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## Beneficial Ownership FAQ

### Why do customers need to complete this form? Is this a Sunrise requirement or a regulatory requirement?

To help the government fight financial crime, Federal regulation requires certain financial institutions to obtain, verify, and record information about the beneficial owners of legal entity customers. Legal entities can be abused to disguise involvement in terrorist financing, money laundering, tax evasion, corruption, fraud, and other financial crimes. Requiring the disclosure of key individuals who own or control a legal entity (i.e., the beneficial owners) helps law enforcement investigate and prosecute these crimes.

All banks must obtain this form for all legal entity customers. Sunrise's procedures generally do require more than what is required by regulation.

### Does the form need to be completed for existing customers?

**For SBA Payroll Protection Program loans ONLY:** This form is not required for existing business customers, nor is identity verification of any individual owners.

**For all other loans:** Yes, the regulation requires us to identify the beneficial owners for each *account*. This is different from the CIP requirements which only apply to new customers.

In lieu of having existing customer complete a new form, they can recertify a previous beneficial ownership form provided the information hasn't changed.

### Do sole proprietorships need to complete the form?

No. Sole proprietorships—individual or spousal—and unincorporated associations are not legal entity customers and therefore do not have to complete the form. This is because neither a sole proprietorship nor an unincorporated association is a separate legal entity from the associated individual(s), and therefore beneficial ownership is not inherently obscured.

### Are there any entity types that do not need to complete the form?

The following types of entities are not considered "legal entity customers" and do not need to complete the form:

- Publicly traded companies
- Financial institutions regulated by a federal or state regulator
- An investment company, investment advisor, an exchange or clearing agency, or any other entity that is registered with the SEC
- Public accounting firm registered under section 102 of the Sarbanes-Oxley Act
- Insurance company that is regulated by a state
- Non-statutory trusts (a statutory trust created by a filing with a Secretary of State or similar office IS subject to the rules). Note: See [question](#) below for trusts as owners of legal entity customers

### What is the difference between an owner and a controller? Do they have to be different people?

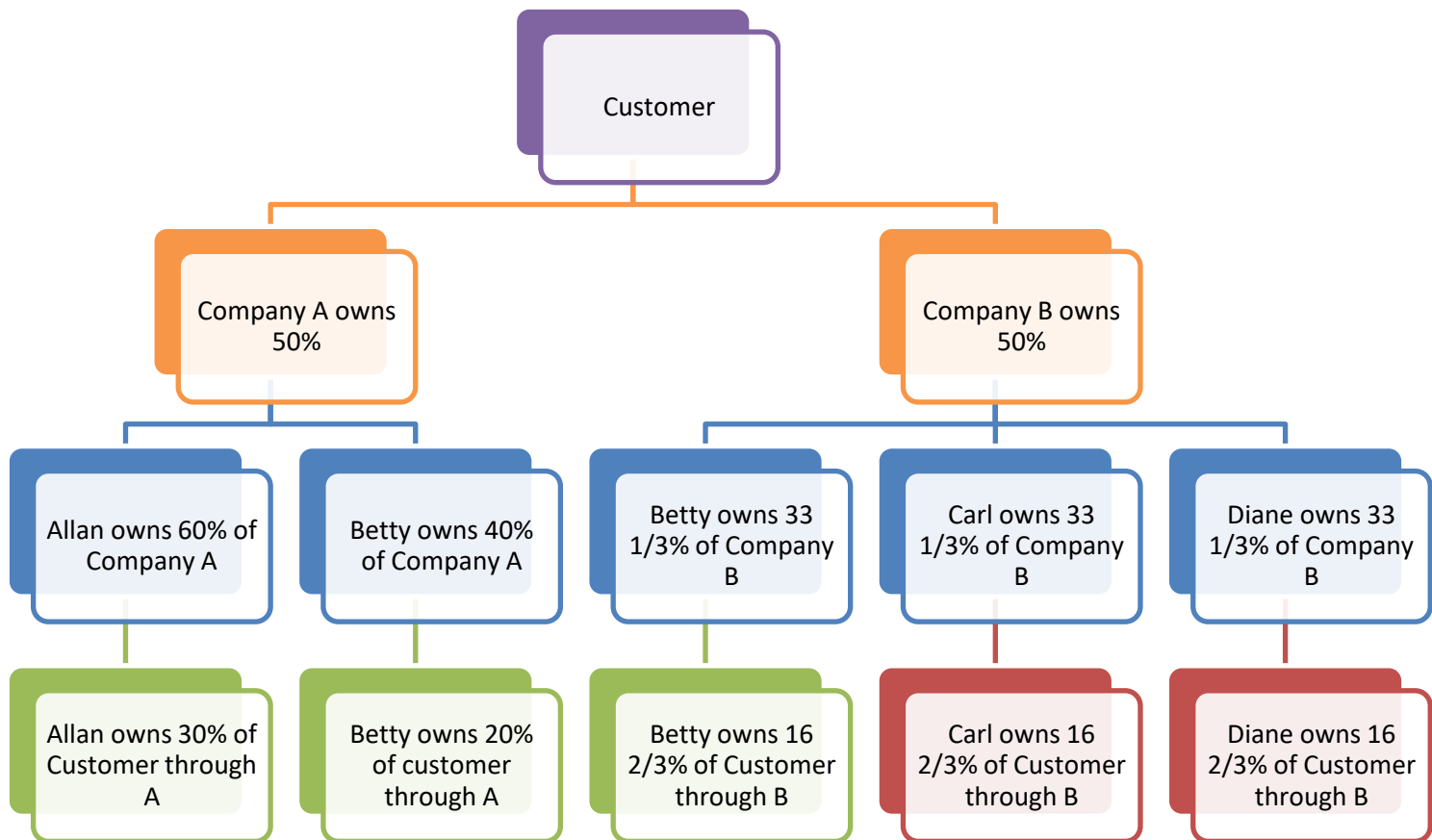
The form identifies individuals based on two “prongs” – the ownership prong and the control prong. An owner is a *natural person* who owns 25% or more of the entity. A “controller” is also a *natural person* who has significant responsibility for managing the legal entity customer. Examples include: CEO, CFO, COO, Managing Member, General Partner, President, Vice President, Treasurer, etc.)

