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116TH CONGRESS
1ST SESSION

H. R. 2513

[Report No. 116–227]

To ensure that persons who form corporations or limited liability companies in the United States disclose the beneficial owners of those corporations or limited liability companies, in order to prevent wrongdoers from exploiting United States corporations and limited liability companies for criminal gain, to assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, and other misconduct involving United States corporations and limited liability companies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 3, 2019

Mrs. CAROLYN B. MALONEY of New York (for herself, Mr. KING of New York, and Mr. MALINOWSKI) introduced the following bill; which was referred to the Committee on Financial Services

OCTOBER 8, 2019

Additional sponsors: Mr. BEYER, Mr. COOPER, Mr. HASTINGS, Mr. MEEKS, Mr. CLEAVER, Ms. KAPTUR, Ms. BLUNT ROCHESTER, and Mr. SHERMAN

OCTOBER 8, 2019

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on May 3, 2019]

A BILL

To ensure that persons who form corporations or limited liability companies in the United States disclose the beneficial owners of those corporations or limited liability companies, in order to prevent wrongdoers from exploiting United States corporations and limited liability companies for criminal gain, to assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, and other misconduct involving United States corporations and limited liability companies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Corporate Transparency*
5 *Act of 2019”.*

6 **SEC. 2. FINDINGS.**

7 *Congress finds the following:*

8 *(1) Nearly 2,000,000 corporations and limited li-*
9 *ability companies are being formed under the laws of*
10 *the States each year.*

11 *(2) Very few States require information about*
12 *the beneficial owners of the corporations and limited*
13 *liability companies formed under their laws.*

14 *(3) A person forming a corporation or limited li-*
15 *ability company within the United States typically*
16 *provides less information at the time of incorporation*
17 *than is needed to obtain a bank account or driver’s*
18 *license and typically does not name a single bene-*
19 *ficial owner.*

20 *(4) Criminals have exploited State formation*
21 *procedures to conceal their identities when forming*
22 *corporations or limited liability companies in the*
23 *United States, and have then used the newly created*
24 *entities to commit crimes affecting interstate and*
25 *international commerce such as terrorism, prolifera-*

1 *tion financing, drug and human trafficking, money*
2 *laundering, tax evasion, counterfeiting, piracy, secu-*
3 *rities fraud, financial fraud, and acts of foreign cor-*
4 *ruption.*

5 *(5) Law enforcement efforts to investigate cor-*
6 *porations and limited liability companies suspected of*
7 *committing crimes have been impeded by the lack of*
8 *available beneficial ownership information, as docu-*
9 *mented in reports and testimony by officials from the*
10 *Department of Justice, the Department of Homeland*
11 *Security, the Department of the Treasury, and the*
12 *Government Accountability Office, and others.*

13 *(6) In July 2006, the leading international*
14 *antimoney laundering standard-setting body, the Fi-*
15 *nancial Action Task Force on Money Laundering (in*
16 *this section referred to as the “FATF”), of which the*
17 *United States is a member, issued a report that criti-*
18 *cizes the United States for failing to comply with a*
19 *FATF standard on the need to collect beneficial own-*
20 *ership information and urged the United States to*
21 *correct this deficiency by July 2008. In December*
22 *2016, FATF issued another evaluation of the United*
23 *States, which found that little progress has been made*
24 *over the last ten years to address this problem. It*
25 *identified the “lack of timely access to adequate, accu-*

1 *rate and current beneficial ownership information”*
2 *as a fundamental gap in United States efforts to com-*
3 *bat money laundering and terrorist finance.*

4 *(7) In response to the 2006 FATF report, the*
5 *United States has urged the States to obtain bene-*
6 *ficial ownership information for the corporations and*
7 *limited liability companies formed under the laws of*
8 *such States.*

9 *(8) In contrast to practices in the United States,*
10 *all 28 countries in the European Union are required*
11 *to have corporate registries that include beneficial*
12 *ownership information.*

13 *(9) To reduce the vulnerability of the United*
14 *States to wrongdoing by United States corporations*
15 *and limited liability companies with hidden owners,*
16 *to protect interstate and international commerce from*
17 *criminals misusing United States corporations and*
18 *limited liability companies, to strengthen law enforce-*
19 *ment investigations of suspect corporations and lim-*
20 *ited liability companies, to set a clear, universal*
21 *standard for State incorporation practices, and to*
22 *bring the United States into compliance with inter-*
23 *national anti-money laundering standards, Federal*
24 *legislation is needed to require the collection of bene-*
25 *ficial ownership information for the corporations and*

1 *limited liability companies formed under the laws of*
2 *such States.*

3 **SEC. 3. TRANSPARENT INCORPORATION PRACTICES.**

4 *(a) IN GENERAL.—*

5 *(1) AMENDMENT TO THE BANK SECRECY ACT.—*

6 *Chapter 53 of title 31, United States Code, is amend-*
7 *ed by inserting after section 5332 the following new*
8 *section:*

