

## **SPOTLIGHT ON BENEFICIAL OWNERSHIP**

# **Decoding US Beneficial Ownership Reporting Rules**

A Spotlight on the US Financial Crimes  
Enforcement Network's (FinCEN)  
Beneficial Ownership Reporting under  
the Corporate Transparency Act (CTA)



# FinCEN's Beneficial Ownership Reporting under the CTA

Following the Financial Action Task Force's (FATF) enhancements to Recommendations 24 and 25 regarding the transparency and beneficial ownership of legal persons and arrangements, the US introduced significant changes with required Beneficial Ownership Information (BOI) reporting, effective from January 1, 2024. The initiative aims to increase corporate transparency and prevent financial crimes. The CTA requires most US companies, absent an exemption, to report their beneficial owners' details to FinCEN, marking a pivotal shift in US financial regulation. This transition will impose various compliance obligations and challenges over the next few years.





## PREPARATION LANDSCAPE

- **Preparation for Implementation:** Companies should start preparing for the new regulations, which are now in effect, with most reporting deadlines by January 2025. This includes understanding the requirements and determining whether they fall under the CTA's scope.
- **Awareness and Education:** Companies should familiarize themselves with FinCEN's guidelines, exemptions, and the reporting process. They should also educate relevant personnel about these changes.
- **System and Process Setup:** Companies may need to set up systems or processes for gathering and reporting the required information. This may include software solutions or internal reporting mechanisms.
- **Seeking Legal and Compliance Advice:** Companies should seek advice from legal and compliance experts to ensure understanding and readiness for the upcoming regulations.



## 2024 INITIATIVES

- **Commencement of Reporting Requirements:** Starting January 1, 2024, the BOI reporting requirements take effect. Companies formed or registered this year will have specific reporting obligations.
- **Filing Initial Reports:** Companies created or registered before January 1, 2024, must file their initial reports by January 1, 2025. Those created or registered during 2024 have 90 days from their creation or registration date to file.
- **Obtaining FinCEN IDs:** Companies and individuals will need to obtain FinCEN IDs, which can be used in place of personal information for beneficial owners or company applicants.
- **Compliance with Reporting Standards:** Companies must accurately report beneficial owners' details, including names, birthdates, addresses, and identification numbers.



## 2025 INITIATIVES

- **Extended Deadline for Pre-2024:** Companies existing before 2024 must submit their initial BOI reports by January 1, 2025.
- **New Companies Reporting Within 30 Days:** Companies created or registered on or after January 1, 2025, will have 30 days from their creation or registration date to file their initial BOI reports.
- **Continued Compliance and Updates:** Companies must continue to update their BOI filings within 30 days, if there are any changes or errors discovered in previously reported information.
- **Adherence to Privacy and Access Regulations:** Companies must adhere to the CTA regarding confidentiality and access to the information submitted, as the BOI database is non-public and access is restricted.



## CHALLENGES

- **Complexity of Requirements:** Understanding and complying with the detailed reporting requirements can be challenging, especially for small and medium-sized businesses.
- **Resource Allocation:** Companies might need to allocate significant resources in terms of time and finances to comply with these requirements.
- **Data Security Concerns:** Ensuring the security and confidentiality of the reported data, especially when handling sensitive personal information, is crucial.
- **Legal and Regulatory Uncertainties:** Continuous updates and clarifications to the rule may create uncertainties, requiring ongoing attention and adaptation from businesses.



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## Beneficial Ownership Assessment

From legal entity formation to CTA reporting, understanding the individual(s) that directly or indirectly exercise substantial control or own 25% or more is critical to the public disclosure of such individuals, CTA reporting, and financial institution onboarding. Stratis can assess your individual and legal entity structure such as companies and trusts to better understand disclosure and reporting requirements.



## Customer Journey and Due Diligence Refresh

Similar to asking the politically exposed person (PEP) question at onboarding and during due diligence refreshes, adjustments to customer due diligence processes will need to be undertaken to determine whether an entity is compliant with their CTA reporting requirements. Stratis can help evaluate existing onboarding and due diligence processes to incorporate CTA-based compliance questions to ensure your company is providing services to compliant entities.



## Outsourced Regulatory Monitoring Program

Operating domestically or globally, industry guidance and laws and regulations are evolving and expanding, specifically those on beneficial ownership reporting, data privacy and breach reporting, cybersecurity program implementation, and third-party risk management. Stratis can develop and execute a customized outsourced regulatory monitoring program based on your operating model, markets, customers, and risk tolerance to proactively address relevant changes that impact your business.





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