

February 11, 2021

Anti-Money Laundering Act of 2020

Corporate Transparency Act: Beneficial Ownership Reporting and Disclosure

SUMMARY

In our December 17, 2020 memorandum, [Anti-Money Laundering Act of 2020: New Legislation to Implement Comprehensive Modernization and Reform of the US AML/CFT Regime](#), we provided an overview of the Anti-Money Laundering Act of 2020 (the “Act” or the “AMLA”), which became law following the January 1, 2021 override of then-President Trump’s veto of the National Defense Authorization Act for Fiscal Year 2021. This memorandum discusses in greater depth the Corporate Transparency Act (the “CTA”) provisions within the AMLA. The CTA contains new requirements that certain corporations, limited liability companies and similar entities disclose information on their beneficial owners to the Financial Crimes Enforcement Network (“FinCEN”).¹ However, the full scope and impact of the new requirements are in large part dependent on future regulations to be promulgated by Treasury. In addition, the CTA requires Treasury to make conforming changes to the existing Customer Due Diligence (“CDD”) Rule applicable to certain financial institutions, but does not specify how the new reporting obligations for covered entities would affect financial institutions’ obligations under the CDD Rule.²

BACKGROUND

Prior to the enactment of the AMLA, the lack of mandated beneficial ownership disclosure in the United States was a significant concern of a broad range of constituencies, including law enforcement agencies, international bodies that set global standards for anti-money laundering and countering the financing of terrorism (“AML/CFT”), such as the Financial Action Task Force (“FATF”), and trade groups representing the financial services industry. In 2016 FATF described the lack of beneficial ownership disclosure requirements as a “significant gap” and a “serious deficiency” in the United States’ AML/CFT regime.³ The CTA’s beneficial ownership provisions are based on legislation first introduced over a decade ago. A broad

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coalition of law enforcement agencies, national security experts, and civil society organizations ultimately supported the CTA and praised its passage—even the State of Delaware (which noted concerns about earlier versions of beneficial ownership legislation that relied on state entity formation systems to collect information) expressed support for the national approach to reporting beneficial ownership information provided for in the CTA.⁴

NEW REQUIREMENTS

The heart of the CTA is the requirement that covered entities submit beneficial ownership information to FinCEN at the time of entity formation, or, for existing covered entities, within two years of the issuance of regulations, in each case with an obligation to keep this information current by updating the reported information within one year of a change thereto.⁵

A. WHO IS REQUIRED TO FILE?

Certain types of legal entities (“Reporting Companies”) are required to disclose information to FinCEN as part of the company formation/registration process. Reporting Company is defined as a corporation, limited liability company (“LLC”), or similar entity that is either: (i) created by a filing with a state secretary of state or similar state or tribal office, or (ii) a foreign entity registered to do business in the United States through a filing with a state or tribal authority.⁶ The addition of “similar entity” to the definition of Reporting Company appears to indicate that foreign entities organized under corporate forms similar to a U.S. corporation or LLC, for instance the German Gesellschaft mit beschränkter Haftung (“GmbH”), would be covered by the reporting requirements if registered to do business in the United States.

There are a number of explicit exemptions to the definition of Reporting Company, which are discussed below. Furthermore, the CTA directs the Comptroller General to submit a report to Congress studying whether the lack of beneficial ownership information for trusts, partnerships, and certain other legal entities presents AML/CFT risks, suggesting that these entity types do not fall within the definition of Reporting Company contemplated by Congress.⁷ For U.S. entities, Treasury has discretion to interpret what constitutes a “similar entity,” provided any such entity is created by a filing with a state or tribal office. It seems consistent with the stated objectives of the CTA that Treasury’s implementing rule will include limited partnerships, statutory business trusts and certain other entities that are created by such a filing.⁸ In the United Kingdom, media reports have outlined how the Scottish Limited Partnerships (“SLPs”) had been used in money laundering, in part because SLPs were not covered by the UK’s beneficial ownership disclosure regime until June 2017.⁹

B. FILING EXEMPTIONS

The CTA exempts 23 entity types from the requirements to disclose beneficial ownership information.¹⁰ The annex to this memorandum provides a table setting forth these exempt entity types and associated

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statutory requirements, although all of these exemptions fall into one of two broad categories. First, entities that are already required to disclose beneficial ownership information publicly or to federal regulators are not required to submit beneficial ownership information to FinCEN under the CTA. These entities include, but are not limited to, publicly traded companies, banks, insurance companies, registered money service businesses, broker/dealers, investment companies, and investment advisers.