9 **“§ 5333 Transparent incorporation practices**

10 *“(a) REPORTING REQUIREMENTS.—*

11 *“(1) BENEFICIAL OWNERSHIP REPORTING.—*

12 *“(A) IN GENERAL.—Each applicant to form*
13 *a corporation or limited liability company*
14 *under the laws of a State or Indian Tribe shall*
15 *file a report with FinCEN containing a list of*
16 *the beneficial owners of the corporation or lim-*
17 *ited liability company that—*

18 *“(i) except as provided in paragraphs*
19 *(3) and (4), and subject to paragraph (2),*
20 *identifies each beneficial owner by—*

21 *“(I) full legal name;*

22 *“(II) date of birth;*

23 *“(III) current residential or busi-*
24 *ness street address; and*

1 “(IV) a unique identifying num-
2 ber from a non-expired passport issued
3 by the United States, a non-expired
4 personal identification card, or a non-
5 expired driver’s license issued by a
6 State; and

7 “(ii) if the applicant is not a bene-
8 ficial owner, also provides the identification
9 information described in clause (i) relating
10 to such applicant.

11 “(B) *UPDATED INFORMATION.*—Each cor-
12 poration or limited liability company formed
13 under the laws of a State or Indian Tribe
14 shall—

15 “(i) submit to FinCEN an annual fil-
16 ing containing a list of—

17 “(I) the current beneficial owners
18 of the corporation or limited liability
19 company and the information de-
20 scribed in subparagraph (A) for each
21 such beneficial owner; and

22 “(II) any changes in the bene-
23 ficial owners of the corporation or lim-
24 ited liability company during the pre-
25 vious year; and

1 “(ii) pursuant to any rule issued by
2 the Secretary of the Treasury under sub-
3 paragraph (C), update the list of the bene-
4 ficial owners of the corporation or limited
5 liability company within the time period
6 prescribed by such rule.

7 “(C) *RULEMAKING ON UPDATING INFORMA-*
8 *TION.*—Not later than 9 months after the comple-
9 tion of the study required under section 4(a)(1)
10 of the Corporate Transparency Act of 2019, the
11 Secretary of the Treasury shall consider the find-
12 ings of such study and, if the Secretary deter-
13 mines it to be necessary or appropriate, issue a
14 rule requiring corporations and limited liability
15 companies to update the list of the beneficial
16 owners of the corporation or limited liability
17 company within a specified amount of time after
18 the date of any change in the list of beneficial
19 owners or the information required to be pro-
20 vided relating to each beneficial owner.

21 “(D) *STATE NOTIFICATION.*—Each State in
22 which a corporation or limited liability com-
23 pany is being formed shall notify each applicant
24 of the requirements listed in subparagraphs (A)
25 and (B).

1 “(2) *CERTAIN BENEFICIAL OWNERS.*—*If an ap-*
2 *plicant to form a corporation or limited liability*
3 *company or a beneficial owner, or similar agent of a*
4 *corporation or limited liability company who is re-*
5 *quired to provide identification information under*
6 *this subsection, does not have a nonexpired passport*
7 *issued by the United States, a nonexpired personal*
8 *identification card, or a non-expired driver’s license*
9 *issued by a State, each such person shall provide to*
10 *FinCEN the full legal name, current residential or*
11 *business street address, a unique identifying number*
12 *from a non-expired passport issued by a foreign gov-*
13 *ernment, and a legible and credible copy of the pages*
14 *of a non-expired passport issued by the government of*
15 *a foreign country bearing a photograph, date of birth,*
16 *and unique identifying information for each bene-*
17 *ficial owner, and each application described in para-*
18 *graph (1)(A) and each update described in paragraph*
19 *(1)(B) shall include a written certification by a per-*
20 *son residing in the State or Indian country under the*
21 *jurisdiction of the Indian Tribe forming the entity*
22 *that the applicant, corporation, or limited liability*
23 *company—*

24 “(A) *has obtained for each such beneficial*
25 *owner, a current residential or business street*

1 address and a legible and credible copy of the
2 pages of a non-expired passport issued by the
3 government of a foreign country bearing a photo-
4 graph, date of birth, and unique identifying in-
5 formation for the person;

6 “(B) has verified the full legal name, ad-
7 dress, and identity of each such person;

8 “(C) will provide the information described
9 in subparagraph (A) and the proof of
10 verification described in subparagraph (B) upon
11 request of FinCEN; and

12 “(D) will retain the information and proof
13 of verification under this paragraph until the
14 end of the 5-year period beginning on the date
15 that the corporation or limited liability company
16 terminates under the laws of the State or Indian
17 Tribe.

