Corporate Transparency Act Expands Anti-Money Laundering Burden Beyond Banks to Business Customers

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Bankers for years have struggled with requirements of the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) laws which require banks to determine the beneficial ownership of certain bank business customers. Corporate and other bank business customers, on the other hand, see this only as a bank asking numerous questions regarding ownership and control of the business. However, with the implementation of the Anti-Money Laundering Act of 2020 that includes the Corporate Transparency Act (the Act), which was enacted as part of the National Defense Authorization Act, the burden to develop such information will be moved from banks to many corporate and other business entities.

Over the next few months, we will address various aspects of the Act. Separate
articles will address the beneficial ownership reporting requirements and the wide range of exclusions from the reporting requirements. Additional articles will address the creation of the FinCEN Exchange, the fairly lucrative FinCEN Whistleblower rewards, and the penalties imposed on companies and individuals that violate the BSA/AML requirements.

Proposed regulations implementing the Act are to be issued one year from the adoption of the Act. We hope that before the end of the series, FinCEN will issue draft regulations that will clarify many of the unanswered questions posed by the Act.

We also hope that our corporate clients will find the articles helpful in understanding whether the client is subject to the rules and, if so, in understanding the ownership reporting obligations.

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