



The Corporate Transparency Act:

Readiness, Concerns, and Implications



Summary

The Corporate Transparency Act (CTA) went into effect January 1, 2024, with the objective of giving law enforcement and other government agencies more tools to protect national security and fight corruption, terrorism, and money laundering.

Our Experts



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Specifically, the CTA requires disclosure of Beneficial Ownership Information (BOI) for corporations, limited liability companies, and similar entities that do not fall under one of the **23 enumerated exemptions**.

To gauge views regarding the introduction of the CTA, CSC recently commissioned an independent survey with general counsels, corporate secretaries, and other senior in-house legal and compliance executives from across a broad range of industries. We found that a significant majority of respondents (83%) are concerned about their organization's CTA compliance.

In this report, we look at what's behind these concerns, the challenges businesses are facing, and longer-term implications of the CTA's introduction. Our research takes into consideration that understanding of the CTA and its filing requirements are still maturing, and that significant uncertainty remains.

CSC surveyed 200 respondents

from U.S.-based corporations or non-U.S. based multinational corporations with entities registered in the United States.

Key findings included:

A great majority of U.S. businesses are concerned about the introduction of the CTA.

83%

are concerned or very concerned about their own organization's CTA compliance.

76%

believe that the CTA is causing concern among U.S. companies.

1%

A mere 1% of respondents have no concerns about their organization's CTA compliance.



Almost all respondents (more than 93%) are aware of the CTA.

But despite this, there is much lower awareness of specific CTA requirements; less than 40% said they are aware of CTA reporting deadlines, and only a third of respondents claim to be aware of the CTA exemptions.

A significant majority of respondents (84%) think that the CTA will result in higher levels of trust and support stronger business relationships and trade.

84%

However, 75% also believe that the drive towards transparent BOI will result in too much private information becoming public (a misconception that we explore further below).

Regarding CTA compliance, a lack of guidance about what non-U.S. entities need to do is a concern.

Nearly two-thirds of respondents (62%) cited this as an area of concern, ahead of high fees and costs (38%), and a lack of understanding about the penalties for CTA non-compliance (38%).

Most are not expecting CTA and Ultimate Beneficial Owner (UBO) regulations to harmonize into one global standard over the next decade.

40%

With only 40% of respondents expecting global harmonization of these regulations, the continued importance of service providers capable of providing multijurisdictional expertise is clear.

CTA Compliance



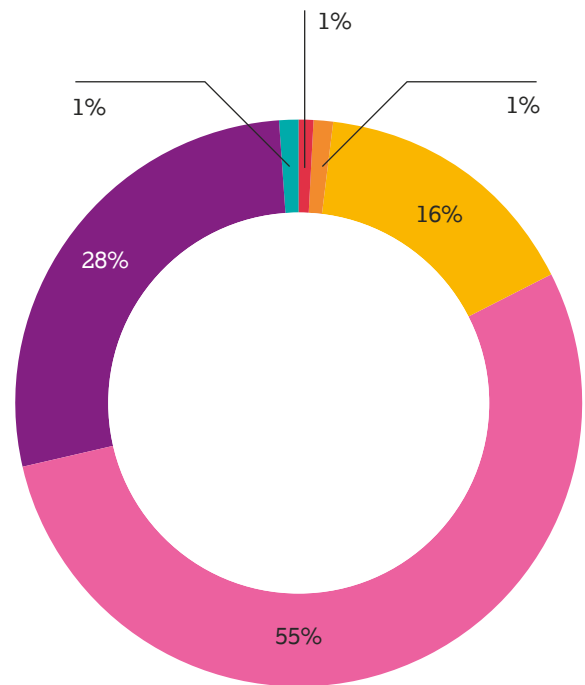
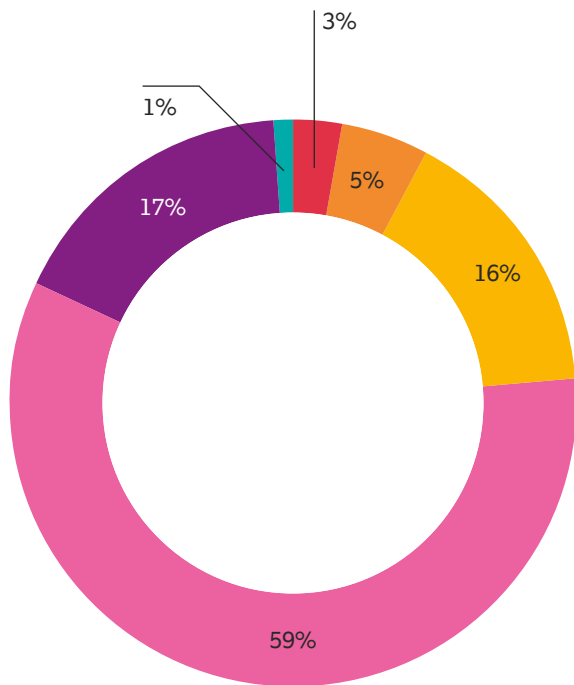
The introduction of the CTA is causing concern for most U.S. businesses.

