

BLOG

Reporting Requirements of FinCEN for Beneficial Ownership Information (“BOI”)

This blog is to inform you about the recent developments in the reporting requirements for beneficial ownership information (BOI) as mandated by the Corporate Transparency Act (“CTA”) within the Anti-Money Laundering Act (AMLA). The Financial Crimes Enforcement Network (“FinCEN”) published a final rule and a related Fact Sheet on these reporting requirements, which were announced on September 30, 2022. This blog provides an overview of the key points related to these requirements.

Background:

The CTA, a part of the AMLA, was enacted into law on January 1, 2021, with the primary aim of enhancing the transparency of corporate entities to combat money laundering, financial crimes, and terrorism financing. The CTA laid the foundation for FinCEN to establish comprehensive reporting requirements for beneficial ownership information.

Key Provisions of the Final Rule:

The final rule published by FinCEN outlines the following key provisions:

Applicability: The final rule applies to business entities that qualify as "reporting companies." This includes corporations, limited liability companies and other similar entities. It is essential to determine whether your organization falls within the definition of a reporting company.

Reporting Requirements: Reporting companies are obligated to report certain information on their beneficial owners to FinCEN. Beneficial owners are individuals who, directly or indirectly, own or control at least 25% of the equity interests or voting rights in the reporting company. The information to be reported includes the owner's full legal name, date of birth,

residential or business address, and a unique identifying number, such as a Social Security Number.

Exemptions and Safe Harbors: Some entities and individuals are exempt from reporting requirements, including publicly traded companies, entities with substantial governmental ownership, and certain financial institutions. Additionally, certain reporting companies may qualify for safe harbor provisions under specific circumstances.

Compliance Timeline: The final rule establishes a phased compliance timeline, with different deadlines for different types of reporting companies. The first compliance deadline is January 1, 2025 but reporting may not even begin until January 1, 2024.

Implications and Considerations:

It is crucial for your organization to assess whether it falls within the scope of a reporting company under the new FinCEN regulations. Failure to comply with these reporting requirements may result in significant penalties and legal consequences. Therefore, a thorough review of your corporate structure and beneficial ownership is necessary to ensure compliance with the law. We recommend the following steps:

1. Determine your organization's status as a reporting company.
2. Identify your beneficial owners and gather the necessary information for reporting.
3. Develop a compliance strategy to meet the phased reporting deadlines.

Stay updated with any additional guidance or changes that FinCEN may provide regarding the reporting requirements. Please feel free to reach out to us for assistance in understanding and complying with these new reporting requirements. We are here to support your organization in navigating these regulatory changes.