18 “(3) EXEMPT ENTITIES.—

19 “(A) IN GENERAL.—With respect to an ap-
20 plicant to form a corporation or limited liability
21 company under the laws of a State or Indian
22 Tribe, if such entity is described in subpara-
23 graph (C) or (D) of subsection (d)(4) and will be
24 exempt from the beneficial ownership disclosure
25 requirements under this subsection, such appli-

1 cant, or a prospective officer, director, or similar
2 agent of the applicant, shall file a written cer-
3 tification with FinCEN—

4 “(i) identifying the specific provision
5 of subsection (d)(4) under which the entity
6 proposed to be formed would be exempt from
7 the beneficial ownership disclosure require-
8 ments under paragraphs (1) and (2);

9 “(ii) stating that the entity proposed to
10 be formed meets the requirements for an en-
11 tity described under such provision of sub-
12 section (d)(4); and

13 “(iii) providing identification infor-
14 mation for the applicant or prospective offi-
15 cer, director, or similar agent making the
16 certification in the same manner as pro-
17 vided under paragraph (1) or (2).

18 “(B) *EXISTING CORPORATIONS OR LIMITED*
19 *LIABILITY COMPANIES.*—On and after the date
20 that is 2 years after the final regulations are
21 issued to carry out this section, a corporation or
22 limited liability company formed under the laws
23 of the State or Indian Tribe before such date
24 shall be subject to the requirements of this sub-
25 section unless an officer, director, or similar

1 agent of the entity submits to FinCEN a written
2 certification—

3 “(i) identifying the specific provision
4 of subsection (d)(4) under which the entity
5 is exempt from the requirements under
6 paragraphs (1) and (2);

7 “(ii) stating that the entity meets the
8 requirements for an entity described under
9 such provision of subsection (d)(4); and

10 “(iii) providing identification infor-
11 mation for the officer, director, or similar
12 agent making the certification in the same
13 manner as provided under paragraph (1) or
14 (2).

15 “(C) *EXEMPT ENTITIES HAVING OWNERSHIP*
16 *INTEREST.*—If an entity described in subpara-
17 graph (C) or (D) of subsection (d)(4) has or will
18 have an ownership interest in a corporation or
19 limited liability company formed or to be formed
20 under the laws of a State or Indian Tribe, the
21 applicant, corporation, or limited liability com-
22 pany in which the entity has or will have the
23 ownership interest shall provide the information
24 required under this subsection relating to the en-
25 tity, except that the entity shall not be required

1 to provide information regarding any natural
2 person who has an ownership interest in, exer-
3 cises substantial control over, or receives substan-
4 tial economic benefits from the entity.

5 “(4) *FINCEN ID NUMBERS.*—

6 “(A) *ISSUANCE OF FINCEN ID NUMBER.*—

7 “(i) *IN GENERAL.*—*FinCEN shall issue*
8 *a FinCEN ID number to any individual*
9 *who requests such a number and provides*
10 *FinCEN with the information described*
11 *under subclauses (I) through (IV) of para-*
12 *graph (1)(A)(i).*

13 “(ii) *UPDATING OF INFORMATION.*—*An*
14 *individual with a FinCEN ID number shall*
15 *submit an annual filing with FinCEN up-*
16 *dating any information described under*
17 *subclauses (I) through (IV) of paragraph*
18 *(1)(A)(i).*

19 “(B) *USE OF FINCEN ID NUMBER IN RE-*
20 *PORTING REQUIREMENTS.*—*Any person required*
21 *to report the information described under para-*
22 *graph (1)(A)(i) with respect to an individual*
23 *may instead report the FinCEN ID number of*
24 *the individual.*

1 “(C) *TREATMENT OF INFORMATION SUB-*
2 *MITTED FOR FINCEN ID NUMBER.—For purposes*
3 *of this section, any information submitted under*
4 *subparagraph (A) shall be deemed to be bene-*
5 *ficial ownership information.*

6 “(5) *RETENTION AND DISCLOSURE OF BENE-*
7 *FICIAL OWNERSHIP INFORMATION BY FINCEN.—*

8 “(A) *RETENTION OF INFORMATION.—Bene-*
9 *ficial ownership information relating to each*
10 *corporation or limited liability company formed*
11 *under the laws of the State or Indian Tribe shall*
12 *be maintained by FinCEN until the end of the*
13 *5-year period (or such other period of time as the*
14 *Secretary of the Treasury may, by rule, deter-*
15 *mine) beginning on the date that the corporation*
16 *or limited liability company terminates.*

17 “(B) *DISCLOSURE OF INFORMATION.—Bene-*
18 *ficial ownership information reported to*
19 *FinCEN pursuant to this section shall be pro-*
20 *vided by FinCEN only upon receipt of—*

21 “(i) *subject to subparagraph (C), a re-*
22 *quest, through appropriate protocols, by a*
23 *local, Tribal, State, or Federal law enforce-*
24 *ment agency;*

1 “(ii) a request made by a Federal
2 agency on behalf of a law enforcement agen-
3 cy of another country under an inter-
4 national treaty, agreement, or convention,
5 or an order under section 3512 of title 18
6 or section 1782 of title 28; or

7 “(iii) a request made by a financial
8 institution, with customer consent, as part
9 of the institution’s compliance with due
10 diligence requirements imposed under the
11 Bank Secrecy Act, the USA PATRIOT Act,
12 or other applicable Federal, State, or Tribal
13 law.