Although CTA regulation has been in effect since the start of this year, CSC's findings clearly illustrate the extent to which organizations have concerns about CTA compliance and what it means for them. Indeed, only 7% of our respondents think that U.S. businesses are unconcerned about the introduction of the CTA, and only 1% have no concerns about their own organization's CTA compliance.

How concerned do you think U.S. businesses are about the introduction of the CTA?

How concerned are you with your own organization's CTA compliance?

- Very unconcerned
- Somewhat unconcerned
- Neither concerned nor unconcerned
- Somewhat concerned
- Very concerned
- Don't know

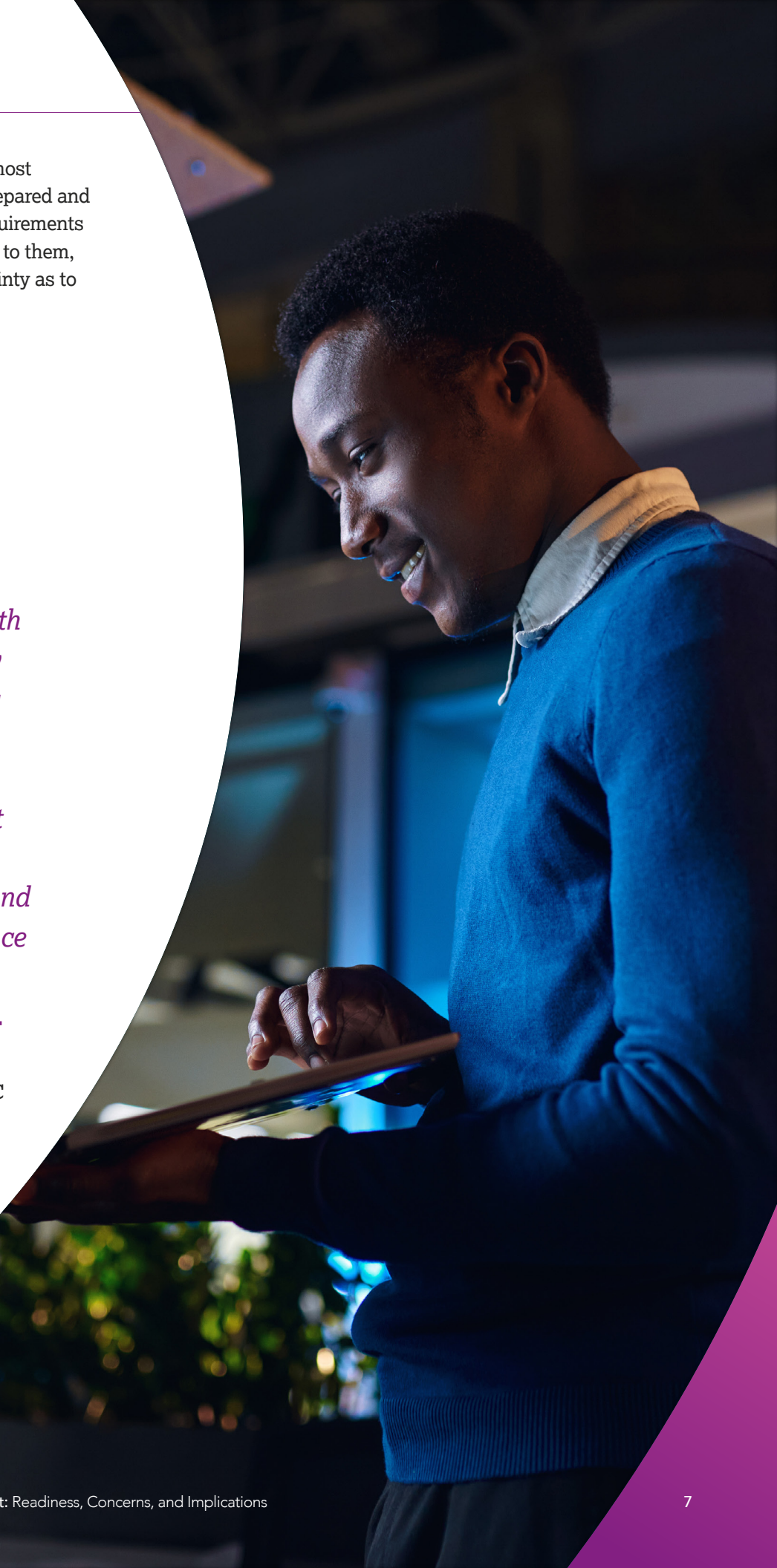


We believe our research shows that most organizations do not currently feel prepared and their understanding of CTA filing requirements is still maturing. This is new territory to them, with many moving parts and uncertainty as to what information is required.



There are a lot of unknowns regarding how to comply with the Corporate Transparency Act and what information is required, because it's new, there are a lot of unknowns about how to do it and what information is required, leading to some confusion and businesses lacking confidence in their ability to comply.

Julie Dallmann
Product Management Director at CSC



Provisions of the CTA are open to interpretation.

From CSC's conversations with clients, it's also clear that the subjectiveness of the CTA is causing uncertainty as to its provisions. Numerous clients are grappling with the questions of "Does the CTA impact me, and if so, who are my beneficial owners?"

And there's also a question of who within an organization meets the definition of being a beneficial owner. That's at the heart of this disclosure and the subject of great interpretation. Even the Financial Crimes Enforcement Network guidance is, in effect, that it's for businesses to determine who does or doesn't qualify.

David Jefferis
Product Management
Senior Director at CSC

"In a perfect world, this would all be black and white," says David. "But there are two areas that are open to interpretation. There's some ambiguity about exemptions and we're seeing certain scenarios where clients are unsure about a particular ownership structure and whether it applies to them.

