

THE REVIEW OF
**SECURITIES & COMMODITIES
REGULATION**

AN ANALYSIS OF CURRENT LAWS AND REGULATIONS
AFFECTING THE SECURITIES AND FUTURES INDUSTRIES

Vol. 57 No. 17 October 9, 2024

NAVIGATING THE CORPORATE TRANSPARENCY ACT AND THE FUTURE OF BENEFICIAL OWNERSHIP REPORTING

The Corporate Transparency Act (“CTA”) was enacted on January 1, 2021, as part of efforts by the United States Congress to combat financial crime by increasing transparency around the beneficial ownership of legal entities. The CTA will require many millions of entities, from unsophisticated small businesses to complex holding company structures, to file confidential reports with the Financial Crimes Enforcement Network (“FinCEN”), starting in 2024, on the entities and on individuals who have significant direct or indirect ownership, are senior officers, or otherwise are deemed to have a measure of control over an entity. This article provides a general introduction to the CTA’s reporting requirements, including the statute’s history and purposes, and the implementing rule adopted by FinCEN. It gives practical advice for legal practitioners who may be unfamiliar with the CTA, with special attention to issues faced in determining which legal entities are reporting companies under the CTA and which individuals must be reported as beneficial owners.

By Lisa R. Jacobs, Lori S. Smith, David J. Winkowski, and John M. Baker *

While the U.S. historically has combatted crime and countered the financing of terrorism (“CFT”) through its anti-money laundering (“AML”) efforts, the lack of transparency into those who benefit from and control shell and front companies has long troubled law enforcement and has been the subject of claims by other countries that the U.S. is not taking strong enough leadership on these issues. For example, a 2016 evaluation by the Financial Action Task Force (“FATF”) called the U.S. AML/CFT framework “well developed and robust,” but claimed that the lack of timely access to adequate, accurate, and current beneficial ownership information was a fundamental gap.¹ The FATF stated

that “the relative ease with which U.S. corporations can be established, their opaqueness and their perceived global credibility makes them attractive to abuse of [money laundering and terrorism financing], domestically as well as internationally.”² In response to

footnote continued from previous column...

Report 3, 4 (2016), <https://www.fatf-gafi.org/content/dam/fatf-gafi/mer/MER-United-States-2016.pdf>. The FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing, and the financing of proliferation of weapons of mass destruction.

¹ FATF, *Anti-Money Laundering and Counter-Terrorist Financing Measures – United States Mutual Evaluation*

² *Id.* at 153.

* LISA R. JACOBS, LORI S. SMITH, and DAVID J. WINKOWSKI are partners at Stradley Ronon Stevens & Young, LLP. JOHN M. BAKER is a counsel at Stradley Ronon Stevens & Young, LLP. Their e-mail addresses are ljacobs@stradley.com, lsmith@stradley.com, dwinkowski@stradley.com, and jbaker@stradley.com.

FORTHCOMING

● HOW TO NAVIGATE THE EVOLVING STANDARDS OF CARE FOR RETAIL INVESTMENT ADVICE