14 “(C) APPROPRIATE PROTOCOLS.—

15 “(i) PRIVACY.—The protocols described
16 in subparagraph (B)(i) shall—

17 “(I) protect the privacy of any
18 beneficial ownership information pro-
19 vided by FinCEN to a local, Tribal,
20 State, or Federal law enforcement
21 agency;

22 “(II) ensure that a local, Tribal,
23 State, or Federal law enforcement
24 agency requesting beneficial ownership
25 information has an existing investiga-

1 *tory basis for requesting such informa-*
2 *tion;*

3 *“(III) ensure that access to bene-*
4 *ficial ownership information is limited*
5 *to authorized users at a local, Tribal,*
6 *State, or Federal law enforcement*
7 *agency who have undergone appro-*
8 *priate training, and that the identity*
9 *of such authorized users is verified*
10 *through appropriate mechanisms, such*
11 *as two-factor authentication;*

12 *“(IV) include an audit trail of re-*
13 *quests for beneficial ownership infor-*
14 *mation by a local, Tribal, State, or*
15 *Federal law enforcement agency, in-*
16 *cluding, as necessary, information con-*
17 *cerning queries made by authorized*
18 *users at a local, Tribal, State, or Fed-*
19 *eral law enforcement agency;*

20 *“(V) require that every local,*
21 *Tribal, State, or Federal law enforce-*
22 *ment agency that receives beneficial*
23 *ownership information from FinCEN*
24 *conducts an annual audit to verify*
25 *that the beneficial ownership informa-*

1 *tion received from FinCEN has been*
2 *accessed and used appropriately, and*
3 *consistent with this paragraph; and*

4 *“(VI) require FinCEN to conduct*
5 *an annual audit of every local, Tribal,*
6 *State, or Federal law enforcement*
7 *agency that has received beneficial*
8 *ownership information to ensure that*
9 *such agency has requested beneficial*
10 *ownership information, and has used*
11 *any beneficial ownership information*
12 *received from FinCEN, appropriately,*
13 *and consistent with this paragraph.*

14 *“(ii) LIMITATION ON USE.—Beneficial*
15 *ownership information provided to a local,*
16 *Tribal, State, or Federal law enforcement*
17 *agency under this paragraph may only be*
18 *used for law enforcement, national security,*
19 *or intelligence purposes.*

20 *“(b) NO BEARER SHARE CORPORATIONS OR LIMITED*
21 *LIABILITY COMPANIES.—A corporation or limited liability*
22 *company formed under the laws of a State or Indian Tribe*
23 *may not issue a certificate in bearer form evidencing either*
24 *a whole or fractional interest in the corporation or limited*
25 *liability company.*

1 “(c) *PENALTIES.*—

2 “(1) *IN GENERAL.*—*It shall be unlawful for any*
3 *person to affect interstate or foreign commerce by—*

4 “(A) *knowingly providing, or attempting to*
5 *provide, false or fraudulent beneficial ownership*
6 *information, including a false or fraudulent*
7 *identifying photograph, to FinCEN in accord-*
8 *ance with this section;*

9 “(B) *willfully failing to provide complete or*
10 *updated beneficial ownership information to*
11 *FinCEN in accordance with this section; or*

12 “(C) *knowingly disclosing the existence of a*
13 *subpoena or other request for beneficial owner-*
14 *ship information reported pursuant to this sec-*
15 *tion, except—*

16 “(i) *to the extent necessary to fulfill the*
17 *authorized request; or*

18 “(ii) *as authorized by the entity that*
19 *issued the subpoena, or other request.*

20 “(2) *CIVIL AND CRIMINAL PENALTIES.*—*Any per-*
21 *son who violates paragraph (1)—*

22 “(A) *shall be liable to the United States for*
23 *a civil penalty of not more than \$10,000; and*

1 “(B) may be fined under title 18, United
2 States Code, imprisoned for not more than 3
3 years, or both.

4 “(3) *LIMITATION.*—Any person who negligently
5 violates paragraph (1) shall not be subject to civil or
6 criminal penalties under paragraph (2).

7 “(4) *WAIVER.*—The Secretary of the Treasury
8 may waive the penalty for violating paragraph (1) if
9 the Secretary determines that the violation was due to
10 reasonable cause and was not due to willful neglect.

11 “(5) *CRIMINAL PENALTY FOR THE MISUSE OR*
12 *UNAUTHORIZED DISCLOSURE OF BENEFICIAL OWNER-*
13 *SHIP INFORMATION.*—The criminal penalties provided
14 for under section 5322 shall apply to a violation of
15 this section to the same extent as such criminal pen-
16 alties apply to a violation described in section 5322,
17 if the violation of this section consists of the misuse
18 or unauthorized disclosure of beneficial ownership in-
19 formation.

20 “(d) *DEFINITIONS.*—For the purposes of this section:

21 “(1) *APPLICANT.*—The term ‘applicant’ means
22 any natural person who files an application to form
23 a corporation or limited liability company under the
24 laws of a State or Indian Tribe.