Second, entities that do not exhibit shell company characteristics and therefore generally are perceived to present lower money laundering and terrorism financing risks are exempted, perhaps reflecting Congress's view that they are more likely to function as legitimate operating companies. Within this category, the most notable exemption is for companies with a U.S. operating presence, more than 20 full-time employees ("FTEs") in the United States, and filed income tax returns in the previous year showing more than \$5 million in gross receipts or aggregate sales (including sales generated by other entities through which the company operates). Additionally, the list of exemptions contains a catch-all category, allowing Treasury, with the concurrence of the Attorney General and the Secretary of Homeland Security, to exempt new entity types from the reporting requirements. Exempt entities with an ownership interest in a Reporting Company are only required to disclose their names to FinCEN.¹¹

In order to address concerns that exempt entities may become future vehicles for financial crime, the CTA requires Treasury to continuously review the list of exemptions.¹² Going forward, it is possible that Treasury will closely review the exemption for companies with a U.S. presence, more than 20 FTEs and more than \$5 million in gross receipts.¹³ In the AMLA's Joint Explanatory Statement, Congress recognized that "front" companies, in addition to shell companies, can serve as vectors for money-laundering. FATF has also noted that operating businesses such as general trading companies, travel agencies, construction companies, and even cleaning services have been used to launder money.¹⁴ If a determination is made that one of the exempt categories is involved in significant abuse related to financial crime, Treasury may propose administrative or legislative steps to address the issue, which steps could include Treasury interpreting one of these exemptions narrowly through its implementing regulation or interpretive guidance, as well as making a recommendation to Congress to repeal the relevant CTA exemption. Additionally, ensuring that there is effective compliance by companies that purport to rely on these exemptions is likely to be a key implementation issue going forward.

C. WHAT INFORMATION IS REQUIRED?

Each Reporting Company is required to disclose to FinCEN information on each beneficial owner, including full legal name, date of birth, current residential or business street address, and unique identifying number from an acceptable identification document, which includes a non-expired U.S. or foreign passport, a state, local government, or tribal identification document, or a non-expired U.S. driver's license.¹⁵ Beneficial ownership information must also be reported for individuals who file an application to form or register a Reporting Company ("Applicants"). Absent clarification from Treasury through regulations implementing

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the CTA or interpretive guidance, it appears that the obligation under the CTA to report information about Applicants to FinCEN will apply to existing Reporting Companies once the two-year phase-in period has elapsed. This could pose substantial burdens if applicable to Applicants of Reporting Companies that have been in existence for many years. Although Applicant information is collected, it is unclear whether that information may be shared with authorized recipients, as discussed below.

The CTA creates a new FinCEN identification system, whereby persons who have provided information to FinCEN, including Applicants, Reporting Companies, and beneficial owners, may request a unique “FinCEN Identifier” number, which may then be reported to FinCEN in lieu of the full information described above.¹⁶ Access to information through the FinCEN Identifier system may assist financial institutions in accurately tracking similarly named entities and individuals as well as relationships between connected entities and individuals without needing to resort to more broadly used (and potentially risky) identifiers such as Social Security Numbers.

Determining the scope of persons falling within the CTA’s definition of beneficial owner for the purpose of reporting to FinCEN is one of the most consequential questions for Reporting Companies. Under the CTA, a beneficial owner is defined as an individual or entity who (a) exercises “substantial control” over the Reporting Company or (b) holds a 25% or greater ownership or controlling interest in the entity.¹⁷ The 25% ownership threshold will be an important issue for Reporting Companies with multi-class capital structures to consider, particularly in monitoring this topic in implementing regulations or interpretive guidance. The definition of beneficial owner does not include minor children, devisees, certain creditors,¹⁸ or individuals acting as nominees, intermediaries, custodians, agents on behalf of another individual, or solely in their capacity as an employee.