The controller can be the same person also listed as an owner.

### How do I determine the beneficial owner if the customer is fully or partially owned by another company?

Because the rule requires identification of natural persons, if 25% or more of the customer is owned by a legal entity we must “look through” that entity to the natural persons. Any natural person that owns 25% or more of the *customer* must be identified on the form.

In the below example, Allan is a beneficial owner of the customer because he owns, indirectly, 30% of its equity interests through his direct ownership of Company A. Betty is also a beneficial owner because she indirectly owns 20% through her ownership interest in Company A, plus 16  $\frac{2}{3}$  percent through company B. Neither Carl nor Diane is a beneficial owner because each owns indirectly only 16  $\frac{2}{3}$  percent of customer’s equity interests.



### How does a non-profit or charity complete the ownership section of the form?

A non-profit or charity may check the “Not Applicable” box under the ownership section. However, we must still identify and verify a controller of the customer.

### Who is the beneficial owner if the customer is owned fully or partially by a trust?

If a trust owns, directly or indirectly, 25% or more of the equity interests of a customer, the beneficial owner for the purposes of the *ownership prong* is the trustee. If the trust has multiple trustee, we must collect and verify the identity of, at a minimum, one co-trustee.

However, regardless of ownership, the customer must still identify a natural person under the control prong.

### What if the trustee is a legal entity (e.g. law firm, bank trust department, etc)?

In cases of trusts, the beneficial owner is the trustee regardless of whether or not the trustee is a natural person or legal entity. In circumstances where a natural person does not exist, a natural person would not be identified. When a legal entity is a trustee, we are not required to “look through” the entity to identify natural persons.

However, regardless of ownership, the customer must still identify a natural person under the control prong.

### How do we determine beneficial ownership if 25% or more of the customer is owned by a pooled investment vehicle?

In cases of pooled investment vehicles, we are not required to “look through” a pooled investment vehicle to identify and verify the identify of individuals who own 25% or more of its equity interests. Because of the way in which ownership of a pooled investment vehicle fluctuates, it would be impractical for financial institutions to collect and verify ownership identity for this type of entity.

### What if there are no natural persons who own 25% or more of the customer?

In this case, the customer can select “Not Applicable” under the ownership section of the form. For example, if 5 people each own 20% of the customer, we would not be required to identify or verify any of them as no one natural person owns 25% or more.

However, we must still identify and verify a controller on the form.

### Do we have to verify the ownership indicated on the form?

No, under the regulation we do not have to verify the ownership indicated on the form. However, if we are aware that it was completed incorrectly, we should have the customer to correct the form.

### Do we need to obtain driver’s license or other verification if the individual is an existing customer, or if they have previously been verified under beneficial ownership requirements?

No. If we have previously verified the individual identity – either as a customer or beneficial owner – we do not need to reverify their identity so long as we have a reasonable belief we know who they are.

### If an existing business customer has a new owner or controller, do we need to collect a driver’s license or other verification document?

If the beneficial owner or controller has not previously been subject to our CIP requirements (either as a beneficial owner or an individual customer), then we must obtain their driver’s license or other verification document as allowed under our CIP policy.

### Do all beneficial owners have to be present at account opening?

No, we may accept a completed certification form (attestation form) from the customer’s representative (person opening the account).