1 “(2) *BANK SECRECY ACT.*—*The term ‘Bank Se-*
2 *crecy Act’ means—*

3 “(A) *section 21 of the Federal Deposit In-*
4 *surance Act;*

5 “(B) *chapter 2 of title I of Public Law 91–*
6 *508; and*

7 “(C) *this subchapter.*

8 “(3) *BENEFICIAL OWNER.*—

9 “(A) *IN GENERAL.*—*Except as provided in*
10 *subparagraph (B), the term ‘beneficial owner’*
11 *means a natural person who, directly or indi-*
12 *rectly, through any contract, arrangement, un-*
13 *derstanding, relationship, or otherwise—*

14 “(i) *exercises substantial control over a*
15 *corporation or limited liability company;*

16 “(ii) *owns 25 percent or more of the*
17 *equity interests of a corporation or limited*
18 *liability company; or*

19 “(iii) *receives substantial economic*
20 *benefits from the assets of a corporation or*
21 *limited liability company.*

22 “(B) *EXCEPTIONS.*—*The term ‘beneficial*
23 *owner’ shall not include—*

1 “(i) a minor child, as defined in the
2 State or Indian Tribe in which the entity
3 is formed;

4 “(ii) a person acting as a nominee,
5 intermediary, custodian, or agent on behalf
6 of another person;

7 “(iii) a person acting solely as an em-
8 ployee of a corporation or limited liability
9 company and whose control over or eco-
10 nomic benefits from the corporation or lim-
11 ited liability company derives solely from
12 the employment status of the person;

13 “(iv) a person whose only interest in a
14 corporation or limited liability company is
15 through a right of inheritance; or

16 “(v) a creditor of a corporation or lim-
17 ited liability company, unless the creditor
18 also meets the requirements of subparagraph
19 (A).

20 “(C) *SUBSTANTIAL ECONOMIC BENEFITS*
21 *DEFINED.*—

22 “(i) *IN GENERAL.*—For purposes of
23 subparagraph (A)(i), a natural person re-
24 ceives substantial economic benefits from the
25 assets of a corporation or limited liability

1 *company if the person has an entitlement to*
2 *more than a specified percentage of the*
3 *funds or assets of the corporation or limited*
4 *liability company, which the Secretary of*
5 *the Treasury shall, by rule, establish.*

6 “(ii) *RULEMAKING CRITERIA.—In es-*
7 *tablishing the percentage under clause (i),*
8 *the Secretary of the Treasury shall seek to—*

9 “(I) *provide clarity to corpora-*
10 *tions and limited liability companies*
11 *with respect to the identification and*
12 *disclosure of a natural person who re-*
13 *ceives substantial economic benefits*
14 *from the assets of a corporation or lim-*
15 *ited liability company; and*

16 “(II) *identify those natural per-*
17 *sons who, as a result of the substantial*
18 *economic benefits they receive from the*
19 *assets of a corporation or limited li-*
20 *ability company, exercise a dominant*
21 *influence over such corporation or lim-*
22 *ited liability company.*

23 “(4) *CORPORATION; LIMITED LIABILITY COM-*
24 *PANY.—The terms ‘corporation’ and ‘limited liability*
25 *company’—*

1 “(A) have the meanings given such terms
2 under the laws of the applicable State or Indian
3 Tribe;

4 “(B) include any non-United States entity
5 eligible for registration or registered to do busi-
6 ness as a corporation or limited liability com-
7 pany under the laws of the applicable State or
8 Indian Tribe;

9 “(C) do not include any entity that is—

10 “(i) a business concern that is an
11 issuer of a class of securities registered
12 under section 12 of the Securities Exchange
13 Act of 1934 (15 U.S.C. 781) or that is re-
14 quired to file reports under section 15(d) of
15 that Act (15 U.S.C. 780(d));

16 “(ii) a business concern constituted,
17 sponsored, or chartered by a State or In-
18 dian Tribe, a political subdivision of a
19 State or Indian Tribe, under an interstate
20 compact between two or more States, by a
21 department or agency of the United States,
22 or under the laws of the United States;

23 “(iii) a depository institution (as de-
24 fined in section 3 of the Federal Deposit In-
25 surance Act (12 U.S.C. 1813));

1 “(iv) a credit union (as defined in sec-
2 tion 101 of the Federal Credit Union Act
3 (12 U.S.C. 1752));

4 “(v) a bank holding company (as de-
5 fined in section 2 of the Bank Holding
6 Company Act of 1956 (12 U.S.C. 1841)) or
7 a savings and loan holding company (as de-
8 fined in section 10(a) of the Home Owners’
9 Loan Act (12 U.S.C. 1467a(a));

10 “(vi) a broker or dealer (as defined in
11 section 3 of the Securities Exchange Act of
12 1934 (15 U.S.C. 78c)) that is registered
13 under section 15 of the Securities Exchange
14 Act of 1934 (15 U.S.C. 78o);

