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113TH CONGRESS
1ST SESSION

# H. R. 3331

To amend title 31, United States Code, 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.

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IN THE HOUSE OF REPRESENTATIVES

OCTOBER 23, 2013

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

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# A BILL

To amend title 31, United States Code, 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.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Incorporation Transparency and Law Enforcement Assistance Act''.

**SEC. 2. FINDINGS.**

Congress finds the following:

(1) Nearly 2,000,000 corporations and limited liability companies are being formed under the laws of the States each year.

(2) Very few States obtain meaningful information about the beneficial owners of the corporations and limited liability companies formed under their laws.

(3) A person forming a corporation or limited liability company within the United States typically provides less information to the State of incorporation than is needed to obtain a bank account or driver's license and typically does not name a single beneficial owner.

(4) Criminals have exploited the weaknesses in State formation procedures to conceal their identities when forming corporations or limited liability companies in the United States, and have then used the newly created entities to commit crimes affecting

interstate and international commerce such as terrorism, drug trafficking, money laundering, tax evasion, securities fraud, financial fraud, and acts of foreign corruption.

(5) Law enforcement efforts to investigate corporations and limited liability companies suspected of committing crimes have been impeded by the lack of available beneficial ownership information, as documented in reports and testimony by officials from the Department of Justice, the Department of Homeland Security, the Financial Crimes Enforcement Network of the Department of the Treasury, the Internal Revenue Service, and the Government Accountability Office, and others.

(6) In July 2006, a leading international anti-money laundering organization, the Financial Action Task Force on Money Laundering (in this section referred to as the ''FATF''), of which the United States is a member, issued a report that criticizes the United States for failing to comply with a FATF standard on the need to collect beneficial ownership information and urged the United States to correct this deficiency by July 2008.

(7) In response to the FATF report, the United States has repeatedly urged the States to strengthen

their incorporation practices by obtaining beneficial ownership information for the corporations and limited liability companies formed under the laws of such States.

(8) Many States have established automated procedures that allow a person to form a new corporation or limited liability company within the State within 24 hours of filing an online application, without any prior review of the application by a State official. In exchange for a substantial fee, 2 States will form a corporation within 1 hour of a request.

(9) Dozens of Internet Web sites highlight the anonymity of beneficial owners allowed under the incorporation practices of some States, point to those practices as a reason to incorporate in those States, and list those States together with offshore jurisdictions as preferred locations for the formation of new corporations, essentially providing an open invitation to criminals and other wrongdoers to form entities within the United States.

(10) In contrast to practices in the United States, all 28 countries in the European Union are required to have formation agents identify the bene-

ficial owners of the corporations formed under the laws of the country.

(11) To reduce the vulnerability of the United States to wrongdoing by United States corporations and limited liability companies with hidden owners, to protect interstate and international commerce from criminals misusing United States corporations and limited liability companies, to strengthen law enforcement investigations of suspect corporations and limited liability companies, to set minimum standards for and level the playing field among State incorporation practices, and to bring the United States into compliance with its international anti-money laundering standards, Federal legislation is needed to require the States to obtain beneficial ownership information for the corporations and limited liability companies formed under the laws of such States.

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

(a) TRANSPARENT INCORPORATION PRACTICES.—

(1) IN GENERAL.—Chapter 53 of title 31, United States Code, is amended by inserting after section 5332 the following new section:

**"§ 5333. Transparent incorporation practices**

''(a) REPORTING REQUIREMENTS.—

"(1) IN GENERAL.—Not later than the beginning of fiscal year 2016, the Secretary of the Treasury shall issue regulations requiring each corporation and limited liability company formed in a State that does not have a formation system described under subsection (b) to file with the Secretary such information as the corporation or limited liability company would be required to provide the State if such State had a formation system described under subsection (b).

"(2) DISCLOSURE OF BENEFICIAL OWNERSHIP INFORMATION.—Beneficial ownership information reported to the Secretary of the Treasury pursuant to paragraph (1) shall be provided by the Secretary of the Treasury upon receipt of—

"(A) a civil or criminal subpoena or summons from a State agency, Federal agency, or congressional committee or subcommittee requesting such information;

"(B) a written request made by a Federal agency on behalf of another country under an international treaty, agreement, or convention, or an order under section 3512 of title 18, United States Code, or section 1782 of title 28,

United States Code, issued in response to a request for assistance from a foreign country; or

"(C) a written request made by the Financial Crimes Enforcement Network of the Department of the Treasury.