The CTA contains little guidance as to how “exercises substantial control” is to be interpreted. Under the “control prong” of the CDD Rule, a beneficial owner includes “[a] single individual with significant responsibility to control, manage, or direct a legal entity customer,” which can be a CEO, CFO, COO, managing member of an LLC, President, or other similar individual.¹⁹ Due to the CTA’s **exclusion** of individuals acting solely in their capacity as an employee of the Reporting Company from the definition of beneficial owner,²⁰ it is unclear what categories of persons will ultimately be considered to exercise “substantial control.” Possibilities include outside directors or managers, employees of entities that control the Reporting Company, and employees with an ownership or controlling interest in the Reporting Company. The CTA contains no mechanism for Treasury to modify the definition of beneficial owner, though it would have authority to interpret the constituent parts of the definition, including the meaning of “substantial control,” “solely” and other key terms. We anticipate that implementing rules will address this issue, as, without clarification of substantial control, a Reporting Company with five owners, each holding a 20% stake may have no individuals meeting the CTA’s definition of beneficial owner for reporting

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purposes—an outcome that is presumably unintended and which could create an incentive to structure entity ownership to avoid the reporting obligation.²¹

D. WHEN MUST BENEFICIAL OWNERSHIP INFORMATION BE REPORTED?

Beneficial ownership information must be disclosed to FinCEN at a number of different points:

- **Legal Entity Formation or Registration:** As noted above, beneficial ownership information must be submitted to FinCEN at the time of entity formation for U.S. companies or at the time of registration to do business in the United States for foreign entities.²² For state, local, and tribal governments to receive funds allocated under the CTA to pay for reasonable costs associated with implementing beneficial ownership information collection processes, they must notify individuals forming or registering new companies, renewing registration or licensing, or during the assessment of an annual fee, of the new beneficial ownership reporting requirements and provide a copy of the FinCEN reporting form.²³
- **Existing Legal Entities:** Companies already in existence at the time of the CTA's passage must submit beneficial ownership information to FinCEN "in a timely manner," not later than two years after the issuance of implementing regulations.²⁴
- **Duty to Update (Including, but not Limited to, Changes in Beneficial Owners):** Upon a change in any of the information required to be reported to FinCEN, an entity must disclose the change to FinCEN in a timely manner," and within one year of the change.²⁵ The operative provision encompasses changes in the information that the CTA requires to be reported to FinCEN about Reporting Companies, including changes not only in identities of the beneficial owners, but also in address or legal name.
- **Loss of Exemption by Exempt Subsidiaries or Change in Dormant-Grandfathered Status:** Finally, the CTA outlines when certain entities exempted from the definition of Reporting Company must report beneficial ownership information, should they no longer meet the exemption criteria.
 - First, subsidiaries of an exempt entity must report beneficial ownership information when the exemption ceases to apply,²⁶ for example, if they are divested by the exempt parent. However, the wording of the CTA provision creating the exemption for subsidiaries of exempt entities does not clearly establish the threshold for ownership or control by an exempt entity that is necessary for the exemption to apply.
 - Similarly, the CTA exempts from the definition of Reporting Company certain dormant companies, but those companies must report once the exemption no longer applies.²⁷

Aside from this limited set of entities, the CTA does not specify when a company that no longer meets the criteria for being exempt from the definition of Reporting Company—such as the exemption for companies with a U.S. presence, more than 20 FTEs and more than \$5 million in gross receipts—is required to submit beneficial ownership information to FinCEN. In addition, with certain limited exceptions, the CTA does not require that an exempt company file any reports or other information with FinCEN.

E. WHO MAY ACCESS REPORTED BENEFICIAL OWNERSHIP INFORMATION?

FinCEN is authorized to disclose reported beneficial ownership information in response to requests from a number of different categories of public and private entities.²⁸

1. Law Enforcement, Intelligence, and National Security

A variety of agencies are authorized to receive beneficial ownership information from FinCEN, provided they adhere to data security and usage protocols agreed to with Treasury, and, in the case of foreign authorities, the request is routed to FinCEN through a federal agency on behalf of the foreign authority.²⁹

- **Certain Federal Agencies:** Federal national security, intelligence, or law enforcement agencies may request information in furtherance of their agency purposes.
- **State, Local and Tribal Law Enforcement:** State, local, or tribal law enforcement agencies may seek information if a court of competent jurisdiction has authorized the agency to request the information in furtherance of a criminal or civil investigation.
- **Foreign Authorities:** A federal agency may submit a request on behalf of a foreign law enforcement agency, prosecutor, or judge, either: (i) pursuant to an international treaty, agreement, convention, or, (ii) an official request if no treaty, convention or agreement is available. All requests must be in support of an investigation or prosecution by the foreign country and require compliance with either the disclosure and use provisions of the treaty, agreement or convention, or limit the use of the information to an authorized investigation, national security, or intelligence activity.