15 “(vii) an exchange or clearing agency
16 (as defined in section 3 of the Securities Ex-
17 change Act of 1934 (15 U.S.C. 78c)) that is
18 registered under section 6 or 17A of the Se-
19 curities Exchange Act of 1934 (15 U.S.C.
20 78f and 78q-1);

21 “(viii) an investment company (as de-
22 fined in section 3 of the Investment Com-
23 pany Act of 1940 (15 U.S.C. 80a-3)) or an
24 investment adviser (as defined in section
25 202(11) of the Investment Advisers Act of

1 1940 (15 U.S.C. 80b-2(11))), if the com-
2 pany or adviser is registered with the Secu-
3 rities and Exchange Commission, has filed
4 an application for registration which has
5 not been denied, under the Investment Com-
6 pany Act of 1940 (15 U.S.C. 80a-1 et seq.)
7 or the Investment Adviser Act of 1940 (15
8 U.S.C. 80b-1 et seq.), or is an investment
9 adviser described under section 203(l) of the
10 Investment Advisers Act of 1940 (15 U.S.C.
11 80b-3(l));

12 “(ix) an insurance company (as de-
13 fined in section 2 of the Investment Com-
14 pany Act of 1940 (15 U.S.C. 80a-2));

15 “(x) a registered entity (as defined in
16 section 1a of the Commodity Exchange Act
17 (7 U.S.C. 1a)), or a futures commission
18 merchant, introducing broker, commodity
19 pool operator, or commodity trading advi-
20 sor (as defined in section 1a of the Com-
21 modity Exchange Act (7 U.S.C. 1a)) that is
22 registered with the Commodity Futures
23 Trading Commission;

24 “(xi) a public accounting firm reg-
25 istered in accordance with section 102 of the

1 *Sarbanes-Oxley Act (15 U.S.C. 7212) or an*
2 *entity controlling, controlled by, or under*
3 *common control of such a firm;*

4 *“(xii) a public utility that provides*
5 *telecommunications service, electrical power,*
6 *natural gas, or water and sewer services,*
7 *within the United States;*

8 *“(xiii) a church, charity, nonprofit en-*
9 *tity, or other organization that is described*
10 *in section 501(c), 527, or 4947(a)(1) of the*
11 *Internal Revenue Code of 1986, that has not*
12 *been denied tax exempt status, and that has*
13 *filed the most recently due annual informa-*
14 *tion return with the Internal Revenue Serv-*
15 *ice, if required to file such a return;*

16 *“(xiv) a financial market utility des-*
17 *ignated by the Financial Stability Over-*
18 *sight Council under section 804 of the*
19 *Dodd-Frank Wall Street Reform and Con-*
20 *sumer Protection Act;*

21 *“(xv) an insurance producer (as de-*
22 *finied in section 334 of the Gramm-Leach-*
23 *Bliley Act);*

24 *“(xvi) any business concern that—*

1 “(I) employs more than 20 em-
2 ployees on a full-time basis in the
3 United States;

4 “(II) files income tax returns in
5 the United States demonstrating more
6 than \$5,000,000 in gross receipts or
7 sales; and

8 “(III) has an operating presence
9 at a physical office within the United
10 States; or

11 “(xvii) any corporation or limited li-
12 ability company formed and owned by an
13 entity described in this clause or in clause
14 (i), (ii), (iii), (iv), (v), (vi), (vii), (viii),
15 (ix), (x), (xi), (xii), (xiii), (xiv), (xv), or
16 (xvi); and

17 “(D) do not include any individual business
18 concern or class of business concerns which the
19 Secretary of the Treasury and the Attorney Gen-
20 eral of the United States have jointly deter-
21 mined, by rule or otherwise, to be exempt from
22 the requirements of subsection (a), if the Sec-
23 retary and the Attorney General jointly deter-
24 mine that requiring beneficial ownership infor-
25 mation from the business concern would not

1 *serve the public interest and would not assist law*
2 *enforcement efforts to detect, prevent, or pros-*
3 *ecute terrorism, money laundering, tax evasion,*
4 *or other misconduct.*

5 “(5) *FINCEN.*—*The term ‘FinCEN’ means the*
6 *Financial Crimes Enforcement Network of the De-*
7 *partment of the Treasury.*

8 “(6) *INDIAN COUNTRY.*—*The term ‘Indian coun-*
9 *try’ has the meaning given that term in section 1151*
10 *of title 18.*

11 “(7) *INDIAN TRIBE.*—*The term ‘Indian Tribe’*
12 *has the meaning given that term under section 102 of*
13 *the Federally Recognized Indian Tribe List Act of*
14 *1994.*

15 “(8) *PERSONAL IDENTIFICATION CARD.*—*The*
16 *term ‘personal identification card’ means an identi-*
17 *fication document issued by a State, Indian Tribe, or*
18 *local government to an individual solely for the pur-*
19 *pose of identification of that individual.*

20 “(9) *STATE.*—*The term ‘State’ means any State,*
21 *commonwealth, territory, or possession of the United*
22 *States, the District of Columbia, the Commonwealth*
23 *of Puerto Rico, the Commonwealth of the Northern*
24 *Mariana Islands, American Samoa, Guam, or the*
25 *United States Virgin Islands.”.*

1 (2) *RULEMAKING.*—

2 (A) *IN GENERAL.*—Not later than 1 year
3 after the date of enactment of this Act, the Sec-
4 retary of the Treasury shall issue regulations to
5 carry out this Act and the amendments made by
6 this Act, including, to the extent necessary, to
7 clarify the definitions in section 5333(d) of title
8 31, United States Code.

