

Beneficial Ownership Rule

<u>Why We Need this Information</u>	<u>Understanding Beneficial Ownership</u>	<u>Information You Will Need to Provide</u>
<p>In May 2016, the U.S. government passed a new regulation under the Bank Secrecy Act regarding beneficial ownership of legal entity customers.</p> <p>Effective May 11, 2018, it will be mandatory for all financial institutions to comply with this regulation by identifying:</p> <ul style="list-style-type: none">▪ <u>Beneficial Ownership prong:</u> Each individual that ultimately has 25% or more Beneficial Ownership in the Legal Entity; and▪ <u>Control prong:</u> One individual that has Significant Managerial Control of the Legal Entity.	<p>The new regulation impacts <i>all covered Legal Entities</i> opening or maintaining accounts at any financial institution.</p> <p><u>Covered Legal Entities include:</u></p> <ul style="list-style-type: none">▪ Corporations▪ Limited Liability Companies (LLCs)▪ Limited Partnerships (LPs)▪ General Partnerships▪ Business Trusts▪ Incorporated Charities*▪ Nonprofits*▪ Non-excluded Pooled Investment Vehicles* <p>*Exempt from Beneficial Ownership prong but not the Control prong.</p> <p><u>Entities fully exempt from the rule include:</u></p> <ul style="list-style-type: none">▪ Natural Persons opening an account for personal use▪ Sole Proprietors▪ Unincorporated Associations▪ Trusts not formed via State filing▪ Government Entities▪ Publicly Traded Entities▪ Bank Holding Companies▪ Companies registered with the Securities and Exchange Commission (SEC)▪ Investment companies, investment advisers (registered with SEC)▪ Public accounting firms that audit publicly traded companies/SEC registered broker-dealers	<p>If you are opening an account on behalf of a Legal Entity, we will request information that identifies the ultimate Beneficial Owner(s) and Controlling Person of the Legal Entity (name, address, date of birth, social security number as well as other identification documents).</p> <p>You will be responsible to certify that this information is true and accurate to the best of your knowledge. The customer also agrees to notify Mars Bank of any change in such information.</p> <p>This information will need to be collected whether or not the person identified is a Mars Bank customer.</p>

Your business relationship is important to us and our goal is to make the business account opening process an efficient and easy experience.
Thank you for choosing Mars Bank.



Beneficial Ownership Rule Questions and Answers

What constitutes beneficial ownership:

US government regulation defines “beneficial ownership” as being made up of two roles: (1) those that have an ownership interest in a legal entity and (2) those that control a legal entity. For those people that have an ownership interest in a legal entity, all banks are required to identify and collect personal information on anyone that meets or exceeds the following thresholds:

Ultimate Beneficial Owners:

A natural person having 25 percent or more of the equity interests of a legal entity.

Control Person:

A person with significant managerial control or influence over a legal entity customer (e.g. CEO, CFO, Managing member, General Partner, etc.)

For every legal entity client subject to beneficial ownership, you must identify one control person.

It is possible that the control person may also be an ultimate beneficial owner.

Beneficial Ownership examples:

<p>E.G. Allan is a beneficial owner of Customer because he owns indirectly 30 % of its equity interests through his direct ownership of Company A. Betty is also a beneficial owner of Customer because she owns indirectly 20% of its equity interests through her direct ownership of Company A plus 16 ⅔% through Company B for a total of indirect ownership interest of 36 ⅔%. Neither Carl nor Diane is a beneficial owner because each owns indirectly only 16 ⅔% of Customer’s equity interests through their direct ownership of Company B.</p>	<table style="margin: auto;"> <tr> <td colspan="2" style="border: none;">Customer</td> </tr> <tr> <td style="border: none;">Company A</td> <td style="border: none;">owns 50%</td> </tr> <tr> <td style="border: none;">Allan</td> <td style="border: none;">owns 60%</td> </tr> <tr> <td style="border: none;">Betty</td> <td style="border: none;">owns 40%</td> </tr> <tr> <td style="border: none;">Company B</td> <td style="border: none;">owns 50%</td> </tr> <tr> <td style="border: none;">Betty</td> <td style="border: none;">owns 33 ⅓%</td> </tr> <tr> <td style="border: none;">Carl</td> <td style="border: none;">owns 33 ⅓%</td> </tr> <tr> <td style="border: none;">Diane</td> <td style="border: none;">owns 33 ⅓%</td> </tr> </table>	Customer		Company A	owns 50%	Allan	owns 60%	Betty	owns 40%	Company B	owns 50%	Betty	owns 33 ⅓%	Carl	owns 33 ⅓%	Diane	owns 33 ⅓%
Customer																	
Company A	owns 50%																
Allan	owns 60%																
Betty	owns 40%																
Company B	owns 50%																
Betty	owns 33 ⅓%																
Carl	owns 33 ⅓%																
Diane	owns 33 ⅓%																

Certification of Beneficial Ownership:

The Certification of Beneficial Ownership is a **legally required** form that Mars Bank must collect from legal entity customers regarding their ultimate beneficial ownership owners and the control person. By completing the form, you are attesting that the information provided is accurate to the best of your knowledge.

Where will Beneficial Ownership data be stored:

Mars Bank will maintain beneficial ownership information in its system of record. We maintain strict privacy policies and procedures. Any customer information, including beneficial ownership information will not be shared.

Is Mars Bank required to have their legal entity customer certify the beneficial owners for an existing customer during the course of a financial product renewal (e.g. loan renewal or certificate of deposit [CD])? *The U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) issued a permanent exemptive relief from certain obligations under its beneficial ownership rule. This Exemptive relief **does not apply** to the initial opening of any of the types of accounts listed below, nor does it apply to relieve Mars Bank of its customer due diligence requirements under Bank Secrecy Act/Anti Money Laundering Program Rules.*

Permanent Exemptive Relief (As of September 7, 2018) 1) **CD Rollovers**; 2) **Loan Renewal**, modifications and extension (e.g. setting a later payoff date) that do not require underwriting review and approval, and ‘require no action from the customer’; and 3) **Commercial line** of credit or credit card account renewals , modifications, or extensions that do not require underwriting review and approval, and ‘require no action from the customer’; and 4) **Safe Deposit** box rental renewals.

For legal entity customers: From a regulatory standpoint, even if an existing customer, each time the bank establishes another formal banking relationship/new account is established.

- For products established **before May 11, 2018**, Mars Bank must obtain certified beneficial ownership information at the *time of a new account* following that date;
- **When NOT REQUIRED TO COLLECT: At the time of subsequent renewals (Permanent Exemptive Relief) to the extent the customer and financial service or product remains the same;** and
 - the customer certifies or confirms that the beneficial ownership information previously obtained is accurate and up-to-date; and
 - the customer also agrees to notify Mars Bank of any change in such information; and
 - Mars Bank has no knowledge of facts that would reasonably call into question the reliability of the information.