2. Financial Institutions and Regulatory Agencies

Financial institutions may request reported beneficial ownership information from FinCEN to facilitate compliance with CDD requirements, provided the Reporting Company whose information is sought provides consent. Federal functional regulators or other appropriate regulatory agencies (as determined by Treasury) that are authorized to determine compliance with CDD requirements may request the same information, but are permitted to use it only to determine the financial institution's compliance with CDD obligations.³⁰

The use limitation and consent requirement raise important questions for financial institutions. For instance, if a financial institution obtains beneficial ownership information reported to FinCEN, may the institution use that information for suspicious activity reporting purposes (such as in the event the secured information materially differs from the information reported directly to the institution)? As another example, how should a financial institution respond if a Reporting Company customer or potential customer refuses to consent? Financial institutions may wish to consider these questions even before implementing rules are proposed—and certainly in connection with any rulemaking proposals—and may be an appropriate topic for discussion with their functional regulators. Additionally, financial institutions may wish to consider the impact on the language and/or terms and conditions of their customer agreements.

F. REVISIONS TO THE CDD RULE

One of the explicit purposes behind the CTA is to minimize the burdens on financial institutions associated with the collection of beneficial ownership information.³¹ To that end, the legislation directs Treasury to revise the CDD Rule within one year of the effective date of the regulations implementing the CTA's beneficial ownership reporting requirements to conform the rule to the new requirements.³² The CTA

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specifically mandates that Treasury rescind the beneficial ownership-related provisions of the CDD Rule except for the broadly worded provision instructing financial institutions to maintain policies and procedures for collecting customer beneficial ownership information.³³ In developing a new CDD Rule, Treasury is required to consider (1) the use of risk-based principles for requiring reports of beneficial ownership information; (2) the degree of reliance by financial institutions on information provided by FinCEN for purposes of obtaining and updating beneficial ownership information; and (3) strategies to improve the accuracy, completeness, and timeliness of the beneficial ownership information reporting to Treasury. The contours of a revised CDD Rule are not yet known, including how financial institutions will be required to request beneficial ownership information reported to FinCEN.

G. ENFORCEMENT

- **Civil and Criminal Penalties:** The CTA contains criminal and civil penalties for the unauthorized disclosure or use of beneficial ownership information obtained through a report submitted to or a disclosure made by FinCEN. A knowing disclosure or use of such information, except as authorized under the statute, may incur civil penalties of up to \$500 per day the violation continues, and criminal penalties of up to \$250,000 and five years in prison. Furthermore, if the unauthorized disclosure or use occurs while violating another U.S. law or as part of a pattern of illegal activity, the criminal penalties are doubled.³⁴ An agency that fails to adhere to data protection and use agreements entered into with FinCEN may not only have access to the beneficial ownership database suspended or revoked, but its employees who violate those protocols, including unauthorized disclosure or use, are subject to the criminal and civil penalties.³⁵

The CTA also includes criminal and civil penalties for providing false beneficial ownership information, or failing to provide required beneficial ownership information, to FinCEN. Willful violations may incur civil penalties of up to \$500 per day the violation continues, or a criminal penalty of up to \$10,000 and two years in prison.

- **Safe Harbor:** No criminal or civil liability may be imposed if inaccurate information is voluntarily and promptly corrected by the submitter in accordance with the implementing regulations.³⁶ The safe harbor provision is not available to persons who, at the time of submitting the report to FinCEN, act to evade the reporting requirements and have actual knowledge that information contained in the report is inaccurate.

