



BOI

BENEFICIAL OWNERSHIP INFORMATION REPORT



1. What is the Beneficial Ownership Information?

The information on beneficial owners encompasses details about individuals who directly or indirectly own or control a company. Identifying these owners is crucial for understanding who one is doing business with, so that decisions can be made confidently and within the limits of risk tolerance.

BOI (Beneficial Ownership Information) helps establish trust with legitimate companies and business owners; it contributes to understanding exposure to risk in relation, for example, to higher-risk jurisdictions, sanctioned individuals, or politically exposed persons; and it can help reveal when an entity falls outside the limits of risk tolerance, to consider whether the partnership or business relationship should be terminated. The BOI report can also guide the level of monitoring required to limit risk and efficiently report issues.

2. Why is important to know about beneficial ownership information?

Accurate data on beneficial owners make it more difficult for wrongdoers to hide behind business ownership structures or profit from them. Shell companies, for example, can be used to disguise illicit activities and money generated from said activities. It can be challenging and time-consuming to identify risk patterns of shell companies without access to information on the owners who are ultimately benefiting.

Information about beneficial owners is important for financial institutions too as part of their basic due diligence processes, with data collection often being a regulatory requirement. It is also crucial for governments that might be issuing export licenses or approving loans and grants or government contracts. And it is important for businesses in all areas of commerce as part of their third-party risk management strategies. Without information on ultimate beneficiaries, it is impossible to measure exposure to risk and, therefore, mitigate it, and comply with laws on sanctions, terrorism financing, fraud, and money laundering.

3. What does “substantial control” mean?

It means that someone can exercise substantial control over a company in various ways. There are also different regional variations for the definition of substantial control, as well as effective ownership. Incorporating individuals with substantial control is a newer concept in the U.S., introduced as a requirement in the CTA. According to FinCEN, if a person meets any of the following criteria, they could be considered to be exercising substantial control:

- Someone who is a **senior official** (i.e., the company’s president, CFO, CEO, COO, or any other official performing a similar function).
- Someone with **authority to appoint or dismiss** certain officials and/or the majority of the directors of the reporting company.



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- Someone who is a **significant decision-maker** within or for the reporting company.
- Someone with any other form of substantial control over the reporting company (such as someone with influence over significant decisions).

4. Who must report information about the beneficial owner(s)?

There are **two types** of reporting companies that comply with the BOI standards established by FinCEN:

- **Domestic reporting companies:** These are corporations, limited liability companies, and any other entity created by filing a document with a secretary of state or any similar office in the U.S.
- **Foreign reporting companies:** these are entities (including corporations and limited liability companies) incorporated under the law of a foreign country that have registered to do business in the U.S. by filing a document with a secretary of state or any similar office.

There are some exemptions for these reporting companies, including publicly traded companies that meet specific requirements, certain nonprofit organizations, and certain large operating companies. However, the reporting obligation is far-reaching and affects millions of companies in the U.S. and companies worldwide operating in the United States.

5. According to the Corporate Transparency Act, who can access information regarding beneficial owners?

According to the law, authorized entities, including federal, state, local, and tribal officials, along with certain foreign officials, can access information about beneficial owners for national security, intelligence, and law enforcement purposes.

Financial institutions can also obtain access under specific circumstances, with the consent of the reporting companies. However, access to this information is not a given; it is not widely or constantly presented, although other organizations and entities may benefit from accessing it for due diligence and risk management purposes.

6. When and how must entities present information about its beneficial owners?

Companies required to report their beneficial ownership information to FinCEN must do so electronically through a secure filing system available on the FinCEN website. Information about beneficial owners include names, date of birth, addresses, and identification numbers (such as passport or driver's license numbers). The report can be filed by any individual with authority from the reporting company, such as an employee, owner, or external service provider.



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7. What are the consequences of not filing or incorrectly filing beneficial ownership information?

The penalties for violations or erroneous reports can be severe. Any individual who intentionally violates reporting requirements could be subject to penalties of **up to \$500** for each day of continued violation, and criminal penalties include **up to two years in prison** and a fine of **up to \$10,000**.

FinCEN launched the BOI E-Filing website for reporting beneficial ownership information on January 1st, 2024, and since that date, the obligation to file the report begins.

IMPORTANT:

Any reporting company **created or registered to do business before January 1, 2024**, will have until **January 1, 2025**, to submit their initial BOI report.

Any reporting company **created or registered in 2024** will have **90 calendar days** to file it after receiving actual or public notice that their company creation or registration is effective.

Any reporting company **created or registered on or after January 1, 2025**, will have **30 calendar days** to file their submission after receiving actual or public notice that their creation or registration is effective.

Any changes in ownership or control will also require companies to file with FinCEN within the associated deadline.