnership</li> <li>▪ Unincorporated Association</li> <li>▪ Sole Proprietorship</li> <li>▪ Trusts</li> </ul> </li> </ul> <p>To establish SAM accounts in these registrations during that timeframe, download the applicable business or trust SAM application in the Forms Library.</p>
Key Dates	<p>March 15, 2018:</p> <ul style="list-style-type: none"> <li>• Revised new account applications and forms launch in the Forms Library.</li> <li>• Wealhscape's AO tool is updated to reflect CDD changes, as well as non-CDD changes including Trusted Contact Person and the new AMA 1 Limited. In addition, SAM accounts for certain legal entity registrations will be disabled, and the application in the Forms Library must be utilized.</li> <li>• From March 15, 2018 through May 10, 2018, when using: <ul style="list-style-type: none"> <li>○ A March 2018 version of the account application for a legal entity or trust account, the new CDD rules will be applied.</li> <li>○ A pre-March 2018 version of the account application for a legal entity or trust account, the current beneficial ownership rules will be applied.</li> </ul> </li> </ul> <p>May 10, 2018:</p>

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	<ul style="list-style-type: none"><li>• The last day new account application versions prior to March 2018 can be accepted.</li></ul> <p>May 11, 2018:</p> <ul style="list-style-type: none"><li>• CDD requirements go into effect.</li></ul>
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