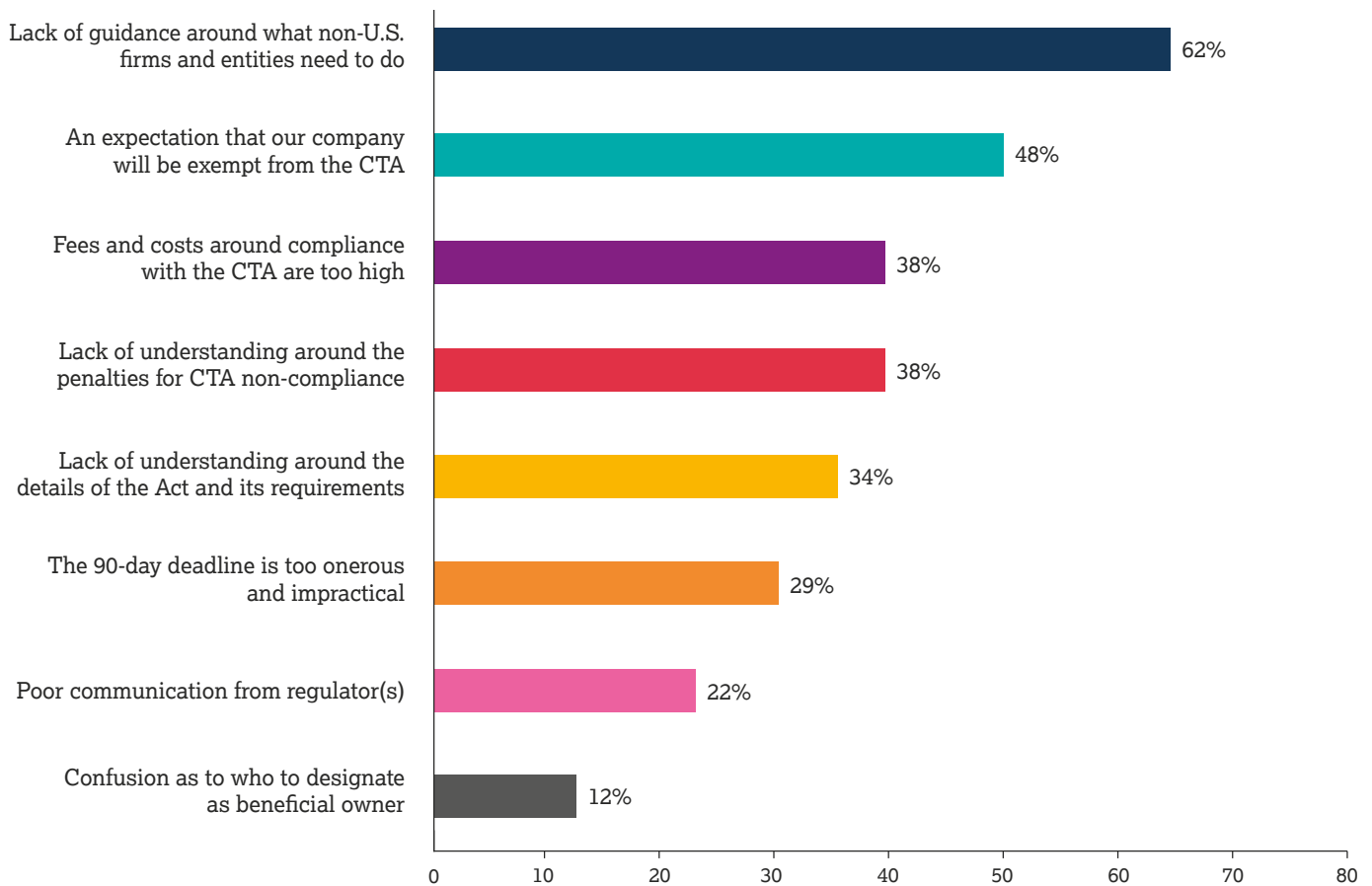
Much of the onus is on the organization.

According to Julie, "Because the terms are loosely defined, a lot of discretion is afforded to the reporting company to determine who should be categorized as a beneficial owner."

Top concerns regarding CTA compliance.

When asked to identify their concerns regarding their firm’s CTA compliance, 48% of respondents expressed uncertainty regarding their organization’s exemption status, while a little more than 37% of respondents selected both high fees and costs of CTA compliance, and a lack of understanding of the penalties for CTA non-compliance.

What concerns do you have regarding your firm’s CTA compliance?



But it is concerns regarding the reporting obligations of non-U.S. entities that rank most highly, identified by 62% of respondents.

Importantly, CTA reporting obligations apply to both entities formed in the U.S. and entities formed outside of the U.S. that are registered to do business in the U.S. (referred to by the Financial Crimes Enforcement Network (FinCEN) as foreign reporting companies). And the information included in a BOI filing submission to FinCEN for a foreign reporting company is nearly identical to that required for a U.S. domestic reporting company.