CONCLUSION

The CTA represents a substantial step towards closing a significant gap in the United States' AML/CFT regime. However, it is only a partial step, as many of the implementation details have been left to the discretion of Treasury. Although the CTA calls on Treasury to issue implementing regulations within one year, there are significant technological hurdles involved in establishing a system for collecting, storing, and distributing sensitive personal information, particularly in light of the recent highly publicized hacks into U.S. government networks. Given the criminal and civil penalties associated with unauthorized disclosure or use of beneficial ownership information, financial institutions may wish to begin considering issues related to the handling of confidential beneficial ownership information provided by FinCEN. Similarly, financial institutions may wish to consider which existing policies and procedures may be impacted by the CTA,

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including those that may need to be adjusted to account for the customer consent required to secure beneficial ownership information reported to FinCEN.

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ENDNOTES

- 1 CTA §§ 6401–03.
- 2 It is expected that any implementing regulations will be promulgated by FinCEN pursuant to a delegation of authority from the Secretary of the Treasury.
- 3 FATF, *Anti-money laundering and counter terrorist financing measures – United States*, Fourth Round Mutual Evaluation Report (2016), available at <https://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-united-states-2016.html>; *Promoting Corporate Transparency: Examining Legislative Proposals to Detect and Deter Financial Crime: Hearing Before the H. Comm. On Fin. Servs.*, 116th Cong. (2019) (Statement of Greg Baer, CEO, Bank Policy Institute).
- 4 Jacob Willis, *An Impressively Broad Coalition Just Did Something Big to Combat Money Laundering*, FACT COALITION (Jan. 15, 2021), available at <https://thefactcoalition.org/an-impressively-broad-coalition-just-did-something-big-to-combat-money-laundering/>.
- 5 31 U.S.C. § 5336(b)(1).
- 6 31 U.S.C. § 5336(a)(11).
- 7 *Id.* § 6502(d).
- 8 The definition of Reporting Company includes an explicit exemption for charitable and split-interest trusts covered by § 4947(a)(1)–(2) of the Internal Revenue Code of 1986. 31 U.S.C. § 5336(a)(11)(B)(xix)(III).
- 9 *Crackdown Plan on Scottish limited partnerships*, BBC (April 29, 2018), available at <https://www.bbc.com/news/uk-scotland-scotland-business-43935839>.
- 10 31 U.S.C. § 5336(a)(11)(B).
- 11 *Id.* § 5336(b)(2)(B). Pooled investment vehicles formed under foreign law are required to provide FinCEN with a written certification identifying an individual exercising substantial control over the vehicle. § 5336(b)(2)(C).
- 12 *Id.* § 5336(i)(1).
- 13 H.R. REP. NO. 6395 (2020) at pg. 731 (Joint Explanatory Statement of the Committee of Conference).
- 14 FATF, *Professional Money Laundering* (July 2018), available at <http://www.fatf-gafi.org/media/fatf/documents/Professional-Money-Laundering.pdf>.
- 15 31 U.S.C. § 5336(a)(1).
- 16 *Id.* § 5336(b)(3).
- 17 *Id.* § 5336(a)(3)(A).
- 18 The CTA’s exclusion of creditors from the definition of beneficial owner is circular and therefore will be important to monitor in the implementing regulations or interpretive guidance from FinCEN. Specifically, the relevant provision excludes creditors from the definition of beneficial owner unless they otherwise meet the criteria of a beneficial owner (such as substantial control through contract).
- 19 31 C.F.R. § 1010.230(d)(2).
- 20 31 U.S.C. § 5336(a)(3)(B).
- 21 Under the current CDD rule, this situation is mitigated by the control prong requirement.
- 22 31 U.S.C. § 5336(b)(1)(C).

ENDNOTES (CONTINUED)

