

Navigating the New Beneficial Ownership Reporting Rule: A Guide for Businesses

By: Jeremy A. Royal, Partner; Jason E. Tapp, Partner, Royal Tapp & Clemko, PLLC

The beginning of 2024 marked a significant change in the regulatory landscape for U.S. businesses with the enforcement of the Financial Crimes Enforcement Network's (FinCEN) new Beneficial Ownership Reporting Rule. Understanding and adhering to this rule is crucial for all U.S. businesses, particularly those recently dissolved or undergoing dissolution.

Overview of the Beneficial Ownership Reporting Rule:

This new regulation mandates that certain companies report detailed information about their beneficial owners to FinCEN. A "beneficial owner" is any individual who directly or indirectly owns or controls a significant percentage of a company. The rule aims to enhance transparency and combat financial crimes like money laundering and fraud.

Who is Affected?

The rule applies broadly to companies registered in the U.S., including corporations, LLCs, and other similar entities. Notably, it also encompasses entities that have been recently dissolved or are in the process of dissolution, as their information can be critical in ongoing investigations.

Key Requirements:

Identification of Beneficial Owners: Companies must identify all individuals with significant ownership or control.

Reporting Obligations:

Required information includes names, addresses, dates of birth, and identification numbers (e.g., passport or driver's license numbers).

Deadlines and Compliance:

Businesses must report within a specified timeframe after formation or any changes in beneficial ownership.

Importance of Compliance:

Non-compliance can result in substantial penalties, including hefty fines and imprisonment. Beyond legal implications, compliance ensures your business is not inadvertently involved in financial crimes, maintaining its integrity and reputation.

Action Steps for Compliance:

- **Review Your Entity's Status:** Determine if your business falls under the rule's purview, including any dissolved entities you were part of.

- Identify Beneficial Owners: Compile a list of individuals who qualify as beneficial owners under the rule.
- Collect Necessary Information: Ensure you have accurate, up-to-date information for all identified individuals.
- Submit the Report: File your beneficial ownership information with FinCEN within the required timeframe.
- Stay Informed: Keep abreast of any updates or changes to the rule.

How Royal Tapp & Clemko, PLLC Can Help:

With US law enforcement efforts increasingly focusing on money laundering and terrorist financing, we highly recommend that you comply with this new law, avoid waiting until the last minute, and act early to evade potential civil and criminal penalties. Hiring a third-party filer like RTC Law for your BOI reporting needs helps you ensure the timeliness and accuracy of the filing and will keep you focused on what you do best: running your business.

Location: Dallas, Texas (Domestic Office); Baden-Baden, Germany (International Office)