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US Beneficial Ownership Information reporting: impact on UK firms

Of particular interest to: All UK firms with a registered business in the US

In brief

The U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") has introduced requirements for Beneficial Ownership Information ("BOI") reporting under the Corporate Transparency Act 2024 ("CTA"). Effective from January 1, 2024, many companies operating in the U.S. must report information about individuals who own or control them. This applies to both domestic and foreign companies registered in the U.S., including UK firms that have registered to do business in the US, with exemptions for 23 types of entities. Reports must be filed electronically, with specific deadlines based on the company's formation date.

Summary

To combat illicit finance, the CTA mandates that companies must disclose their beneficial owners. This law aims to increase transparency and prevent financial crimes by identifying individuals who have substantial control over or own a significant portion of a company. Beneficial ownership information includes details about individuals who directly or indirectly own or control a company. This is designed to ensure that the actual owners and decision-makers are identified, promoting transparency in business operations.

As a result of the CTA, UK firms, are required to assess their organisational structure to identify any U.S. based or registered entities. This involves determining if these entities qualify as domestic or foreign reporting companies under FinCEN's BOI requirements. Should such entities qualify under the requirements, the firm will then need to review the 23 possible exemptions to see if any apply and to determine whether they will be required to make a report under the CTA concerning beneficial ownership. Such exemptions include investment advisers registered with the U.S. Securities and Exchange Commission, publicly traded companies or certain nonprofits, which could exempt firms BOI reporting.

For firms that do not qualify for such exemptions, these firms will then be required to gather detailed information about their beneficial owners and company applicants, including names, birth dates, addresses, and identification numbers and establishing compliance procedures. Such firms are also required to provide regular updates on ownership changes, error corrections, and thorough record-keeping. This approach ensures adherence to the U.S. regulations, helping firms avoid penalties and promote transparent business practices.

Finally, reports must be filed electronically through FinCEN's dedicated website. Entities in existence before 01 January 2024, subject to the CTA reporting, must report by 01 January 2025. However, entities created or registered in 2024 must report within 90 days of their formation or registration and entities formed on or after 01 January 2025, have 30 days to report.

Useful Links

https://mcusercontent.com/f64b67db0e615945ff088d656/files/51570506-190f-1c7e-adf0-902c0ccf2f2b/US_Financial_Crimes_Enforcement_Network_BOI.docx

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Our mailing address is:

126 / 128 Buckingham Palace Road, 2nd Floor, London SW1W 9SA