CTA UPDATE

Background

Reporting Companies/Beneficial Owners

Information Disclosure

Legal Challenges

Background

- United States now will require certain legal entities to report to the federal government identifying information about the individuals who directly or indirectly own or control a company within the scope of the new legislation. This information will be housed in a centralized, secure nonpublic federal government database to be administered by the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury.

- Requires certain entities, including corporations, LLCs and other similar entities to report identifying information about the individuals who directly or indirectly own or control a company within the scope of the legislation unless the entity is out of scope or an exception applies.

- Enhanced areas of expertise

Report Information

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Report Information

- Reporting Company created or registered before January 1, 2024

- Provide information about:

    - Itself

    - Beneficial owners

- Reporting Company created or registered after January 1, 2024

- Provide information about:

    - Itself

    - Beneficial Owners

    - Company Applicants

Reporting Company

- Domestic. Created by the filing of a document with a secretary of state or a similar office under the law of a state or Indian Tribe

- Foreign. Formed under the law of a foreign country and registered to do business in any state or Indian Tribe by the filing of a document with a secretary of state or a similar office under the laws of a state or Indian Tribe

- Any state of the US | the District of Columbia | the Commonwealth of Puerto Rico | the Commonwealth of the Northern Mariana Islands | American Samoa, Guam, the U.S. Virgin Island | any other commonwealth, territory, or possession of the US

Reporting Company Exceptions

- Sole proprietorship (not an entity)

- General partnership

- Unincorporated association

- Wealth planning trust (but not a statutory trust, such as a DL statutory trust)

- Because no document filed with a secretary of state/Indian Tribe

- Foreign entity not registered to do business in a state or with an Indian Tribe

Beneficial Owner

- Any individual who, directly or indirectly, through contract, arrangement, understanding, relationship or any other agreement:

- Exercises substantial control over a reporting company, OR

- Owns or controls at least 25 percent of the ownership interests of the reporting company

Substantial Control

- Senior officer includes a president, CEO, COO, CFO, GC or any other officer, regardless of official title, who performs a similar function

- Authority over appointment/removal of a senior officer or majority of board of directors (or similar body) (de facto authority)

- Directs/determines or substantial influence over important decisions made by the Reporting Company (business/finance/structure) (de facto authority)

- Any Other Form of Control.

- Any other form of substantial control over Reporting Company (i.e., "catch all" provision)

Future Involvement

- Lawsuit in Federal Court

- Compliance for entities prior to January 1, 2024 timeline.