- 23 *Id.* § 5336(e)(2)(A). FinCEN is appropriated “such sums as may be necessary to carry out [section 5336], including allocated funds to the States to pay reasonable costs relating to compliance with the requirements of such section.” *Id.* § 5336(j)
- 24 *Id.* § 5336(b)(1)(B).
- 25 *Id.* § 5336(b)(1)(C). Treasury is also directed to review the requirement to disclose changes to beneficial ownership information in order to determine whether a shorter reporting period would be valuable.
- 26 *Id.* § 5336(b)(2)(D).
- 27 *Id.* § 5336(b)(2)(E).
- 28 FinCEN is required to maintain beneficial ownership information for each Reporting Company for at least 5 years after the date on which the reporting company terminates. The CTA provides no further guidance on what it means for a company to “terminate.” Implementing regulations will need to address this ambiguity. *Id.* § 5336(c)(1).
- 29 *Id.* § 5336(c)(2)(B), (c)(3).
- 30 *Id.* § 5336(c)(2)(B)(iii)–(iv), (c)(2)(C). Federal functional regulators are required to enter into an agreement with Treasury governing protocols for the safekeeping of information. *Id.* § 5336(c)(2)(C)(iii).
- 31 *Id.* § 5336(d)(1)(C).
- 32 *Id.* § 5336(d).
- 33 31 C.F.R. § 1010.230(a). It is important to note while the CTA directs Treasury to amend FinCEN’s CDD Rule, there is no indication how this might impact the so-called “Fifth Pillar” of an effective BSA/AML compliance program, which directs financial institutions to implement Risk-based procedures for conducting ongoing customer due diligence. See FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL, *BSA/AML Manual: Customer Due Diligence*, available at https://bsaaml.ffiec.gov/manual/AssessingComplianceWithBSARegulatoryRequirements/02_ep.
- 34 31 U.S.C. § 5336(h)(1)–(2).
- 35 *Id.* § 5336(c)(4) and (7).
- 36 *Id.* § 5336(h)(3)(C).

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ANNEX

	Exemption Summary	Exemption Text
i.	Securities Issuers	An issuer (I) of a class of securities registered under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. § 78I); or (II) that is required to file supplementary and periodic information under section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. § 78o(d)).
ii.	Government entities	An entity (I) established under the laws of the United States, an Indian Tribe, a State, or a political subdivision of a State, or under an interstate compact between 2 or more States; and (II) that exercises governmental authority on behalf of the United States or any such Indian Tribe, State, or political subdivision.
iii.	Banks	A bank, as defined in (I) section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813); (II) section 2(a) of the Investment Company Act of 1940 (15 U.S.C. § 80a–2(a)); or (III) section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. § 80b–2(a)).
iv.	State and Federal Credit Unions	A Federal credit union or a State credit union (as those terms are defined in section 101 of the Federal Credit Union Act (12 U.S.C. § 1752)).
v.	Bank Holding Companies	A bank holding company (as defined in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841)) or a savings and loan holding company (as defined in section 10(a) of the Home Owners' Loan Act (12 U.S.C. § 1467a(a)).
vi.	Money Service Business	A money transmitting business registered with the Secretary of the Treasury under Section 5330 (31 U.S.C. § 5330).
vii.	Broker-Dealers	A broker or dealer (as those terms are defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. § 78c)) that is registered under section 15 of that Act (15 U.S.C. § 78o).
viii.	Exchange or Clearing Agencies	An exchange or clearing agency (as those terms are defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. § 78c)) that is registered under section 6 or 17A of that Act (15 U.S.C. §§ 78f, 78q–1).
ix.	Other SEC-registered entities	Any other entity not described in clause (i) [Securities Issuers], (vii) [Broker-Dealers], or (viii) [Exchange or Clearing Agencies] that is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (15 U.S.C. § 78a et seq.).

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x.	Investment Companies and Investment Advisers Registered with the S.E.C.	An entity that— (I) is an investment company (as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. § 80a-3)) or an investment adviser (as defined in section 202 of the Investment Advisers Act of 1940 (15 U.S.C. § 80b-2)); and (II) is registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. § 80a-1 et seq.) or the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 et seq.).
xi.	Other Investment Advisers	An investment adviser— (I) described in section 203(I) of the Investment Advisers Act of 1940 (15 U.S.C. § 80b-3(I)); and (II) that has filed Item 10, Schedule A, and Schedule B of Part 1A of Form ADV, or any successor thereto, with the Securities and Exchange Commission.
xii.	Insurance Companies	An insurance company (as defined in section 2 of the Investment Company Act of 1940 (15 U.S.C. § 80a-2)).
xiii.	State Insurance Producers	An entity that— (I) is an insurance producer that is authorized by a State and subject to supervision by the insurance commissioner or a similar official or agency of a State; and (II) has an operating presence at a physical office within the United States.
xiv.	CFTC-registered Entities	(I) A registered entity (as defined in section 1a of the Commodity Exchange Act (7 U.S.C. § 1a)); or (II) An entity that is (aa)(AA) a futures commission merchant, introducing broker, swap dealer, major swap participant, commodity pool operator, or commodity trading advisor (as those terms are defined in section 1a of the Commodity Exchange Act (7 U.S.C. § 1a)); or (BB) a retail foreign exchange dealer, as described in section 2(c)(2)(B) of that Act (7 U.S.C. § 2(c)(2)(B)); and (bb) registered with the Commodity Futures Trading Commission under the Commodity Exchange Act (7 U.S.C. 1 et seq.).
xv.	Public Accounting Firms	A public accounting firm registered in accordance with section 102 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7212).
xvi.	Public Utilities	A public utility that provides telecommunications services, electrical power, natural gas, or water and sewer services within the United States.
xvii.	Financial Market Utilities	A financial market utility designated by the Financial Stability Oversight Council under section 804 of the Payment, Clearing, and Settlement Supervision Act of 2010 (12 U.S.C. § 5463).
xviii.	Pooled Investment Vehicles	Any pooled investment vehicle that is operated or advised by a person described in clause (iii), (iv), (vii), (x), or (xi).

