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## GCs Worry About Keeping Up With New Transparency Act

By Sue Reisinger

*Law360 (May 15, 2024, 4:44 PM EDT)* -- A few surprises popped up in the findings of a recent survey about the Corporate Transparency Act, including how few companies are ready for its new rule requiring ongoing tracking of beneficial ownership.

Ross Aronowitz was surprised by several responses, including that nearly 40% of respondents said they were most concerned about the tracking rule. Aronowitz is vice president of the law firm and corporate segment for CT Corp., part of Wolters Kluwer, which surveyed 1,400 participants at a May 2 webinar for legal and compliance professionals.

"What's unique about the [new law] is really its breadth, how far-reaching it is," affecting millions of entities, Aronowitz told Law360 Pulse Tuesday. "It's the biggest change to corporate compliance in over 100 years."

People tend at first to think of the required compliance "as a one-time filing, and that seems challenging but manageable," Aronowitz said.

But compliance with the act becomes a much more complicated process "when you start to layer on managing this [ongoing tracking] requirement across entities with multiple beneficial owners," he added, "with the need to file individual amendments anytime entities are added or anytime ownership structure changes, or even if a beneficial owner moves or their license expires."

The requirement also involves collecting and storing highly sensitive, personally identifiable data, he noted. "I thought it significant," Aronowitz said, "that everyone understood that it is really the ongoing compliance that is the main concern."

Also of concern, according to the polling, was "determining whether my business is subject to the reporting requirement," with 25% of the vote. "Identifying the beneficial owners in an organization who are subject to the rule" scored 24%.

While many critics have complained about the cost and time involved in compiling the report, only 12% of respondents cited those factors as a concern.

The 2021 law requires an initial filing on beneficial ownership by the end of 2024, including personal identifying information about every individual who is considered a "beneficial owner" of the company. That is basically anyone who owns at least 25% or has significant authority over important business decisions.

It also requires updates every time company or owner information changes; the company could face harsh civil and criminal penalties for noncompliance, Aronowitz said. Penalties can be up to \$10,000 in fines, and up to two years incarceration for willful negligence in complying.

The penalties are stiff, he noted, because the law is meant to combat money laundering and using shell companies to finance "nefarious acts."

"Submitting a company's initial beneficial ownership reporting data by the specified deadline in no way means that this process is a one-time occurrence," Rupak Venugopal, vice president for beneficial ownership in Wolters Kluwer's financial and corporate compliance unit, stressed in a statement. "Compliance will require ongoing due diligence and vigilance in keeping beneficial ownership information current with respect to reporting."

Aronowitz said he was also surprised by the low percentage of respondents who thought their organizations were mostly prepared for this requirement. The number rose from 15% in a survey in November to 33% in May.

The percentage of respondents who perceive their organizations as "not at all ready" to comply decreased from 38% in November to 16% in May.

And while "readiness is increasing, it's still far below where it needs to be, given the end-of-year deadline," he said. "You know, we're almost halfway through the year."

He noted that the May survey was among professionals already aware of the new law and attending a webinar about it. "So for the broad population of people who are affected, awareness and especially readiness is likely even lower," he predicted.

The other surprising factor about the new law, Aronowitz said, is that general counsel of large corporations are beginning to realize that it is going to affect them, though the law was intended to exempt large companies.

The law includes 23 exemptions, mostly for financial institutions, insurance companies and other highly regulated businesses. But it also exempts large corporations that have a physical office and operating presence in the U.S., more than 20 employees, and more than \$500,000 in annual gross sales or receipts. The exemption includes subsidiaries.

However, Aronowitz said, some large companies that have smaller holding companies may need to comply, or those that hold a minority interest in another organization that needs to comply.

"What's been interesting and surprising for general counsel," he explained, "is a lot of them [who thought they were exempt] need to ensure compliance."

Aronowitz and New York-based CT Corp. are interested in the survey findings because they, along with their competitors, offer a suite of software solutions to help general counsel and chief compliance officers meet the reporting obligations.

The parent company, Wolters Kluwer, is headquartered in the Netherlands.

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