



The Corporate Transparency Act—FAQs

What is the Corporate Transparency Act?

The Corporate Transparency Act (CTA) is intended to give law enforcement and other government agencies more tools to fight corruption, terrorism, money laundering, the flow of drug money, and to protect national security. The CTA does this by giving the necessary government agencies access to beneficial ownership information of corporations, limited liability companies, and similar entities. The beneficial ownership information will be collected and accessed through the Financial Crimes Enforcement Network (FinCen).

Who is a beneficial owner?

A beneficial owner is an individual who, directly or indirectly, exercises substantial control over the entity or owns or controls not less than 25 percent of the ownership interests of the entity. There are a few exceptions, such as the minor children of a beneficial owner or a person that is solely an employee of the reporting company.

What is FinCen?

FinCen is the acronym for the Financial Crimes Enforcement Network. It is a bureau within the U.S. Treasury Department that enforces anti-corruption and anti-money laundering laws. It also plays a role in safeguarding the financial system and national security.

When does the CTA take effect?

The reporting requirements will take effect one year after the Treasury Department adopts regulations pursuant to the CTA.

What companies have to report beneficial ownership information under CTA?

The CTA creates the concept of a reporting company. The term “reporting company” means a corporation, limited liability company, or other similar entity that is either created by the filing of a document with a secretary of state or a similar office of a state or Indian tribe, or is formed under the law of a foreign country and registered to do business in the United States by the filing of a document with a secretary of state or a similar office of a state or Indian tribe. All reporting companies must provide beneficial ownership information to FinCen.

Are any companies exempt from beneficial ownership reporting requirements?

Yes, there are a multitude of entities that are excluded from the term reporting company and are exempt from the reporting requirements. The companies exempted from the reporting requirements tend to have one thing in common. They are generally already subject to strict federal or state regulation. For example, financial institutions have to be registered and are subject to government oversight. The same applies to companies registered with the Securities and Exchange Commission, state insurance regulators, and companies that operate in regulated industries, such as utilities. In these cases, the company beneficial owner information would already have been provided to the government as part of the regulatory process.



How is the beneficial ownership information reported to FinCen?

It is expected that companies will report the information electronically. The specifics of the reporting process are yet to be determined. The Treasury Department will establish the process in the regulations adopted pursuant to the CTA.

How soon does a company have to submit a report to comply with the new law?

The deadlines for reporting beneficial ownership information to FinCen depend on the effective date of the rules adopted by the Treasury Department pursuant to the CTA. Any company formed or registered prior to adoption of the Treasury Department rules must report beneficial ownership information to FinCen within two years after the rules take effect. The rule-making process could take up to a year, which might give existing companies until January, 2024 to comply with beneficial ownership information reporting requirements.

Companies formed or registered after the effective date of the Treasury Department rules must report beneficial ownership information at the time of formation or registration. This will add a new step to the company formation or registration process.

What information must a company provide for each beneficial owner?

The following information must be provided for each beneficial owner and the applicant: (i) full legal name; (ii) date of birth; (iii) current residential or business street address; and (iv) a unique identifying number from an acceptable identification document. In the alternative, a FinCen identification number can be provided.

What is a FinCen identification number?

Upon request, FinCen will issue a unique identifying number to an individual who has provided all the required beneficial owner information. Thereafter, a reporting company or applicant can provide the unique identifying number to FinCen instead of providing all the personal information each time a new entity is formed.

What is an acceptable identification document for purposes of the statute?

Acceptable identification documents include (i) a non-expired U.S. passport; (ii) a non-expired identification document issued by a state, local government, or Indian tribe; (iii) a non-expired driver's license issued by a state; or (iv) if the individual lacks all of the foregoing documents, a non-expired foreign passport.

What if beneficial ownership information changes after submission to FinCen?

If the information reported to FinCen changes, the reporting company will need to submit updated information. The deadline for submitting the update is one year after beneficial ownership information changes.



What if I mistakenly provide incorrect information to FinCen?

A person who provides incorrect information but is not attempting to evade the reporting requirements has a safe harbor if they correct the information within 90 days.

Who will have access to the beneficial owner information?

With limited exceptions, the information may only be disclosed to government law enforcement, prosecutors, the courts, and national security agencies. Financial institutions may have access to the information for due diligence purposes with consent of the reporting company. In some cases, the information may be disclosed if requested by a federal agency to assist the law enforcement, courts, prosecutors, or judges of a foreign country. More specific information on the parties entitled to the information will be established in the rules promulgated by the Treasury Department.

How long does FinCen retain the beneficial owner information?

FinCen is required to maintain the information until five years after the reporting company terminates or is otherwise dissolved.

Is the beneficial owner information available to the public?

No. Beneficial ownership information provided to FinCen is confidential and may not be publically disclosed by any government representative or the officers and employees of financial institutions that have access to the data.

Are there any penalties for non-compliance with the CTA reporting requirements?

Yes, failure to provide complete, accurate and timely information, or willfully providing false or fraudulent beneficial owner information, can result in harsh civil and criminal penalties. Civil penalties may include a fine of \$500 for each day the violation continues. Criminal violations may be punished by up to two years imprisonment and a \$10,000 fine.

For more information, please contact your CSC sales or service representative, or send us an email at corpservices@cscglobal.com.