"(b) FORMATION SYSTEM.—

"(1) IN GENERAL.—With respect to a State, a formation system is described under this subsection if it meets the following requirements:

"(A) IDENTIFICATION OF BENEFICIAL OWNERS.—Except as provided in paragraphs (2) and (4), and subject to paragraph (3), each applicant to form a corporation or limited liability company under the laws of the State is required to provide to the State during the formation process a list of the beneficial owners of the corporation or limited liability company that—

"(i) except as provided in subparagraph (F), identifies each beneficial owner by—

"(I) name;

"(II) current residential or business street address; and

"(III) a unique identifying number from a non-expired passport issued by the United States or a non-expired drivers license issued by a State; and

"(ii) if the applicant is not the beneficial owner, provides the identification information described in clause (i) relating to the applicant.

"(B) UPDATED INFORMATION.—For each corporation or limited liability company formed under the laws of the State—

"(i) the corporation or limited liability company is required by the State to update the list of the beneficial owners of the corporation or limited liability company by providing the information described in subparagraph (A) to the State not later than 60 days after the date of any change in the list of beneficial owners or the information required to be provided relating to each beneficial owner;

"(ii) in the case of a corporation or limited liability company formed or acquired by a formation agent and retained

by the formation agent as a beneficial owner for transfer to another person, the formation agent is required by the State to submit to the State an updated list of the beneficial owners and the information described in subparagraph (A) for each such beneficial owner not later than 10 days after date on which the formation agent transfers the corporation or limited liability company to another person; and

"(iii) the corporation or limited liability company is required by the State to submit to the State an annual filing containing the list of the beneficial owners of the corporation or limited liability company and the information described in subparagraph (A) for each such beneficial owner.

"(C) RETENTION OF INFORMATION.—Beneficial ownership information relating to each corporation or limited liability company formed under the laws of the State is required to be maintained by the State until the end of the 5-year period beginning on the date that the corporation or limited liability company terminates under the laws of the State.

"(D) INFORMATION REQUESTS.—Beneficial ownership information relating to each corporation or limited liability company formed under the laws of the State shall be provided by the State upon receipt of—

"(i) a civil or criminal subpoena or summons from a State agency, Federal agency, or congressional committee or subcommittee requesting such information;

"(ii) a written request made by a Federal agency on behalf of another country under an international treaty, agreement, or convention, or section 1782 of title 28, United States Code; or

"(iii) a written request made by the Financial Crimes Enforcement Network.

"(E) NO BEARER SHARE CORPORATIONS OR LIMITED LIABILITY COMPANIES.—A corporation or limited liability company formed under the laws of the State may not issue a certificate in bearer form evidencing either a whole or fractional interest in the corporation or limited liability company.

"(2) STATES THAT LICENSE FORMATION AGENTS.—

"(A) IN GENERAL.—Notwithstanding paragraph (1), a State described in subparagraph (B) may permit an applicant to form a corporation or limited liability company under the laws of the State, or a corporation or limited liability company formed under the laws of the State, to provide the required information to a licensed formation agent residing in the State, instead of to the State directly, if the application under paragraph (1)(A) or the update under paragraph (1)(B) contains—

"(i) the name, current business address, contact information, and licensing number of the licensed formation agent that has agreed to maintain the information required under this subsection; and

"(ii) a certification by the licensed formation agent that the licensed formation agent has possession of the information required under this subsection and will maintain the information in the State licensing the licensed formation agent in accordance with State law.

"(B) STATES DESCRIBED.—A State described in this subparagraph is a State that

maintains a formal licensing system for formation agents that requires a formation agent to register with the State, meet standards for fitness and honesty, maintain a physical office and records within the State, undergo regular monitoring, and be subject to sanctions for noncompliance with State requirements.

"(C) LICENSED FORMATION AGENT DUTIES.—A licensed formation agent that receives beneficial ownership information under State law in accordance with this paragraph shall—

"(i) maintain the information in the State in which the corporation or limited liability company is being or has been formed in the same manner as required for States under paragraph (1)(C);

"(ii) provide the information under the same circumstances as required for States under paragraph (1)(D); and

"(iii) perform the duties of a formation agent under paragraph (3).

"(D) TERMINATION OF RELATIONSHIP.—

"(i) IN GENERAL.—Except as provided in clause (ii), a licensed formation agent that receives beneficial ownership in-

formation relating to a corporation or limited liability company under State law in accordance with this paragraph and that resigns, dissolves, or otherwise ends a relationship with the corporation or limited liability company shall promptly—

"(I) notify the State in writing that the licensed formation agent has resigned or ended the relationship; and

"(II) transmit all beneficial ownership information relating to the corporation or limited liability company in the possession of the licensed formation agent to the licensing State.