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xix.	Tax-exempt organizations	<p>Any—</p> <p>(I) organization that is described in section 501(c) of the Internal Revenue Code of 1986 (determined without regard to section 508(a) of such Code) and exempt from tax under section 501(a) of such Code, except that in the case of any such organization that loses an exemption from tax, such organization shall be considered to be continued to be described in this subclause for the 180-day period beginning on the date of the loss of such tax-exempt status;</p> <p>(II) political organization (as defined in section 527(e)(1) of such Code) that is exempt from tax under section 527(a) of such Code; or</p> <p>(III) trust described in paragraph (1) or (2) of section 4947(a) of such Code.</p>
xx.	Entities Providing Financial Assistance to or Holding Governance Rights Over a Tax Exempt Entity	<p>Any corporation, limited liability company, or other similar entity that—</p> <p>(I) operates exclusively to provide financial assistance to, or hold governance rights over, any entity described in clause (xix);</p> <p>(II) is a United States person;</p> <p>(III) is beneficially owned or controlled exclusively by 1 or more United States persons that are United States citizens or lawfully admitted for permanent residence; and</p> <p>(IV) derives at least a majority of its funding or revenue from 1 or more United States persons that are United States citizens or lawfully admitted for permanent residence.</p>
xxi.	Operational Entities	<p>Any entity that—</p> <p>(I) employs more than 20 employees on a full-time basis in the United States;</p> <p>(II) filed in the previous year Federal income tax returns in the United States demonstrating more than \$5,000,000 in gross receipts or sales in the aggregate, including the receipts or sales of— (aa) other entities owned by the entity; and (bb) other entities through which the entity operates; and</p> <p>(III) has an operating presence at a physical office within the United States.</p>
xxii.	Certain Subsidiaries of Exempt Entities	<p>Any corporation, limited liability company, or other similar entity of which the ownership interests are owned or controlled, directly or indirectly, by 1 or more entities described in clause (i), (ii), (iii), (iv), (v), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xix), or (xxi).</p>
xxiii.	Inactive, Domestic Entities	<p>Any corporation, limited liability company, or other similar entity—</p> <p>(I) in existence for over 1 year;</p> <p>(II) that is not engaged in active business;</p> <p>(III) that is not owned, directly or indirectly, by a foreign person;</p> <p>(IV) that has not, in the preceding 12-month period, experienced a change in ownership or sent or received funds in an amount greater than \$1,000 (including all funds sent to or received from any source through a financial account or accounts in which the entity, or an affiliate of the entity, maintains an interest); and</p>

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		(V) that does not otherwise hold any kind or type of assets, including an ownership interest in any corporation, limited liability company, or other similar entity.
xxiv.	Other Entities Determined by Treasury	<p>Any entity or class of entities that the Secretary of the Treasury, with the written concurrence of the Attorney General and the Secretary of Homeland Security, has, by regulation, determined should be exempt from the requirements of subsection (b) because requiring beneficial ownership information from the entity or class of entities—</p> <p>(I) would not serve the public interest; and</p> <p>(II) would not be highly useful in national security, intelligence, and law enforcement agency efforts to detect, prevent, or prosecute money laundering, the financing of terrorism, proliferation finance, serious tax fraud, or other crimes.</p>