9 (B) *REVISION OF FINAL RULE.*—Not later
10 than 1 year after the date of enactment of this
11 Act, the Secretary of the Treasury shall revise the
12 final rule titled “Customer Due Diligence Re-
13 quirements for Financial Institutions” (May 11,
14 2016; 81 Fed. Reg. 29397) to—

15 (i) bring the rule into conformance
16 with this Act and the amendments made by
17 this Act;

18 (ii) account for financial institutions’
19 access to comprehensive beneficial ownership
20 information filed by corporations and lim-
21 ited liability companies, under threat of
22 civil and criminal penalties, under this Act
23 and the amendments made by this Act; and

24 (iii) reduce any burdens on financial
25 institutions that are, in light of the enact-

1 *ment of this Act and the amendments made*
2 *by this Act, unnecessary or duplicative.*

3 (3) *CONFORMING AMENDMENTS.—Title 31,*
4 *United States Code, is amended—*

5 (A) *in section 5321(a)—*

6 (i) *in paragraph (1), by striking “sec-*
7 *tions 5314 and 5315” each place it appears*
8 *and inserting “sections 5314, 5315, and*
9 *5333”; and*

10 (ii) *in paragraph (6), by inserting*
11 *“(except section 5333)” after “subchapter”*
12 *each place it appears; and*

13 (B) *in section 5322, by striking “section*
14 *5315 or 5324” each place it appears and insert-*
15 *ing “section 5315, 5324, or 5333”.*

16 (4) *TABLE OF CONTENTS.—The table of contents*
17 *of chapter 53 of title 31, United States Code, is*
18 *amended by inserting after the item relating to sec-*
19 *tion 5332 the following:*

“5333. Transparent incorporation practices.”.

20 (b) *FUNDING AUTHORIZATION.—*

21 (1) *IN GENERAL.—To carry out section 5333 of*
22 *title 31, United States Code, as added by subsection*
23 *(a), funds shall be made available to the Financial*
24 *Crimes Enforcement Network (in this subsection re-*
25 *ferred to as “FinCEN”) to pay reasonable costs relat-*

1 *ing to compliance with the requirements of such sec-*
2 *tion.*

3 (2) *FUNDING SOURCES.—Funds shall be pro-*
4 *vided to FinCEN to carry out the purposes described*
5 *in paragraph (1) from one or more of the following*
6 *sources:*

7 (A) *Upon application by FinCEN, and*
8 *without further appropriation, the Secretary of*
9 *the Treasury shall make available to the*
10 *FinCEN unobligated balances described in sec-*
11 *tion 9703(g)(4)(B) of title 31, United States*
12 *Code, in the Department of the Treasury For-*
13 *feiture Fund established under section 9703(a) of*
14 *title 31, United States Code.*

15 (B) *Upon application by FinCEN, after*
16 *consultation with the Secretary of the Treasury,*
17 *and without further appropriation, the Attorney*
18 *General of the United States shall make avail-*
19 *able to FinCEN excess unobligated balances (as*
20 *defined in section 524(c)(8)(D) of title 28,*
21 *United States Code) in the Department of Jus-*
22 *stice Assets Forfeiture Fund established under sec-*
23 *tion 524(c) of title 28, United States Code.*

24 (3) *MAXIMUM AMOUNTS.—*

1 (A) *DEPARTMENT OF THE TREASURY.*—*The*
2 *Secretary of the Treasury may not make avail-*
3 *able to FinCEN a total of more than*
4 *\$30,000,000 under paragraph (2)(A).*

5 (B) *DEPARTMENT OF JUSTICE.*—*The Attor-*
6 *ney General of the United States may not make*
7 *available to FinCEN a total of more than*
8 *\$10,000,000 under paragraph (2)(B).*

9 (c) *FEDERAL CONTRACTORS.*—*Not later than the first*
10 *day of the first full fiscal year beginning at least 1 year*
11 *after the date of the enactment of this Act, the Adminis-*
12 *trator for Federal Procurement Policy shall revise the Fed-*
13 *eral Acquisition Regulation maintained under section*
14 *1303(a)(1) of title 41, United States Code, to require any*
15 *contractor or subcontractor who is subject to the require-*
16 *ment to disclose beneficial ownership information under*
17 *section 5333 of title 31, United States Code, to provide the*
18 *information required to be disclosed under such section to*
19 *the Federal Government as part of any bid or proposal for*
20 *a contract with a value threshold in excess of the simplified*
21 *acquisition threshold under section 134 of title 41, United*
22 *States Code.*

