### Business Entities and Documentation

<table>
<thead>
<tr>
<th>Type of business entity</th>
<th>Type of documentation</th>
</tr>
</thead>
</table>
| **Sole proprietorships**     | Documentation may differ depending on the laws in your state. For example, some states may not require any documentation. Generally, a sole proprietor will be required to obtain a state or local business license, e.g., contractors, beauticians, plumbers, and electricians are often required to be state-licensed.  
A sole proprietorship can do business under the name of the owner or a “doing-business-as” (DBA) name, but the business and the proprietor remain one legal person.  
When opening a sole proprietorship account the bank may treat the entity as an individual for CIP purposes, or may obtain a copy of the business license if one is required. Some states require that a sole proprietor register the D/B/A name with the state, in which case, the bank may ask for that as part of its CIP process. |
| **Limited Liability Corporations (LLCs)** | A limited liability company is a special hybrid between a partnership and a corporation.  
Depending on the state statute, an LLC can file articles of organization or a certificate of formation with the state to form a limited liability company. The bank may require a certificate of good standing as part of the account opening process and the bank’s CIP. |
| **Partnerships**              | State law determines whether a partnership is required to file documents or register with your state. If the partnership is required to file with the state, they may be asked to provide a certificate of good standing.  
Partnerships usually have a partnership agreement drawn up between them stating how the partnership operates, including designating who will act on behalf of the partnership.  
For CIP purposes, the bank will generally ask to see a copy of the partnership agreement and may verify identity of the partners individually as a matter of policy. |
| **Corporations**              | Corporations are the most formal of the different business formations.  
A corporation is formed by filing the Articles of Incorporation with a state’s department of corporations.  
For CIP purposes, banks generally request the articles of incorporation and sometimes the board of directors’ minutes designating who can sign on the account.  
Generally, a copy of the corporate resolution designating the individual who can transact business with the bank on behalf of the corporation will be sufficient.  
Many banks will also request a certificate of good standing from the state as verification. |

ABA course content does not provide, nor is it intended to substitute for, professional legal advice.
## Trusts

Trust accounts are generally defined as a legal arrangement in which one party (a trustor or grantor) transfers ownership of assets to a person or bank (the trustee) to be held or used for the benefit of others (the beneficiaries).

Trusts cover a broad spectrum of arrangements from very formal and fully documented to very informal, such as payable-on-death accounts. Trust arrangements include the broad categories of court supervised accounts (e.g., executorships and guardianships), personal trusts (e.g., living trusts, trusts established under a will, and charitable trusts), and corporate trusts (e.g., bond trusteeships).

The documentation a bank will require for CIP purposes will depend on the nature of the trust. The documentation required will depend on the type of trust, the state statute creating the trust, the risk presented by the trust, and the bank’s own policies.

For purposes of CIP, the bank is not required to search the trust, escrow, or similar account documents to identify and verify the identities of beneficiaries. In fact, in some cases the beneficiaries may not be known or may not even know they are beneficiaries.

Since it is the trust which is the customer, the verification applies to the trust. Since the trustee is the individual authorized to act on behalf of the trust, bank policy may also require CIP to be conducted on the trustee.

### NOTE

The definition of account in the CIP rule does not include an account for the purpose of participating in an employee benefit plan established under the Employee Retirement Income Security Act of 1974 (ERISA).

## Escrows

If a bank establishes an escrow account in the name of a third party, such as a real estate agent, who is acting as escrow agent, then the bank’s customer is the escrow agent.

If the bank is the escrow agent, then the person who establishes the account is the bank’s customer. The type of documentation required will depend on the nature of the escrow account. What your bank requires should be spelled out in your CIP policy.

## Foreign Business Entities

CIP requirements for foreign business entities may include a review of the documentation required by the international jurisdiction where the business entity was established along with any other documents required to ensure that the business is operating legally in the U.S.

Check with your BSA officer to determine if your bank opens accounts for foreign business entities and if so, what documentation your bank requires.