

Issue Update

Beneficial ownership developments have unfolded rapidly on several fronts since December.¹

- On March 2, Treasury announced it will not enforce the Corporate Transparency Act (CTA) or reporting rule against U.S. companies who fail to report their BOI to FinCEN. Accordingly, U.S. companies will not be fined or penalized for failing to report or update BOI. Treasury also stated that it intends to amend the reporting rule twice in 2025, first to extend reporting deadlines, and then narrow it to foreign companies.
- The CTA has also been subject to multiple legal challenges, two of which resulted in temporary nationwide injunctions since December. Appeals courts have been asked to decide whether the CTA is constitutional.
- On February 10, the House unanimously passed a bill to extend the reporting deadline to January 1, 2026, but the Senate has yet to take action. ABA supports this bill, to provide time for regulatory reforms to realize the purposes of the CTA. The CTA was intended to protect the U.S. financial system by providing highly useful information to law enforcement and banks, while also reducing burden on banks.

Why it Matters

The CTA was intended to help protect the U.S. financial system by preventing the flow of dirty money through anonymous shell corporations. However, since 2018 banks have been required to collect information about the people who own and control the legal entities they bank under the Customer Due Diligence (CDD) rule. The CTA was intended to ease this burden, while providing a reliable, nationwide database that both banks and law enforcement could use. To date, implementation of the CTA has neither relieved banks of this burden, nor produced a comprehensive database of highly useful information. Banks would like to see the promise and purpose of the CTA realized. Only by relieving banks of the burden to comply with outdated rules, collect duplicative information, and report on innocent transactions can banks devote those critical resources to detecting illicit transactions. These reforms are essential to a true risk-based approach to BSA and sanctions compliance.

Recommended Action Items

- Encourage Congress and Treasury to realize the CTA's purpose —regulatory burden reduction and useful information collection. In particular, express support for extending reporting deadlines to give Treasury time to revise the reporting rule to focus on bad actors; clarify definitions; verify reported BOI; educate the public about the rule; and reform the CDD rule to harmonize with the reporting rule.
- Provide examples of the confusion and challenges your customers have experienced regarding their obligation to register. Discuss your reluctance to police your customers or provide reporting advice.
- Reinforce ABA messaging regarding how outdated BSA rules (e.g. CTRs) burden banks. Provide examples of how bank operations are affected.

¹ For now, ~33 million small businesses must report their beneficial ownership information (BOI) to Treasury's Financial Crimes Enforcement Network (FinCEN) by March 21, 2025, but that deadline will likely change again, soon. As of early December, ~10 million businesses had reported BOI to FinCEN.

The Corporate Transparency Act and Beneficial Ownership

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- Ask for more feedback regarding evolving threats, and updated law enforcement priorities, and the value of BSA reporting.