23 **SEC. 4. STUDIES AND REPORTS.**

24 (a) *UPDATING OF BENEFICIAL OWNERSHIP INFORMA-*
25 *TION.*—

1 (1) *STUDY.*—*The Secretary of the Treasury, in*
2 *consultation with the Attorney General of the United*
3 *States, shall conduct a study to evaluate—*

4 (A) *the necessity of a requirement for cor-*
5 *porations and limited liability companies to up-*
6 *date the list of their beneficial owners within a*
7 *specified amount of time after the date of any*
8 *change in the list of beneficial owners or the in-*
9 *formation required to be provided relating to*
10 *each beneficial owner, taking into account the*
11 *annual filings required under section*
12 *5333(a)(1)(B)(i) of title 31, United States Code,*
13 *and the information contained in such annual*
14 *filings; and*

15 (B) *the burden that a requirement to update*
16 *the list of beneficial owners within a specified*
17 *period of time after a change in such list of bene-*
18 *ficial owners would impose on corporations and*
19 *limited liability companies.*

20 (2) *REPORT.*—*Not later than 1 year after the*
21 *date of enactment of this Act, the Secretary of the*
22 *Treasury shall submit a report on the study required*
23 *under paragraph (1) to the Committee on Financial*
24 *Services of the House of Representatives and the Com-*

1 *mittee on Banking, Housing, and Urban Affairs of*
2 *the Senate*

3 (3) *PUBLIC COMMENT.*—*The Secretary of the*
4 *Treasury shall seek and consider public input, com-*
5 *ments, and data in order to conduct the study re-*
6 *quired under subparagraph paragraph (1).*

7 (b) *OTHER LEGAL ENTITIES.*—*Not later than 2 years*
8 *after the date of enactment of this Act, the Comptroller Gen-*
9 *eral of the United States shall conduct a study and submit*
10 *to the Congress a report—*

11 (1) *identifying each State or Indian Tribe that*
12 *has procedures that enable persons to form or register*
13 *under the laws of the State or Indian Tribe partner-*
14 *ships, trusts, or other legal entities, and the nature of*
15 *those procedures;*

16 (2) *identifying each State or Indian Tribe that*
17 *requires persons seeking to form or register partner-*
18 *ships, trusts, or other legal entities under the laws of*
19 *the State or Indian Tribe to provide information*
20 *about the beneficial owners (as that term is defined*
21 *in section 5333(d)(1) of title 31, United States Code,*
22 *as added by this Act) or beneficiaries of such entities,*
23 *and the nature of the required information;*

1 (3) *evaluating whether the lack of available bene-*
2 *ficial ownership information for partnerships, trusts,*
3 *or other legal entities—*

4 (A) *raises concerns about the involvement of*
5 *such entities in terrorism, money laundering, tax*
6 *evasion, securities fraud, or other misconduct;*

7 (B) *has impeded investigations into entities*
8 *suspected of such misconduct; and*

9 (C) *increases the costs to financial institu-*
10 *tions of complying with due diligence require-*
11 *ments imposed under the Bank Secrecy Act, the*
12 *USA PATRIOT Act, or other applicable Federal,*
13 *State, or Tribal law; and*

14 (4) *evaluating whether the failure of the United*
15 *States to require beneficial ownership information for*
16 *partnerships and trusts formed or registered in the*
17 *United States has elicited international criticism and*
18 *what steps, if any, the United States has taken or is*
19 *planning to take in response.*

20 (c) *EFFECTIVENESS OF INCORPORATION PRACTICES.—*

21 *Not later than 5 years after the date of enactment of this*
22 *Act, the Comptroller General of the United States shall con-*
23 *duct a study and submit to the Congress a report assessing*
24 *the effectiveness of incorporation practices implemented*
25 *under this Act and the amendments made by this Act in—*

1 (1) *providing law enforcement agencies with*
2 *prompt access to reliable, useful, and complete bene-*
3 *ficial ownership information; and*

4 (2) *strengthening the capability of law enforce-*
5 *ment agencies to combat incorporation abuses, civil*
6 *and criminal misconduct, and detect, prevent, or*
7 *punish terrorism, money laundering, tax evasion, or*
8 *other misconduct.*

9 **SEC. 5. DEFINITIONS.**

10 *In this Act, the terms “Bank Secrecy Act”, “beneficial*
11 *owner”, “corporation”, and “limited liability company”*
12 *have the meaning given those terms, respectively, under sec-*
13 *tion 5333(d) of title 31, United States Code.*

Union Calendar No. 180

116TH CONGRESS
1ST Session

H. R. 2513

[Report No. 116-227]

A BILL

To ensure that persons who form corporations or limited liability companies in the United States disclose the beneficial owners of those corporations or limited liability companies, in order to prevent wrongdoers from exploiting United States corporations and limited liability companies for criminal gain, to assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, and other misconduct involving United States corporations and limited liability companies, and for other purposes.

OCTOBER 8, 2019

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed