CORPORATE TRANSPARENCY ACT MYTH VERSUS FACT

- **MYTH: The Corporate Transparency Act would impose burdensome reporting requirements on small businesses in the United States.**

  FACT: The bill requires some small businesses to submit four basic pieces of information: name, date of birth, address, and either passport or driver's license number. This information is required to buy a plane ticket, get a cell phone, and rent a car.

- **MYTH: This legislation would attempt to shift reporting requirements from large banks to small businesses.**

  FACT: Financial institutions will still be required to know their customers and collect this information under the Bank Secrecy Act. The bill provides access to this critical information for law enforcement, when pursuing an active investigation. The Financial Crimes Enforcement Network's (FinCEN) Customer Due Diligence (CDD) rule only applies to businesses seeking to open bank accounts. The CDD rule currently provides no obstacle to illicit actors obscuring real estate and antiquities acquired through ill-gotten proceeds by placing them under ownership of an established shell corporation. This legislation will help streamline the due diligence process while providing law enforcement with the key information needed to pursue unlawful financial activities. Further, the legislation includes strong protections for business owners, and penalties only apply to those who knowingly and willfully attempt to cloak their ownership.

- **MYTH: The Corporate Transparency Act raises significant privacy concerns, as it creates a new "government database."**

  FACT: FinCEN already maintains the Bank Secrecy Act database, which among other things houses suspicious activity reports (SARs) filed by financial institutions and actively supports and trains its employees on how to maintain sensitive information. The beneficial ownership directory would be safeguarded under the same protections and privacy standards required of the SAR database. The Corporate Transparency Act would keep ownership information private from the general public and would only be accessible to law enforcement as part of an open criminal investigation and to financial institutions performing due diligence requirements.

- **MYTH: The bill treats most small business owners as potential criminals or threats to national security.**

  FACT: The legal standard that must be met for the imposition of penalties is very high: knowingly providing, or attempting to provide, false or fraudulent beneficial ownership information or willfully failing to provide complete or updated beneficial ownership information to FinCEN. The legislation includes strong protections for business owners who simply forget to update or are unaware of the requirement.

- **MYTH: Any law enforcement agency can request this information without obtaining a subpoena, whether federal, state, local or tribal.**

  FACT: Protections have been built into the legislation to protect privacy and prevent the misuse of the directory. This information will be restricted to authorized officials who will access the directory from a designated terminal after completing training. It cannot be used for partisan exercises or phishing expeditions, as each query of the database will be recorded and used to assist an active law enforcement investigation. Any violation will be punishable by law, as directed in the legislation.