"(ii) EXCEPTION.—If a licensed formation agent receives written instructions from a corporation or limited liability company, the licensed formation agent may transmit the beneficial ownership information relating to the corporation or limited liability company to another licensed formation agent that is within the same State and has agreed to maintain the information in accordance with this section.

"(iii) NOTICE TO STATE.—If a licensed formation agent provides beneficial ownership information to another licensed formation agent under clause (ii), the licensed formation agent providing the information shall promptly notify in writing the State under the laws of which the corporation or limited liability company is formed of the identity of the licensed formation agent receiving the information.

"(3) CERTAIN BENEFICIAL OWNERS.—If an applicant to form a corporation or limited liability company or a beneficial owner, officer, director, or similar agent of a corporation or limited liability company who is required to provide identification information under this subsection does not have a nonexpired passport issued by the United States or a nonexpired drivers license or identification card issued by a State, each application described in paragraph (1)(A) and each update described in paragraph (1)(B) shall include a certification by a formation agent residing in the State that the formation agent—

"(A) has obtained for each such person a current residential or business street address

and a legible and credible copy of the pages of a nonexpired passport issued by the government of a foreign country bearing a photograph, date of birth, and unique identifying information for the person;

"(B) has verified the name, address, and identity of each such person;

"(C) will provide the information described in subparagraph (A) and the proof of verification described in subparagraph (B) upon request under the same circumstances as required for States under paragraph (1)(D); and

"(D) will retain the information and proof of verification under this paragraph in the State in which the corporation or limited liability company is being or has been formed until the end of the 5-year period beginning on the date that the corporation or limited liability company terminates under the laws of the State.

"(4) EXEMPT ENTITIES.—

"(A) IN GENERAL.—A formation system described in paragraph (1) shall require that an application for an entity described in subparagraph (C) or (D) of subsection (d)(2) that is

proposed to be formed under the laws of a State and that will be exempt from the beneficial ownership disclosure requirements under this subsection shall include in the application a certification by the applicant, or a prospective officer, director, or similar agent of the entity—

"(i) identifying the specific provision of subsection (d)(2) under which the entity proposed to be formed would be exempt from the beneficial ownership disclosure requirements under paragraphs (1), (2), and (3);

"(ii) stating that the entity proposed to be formed meets the requirements for an entity described under such provision of subsection (d)(2); and

"(iii) providing identification information for the applicant or prospective officer, director, or similar agent making the certification in the same manner as provided under paragraph (1) or (3).

"(B) EXISTING ENTITIES.—On and after the date that is 2 years after the effective date of the amendments to the formation system of a State made to comply with this section, an

entity formed under the laws of the State before such effective date shall be considered to be a corporation or limited liability company for purposes of, and shall be subject to the requirements of, this subsection unless an officer, director, or similar agent of the entity submits to the State a certification—

"(i) identifying the specific provision of subsection (d)(2) under which the entity is exempt from the requirements under paragraphs (1), (2), and (3);

"(ii) stating that the entity meets the requirements for an entity described under such provision of subsection (d)(2); and

"(iii) providing identification information for the officer, director, or similar agent making the certification in the same manner as provided under paragraph (1) or (3).

"(C) EXEMPT ENTITIES HAVING OWNERSHIP INTEREST.—If an entity described in subparagraph (C) or (D) of subsection (d)(2) has or will have an ownership interest in a corporation or limited liability company formed or to be formed under the laws of a State, the applicant,

corporation, or limited liability company in which the entity has or will have the ownership interest shall provide the information required under this subsection relating to the entity, except that the entity shall not be required to provide information regarding any natural person who has an ownership interest in, exercises substantial control over, or receives substantial economic benefits from the entity.

"(c) PENALTIES.—

"(1) IN GENERAL.—It shall be unlawful for—

"(A) any person to affect interstate or foreign commerce by—

"(i) knowingly providing, or attempting to provide, false or fraudulent beneficial ownership information, including a false or fraudulent identifying photograph, to a State or licensed formation agent under State law in accordance with this section;

"(ii) willfully failing to provide complete or updated beneficial ownership information to a State or licensed formation agent under State law in accordance with this section; or

"(iii) knowingly disclosing the existence of a subpoena, summons, or other request for beneficial ownership information, except—

"(I) to the extent necessary to fulfill the authorized request; or

"(II) as authorized by the entity that issued the subpoena, summons, or other request; or

"(B) in the case of a formation agent, knowingly failing to obtain or maintain credible, legible, and updated beneficial ownership information, including any required identifying photograph.