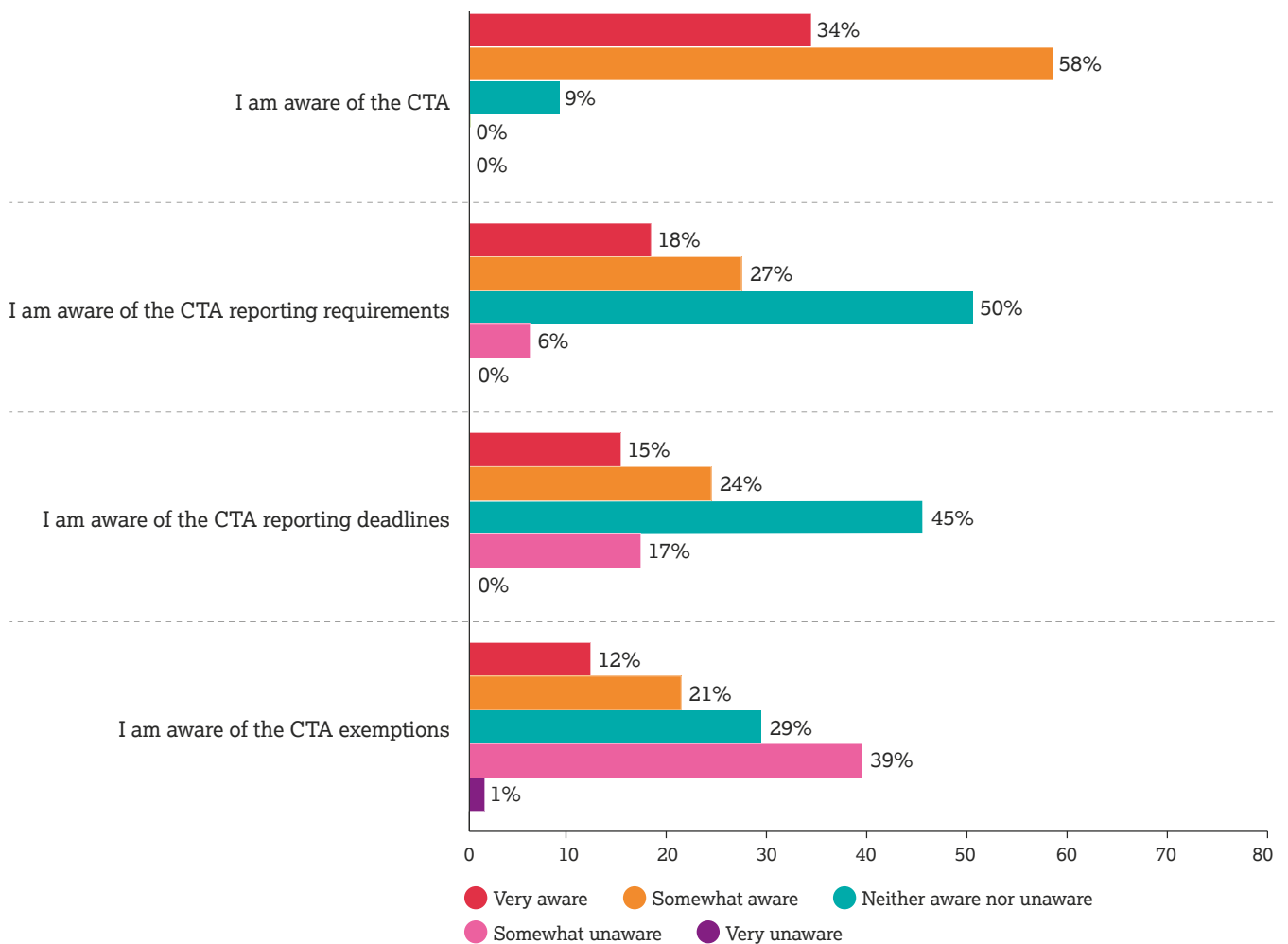
In David's view, "Much of this is about awareness rather than a lack of understanding about what needs to be included in the filing.

"We know that some U.S. companies are not aware how the CTA impacts them, so a company that largely operates outside of the U.S. is even less likely to be aware of this regulation. I think that's the issue. It's not so much that there's confusion about it, but that foreign reporting companies might not even be aware that it exists and impacts their organization."

Awareness of CTA reporting requirements, deadlines, and exemptions is relatively low.

Reflecting the degree of uncertainty among organizations about the CTA, less than half of respondents said they are aware or very aware of the CTA reporting requirements, just under 40% are aware or very aware of the CTA reporting deadlines, and only one-third of the CTA exemptions.

Thinking about the CTA, please rank the following in terms of your awareness of the requirements:



In terms of complying with CTA requirements, the implementation of new internal software systems is seen as the top priority. When respondents were asked to prioritize the steps required to ensure compliance, implementation of new internal software systems was comfortably number one. This was followed by “greater use of external advisers such as law firms” and “greater use of outsourced external specialists and dedicated platforms.”

This did not come as a surprise to our CSC experts.

“Prioritizing new software systems makes a lot of sense,” said David. “Organizations need the technology to not only properly track the relevant information for their initial BOI filings, but to leverage it to stay on top of changes that in many cases will necessitate amended filings with FinCEN.”

Top priorities for those required to comply with CTA requirements



The CTA is expected to be positive for business relationships and trade.

Encouragingly, 84% of respondents agreed with the statement that the CTA will result in higher levels of trust and support stronger business relationships and trade.

Our research also revealed, however, a widespread (75%) view that the general drive towards transparent BOI will make too much ownership-related information available to the public.

While concerns about accessibility of the personal identifiable information required by the CTA are understandable, they are also misplaced. BOI information reported to FinCEN is not available to the public.


“
Beneficial ownership information is only available to FinCEN and to other government agencies for investigatory purposes. So, it's not as though there's a public database where the general public can go and access this information.

Julie Dallmann

Nearly 60% of respondents are not expecting CTA and UBO regulations to harmonize into one global standard over the next decade.

To our CSC experts, this skepticism seems justified, with governing authorities not appearing to be particularly concerned about establishing uniform standards.

Indeed, in the U.S. alone, there is considerable nuance from state to state (for example, concerning annual report and business license filing requirements) and these regulatory differences are replicated globally.



As David says, “It’s not as if there’s U.S. regulation and then there’s rest of the world regulation.”

Each jurisdiction is unique. There are different regulations in Brazil, for example, different regulations in Singapore, different regulations in the Netherlands, and they all vary in terms of how they set up regulations and requirements for entities to operate within those jurisdictions.

“Indeed, as further nuances are introduced, standards could get even more fragmented, even just within the United States. This is already evidenced by multiple states moving forward with unique beneficial ownership disclosure laws.”

It is this complexity that is driving organizations to work with service providers such as CSC who can bring multijurisdictional expertise to the table.

How can CSC help?

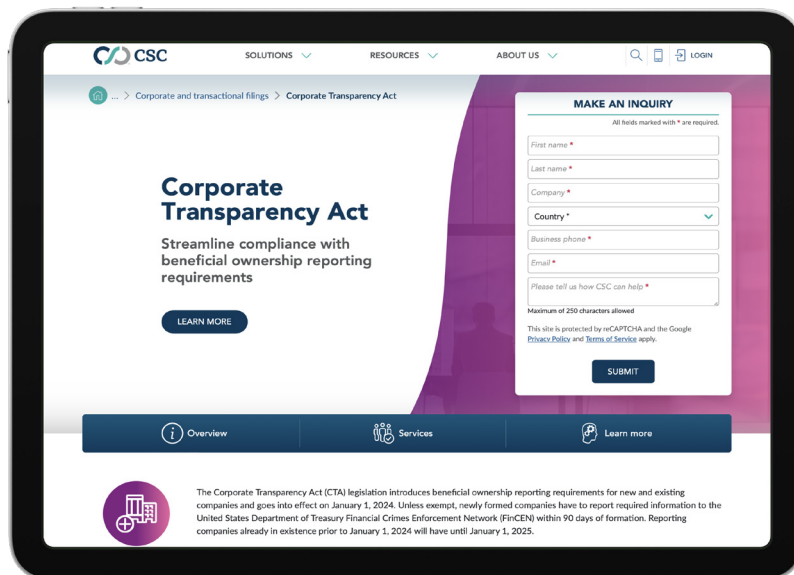
CSC’s full-service framework and industry-leading team of experts ensures compliance with the CTA, allowing our clients to focus on their strategic business priorities.

“Supporting clients with transactional filings is at the core of what CSC does—collect information, prepare and file on clients’ behalf, and provide evidence the filings have occurred,” says David. “So even though CTA compliance is new, it’s really in the wheelhouse of what we do as an organization and what we’ve done for 125 years.”


CSC’s clients also benefit from an end-to-end CTA filing service where they can work with our experts to have CSC submit BOI filings to FinCEN on their behalf.

According to Julie, “What sets us apart in terms of the Corporate Transparency Act is that we have a very full service offering that supports our clients throughout the filing process. I think clients are looking for that more hands-on approach, less self-service. We do a lot of education of clients.”

To learn more about our CTA services, including CSC Entity ManagementSM, our award-winning solution that provides a secure, structured framework for tracking CTA compliance and more, and to access our range of CTA resources, please visit cscglobal.com/cta.





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Methodology

An independent research company surveyed 200 general counsels, corporate secretaries, and other senior in-house legal and compliance executives from across a broad range of industries in the U.S., Continental Europe, the U.K., and APAC.