"(2) CIVIL AND CRIMINAL PENALTIES.—In addition to any civil or criminal penalty that may be imposed by a State, any person who violates paragraph (1)—

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

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

"(d) DEFINITIONS.—For the purposes of this section:

"(1) BENEFICIAL OWNER.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'beneficial owner' means a natural person who, directly or indirectly—

"(i) exercises substantial control over a corporation or limited liability company; or

"(ii) has a substantial interest in or receives substantial economic benefits from the assets of a corporation or limited liability company.

"(B) EXCEPTIONS.—The term 'beneficial owner' shall not include—

"(i) a minor child;

"(ii) a person acting as a nominee, intermediary, custodian, or agent on behalf of another person;

"(iii) a person acting solely as an employee of a corporation or limited liability company and whose control over or economic benefits from the corporation or limited liability company derives solely from the employment status of the person;

"(iv) a person whose only interest in a corporation or limited liability company is through a right of inheritance, unless the person also meets the requirements of subparagraph (A); or

"(v) a creditor of a corporation or limited liability company, unless the creditor also meets the requirements of subparagraph (A).

"(2) CORPORATION; LIMITED LIABILITY COMPANY.—The terms 'corporation' and 'limited liability company'—

"(A) have the meanings given such terms under the laws of the applicable State;

"(B) include any non-United States entity eligible for registration or registered to do business as a corporation or limited liability company under the laws of the applicable State;

"(C) do not include any entity that is, and discloses in the application by the entity to form under the laws of the State or, if the entity was formed before the date of the enactment of this section, in a filing with the State under State law—

"(i) a business concern that is an issuer of a class of securities registered under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. 781) or that is required to file reports under section 15(d) of that Act (15 U.S.C. 78o(d));

"(ii) a business concern constituted or sponsored by a State, a political subdivision of a State, under an interstate compact between 2 or more States, by a department or agency of the United States, or under the laws of the United States;

"(iii) a depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813));

"(iv) a credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752));

"(v) a bank holding company (as defined in section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841));

"(vi) a broker or dealer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c)) that is registered

under section 15 of the Securities and Exchange Act of 1934 (15 U.S.C. 78o);

"(vii) an exchange or clearing agency (as 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 the Securities Exchange Act of 1934 (15 U.S.C. 78f and 78q–1);

"(viii) an investment company (as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3)) or an investment advisor (as defined in section 202(11) of the Investment Advisors Act of 1940 (15 U.S.C. 80b–2(11)), if the company or adviser is registered with the Securities and Exchange Commission, or has filed an application for registration which has not been denied, under the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.) or the Investment Advisor Act of 1940 (15 U.S.C. 80b–1 et seq.);

"(ix) an insurance company (as defined in section 2 of the Investment Company Act of 1940 (15 U.S.C. 80a–2));

"(x) a registered entity (as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a)), or a futures commission merchant, introducing broker, commodity pool operator, or commodity trading advisor (as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a)) that is registered with the Commodity Futures Trading Commission;

"(xi) a public accounting firm registered in accordance with section 102 of the Sarbanes–Oxley Act (15 U.S.C. 7212);

"(xii) a public utility that provides telecommunications service, electrical power, natural gas, or water and sewer services, within the United States;

"(xiii) a church, charity, or nonprofit entity that is described in section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code of 1986, has not been denied tax exempt status, and has filed the most recently due annual information return with the Internal Revenue Service, if required to file such a return;

"(xiv) any business concern that—

"(I) employs more than 20 employees on a full time basis in the United States;

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

"(III) has an operating presence at a physical office within the United States; or

"(xv) any corporation or limited liability company formed and owned by an entity described in clause (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), or (xiv); and

"(D) do not include any individual business concern or class of business concerns which the Secretary of the Treasury, with the written concurrence of the Attorney General of the United States, has determined in writing should be exempt from the requirements of subsection (a), because requiring beneficial ownership information from the business concern would not serve the public interest and would not assist law enforcement efforts to detect,

prevent, or punish terrorism, money laundering, tax evasion, or other misconduct.

"(3) FORMATION AGENT.—The term 'formation agent' means a person who, for compensation—

"(A) acts on behalf of another person to assist in the formation of a corporation or limited liability company under the laws of a State; or

"(B) purchases, sells, or transfers the public records that form a corporation or limited liability company.".

(2) RULEMAKING.—To carry out this Act and the amendments made by this Act, the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States, may issue guidance or a rule to—

(A) clarify the definitions under section 5333(d) of title 31, United States Code, as added by paragraph (1); and

(B) specify how to verify beneficial ownership information or other identification information for purposes of such section 5333, including whether the verification procedures specified in section 5333(b)(3) should apply to all applicants under section 5333(b)(1) or

whether such verification process should require the notarization of signatures.

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

(A) in section 5321(a)—

(i) in paragraph (1), by striking ''sections 5314 and 5315'' each place it appears and inserting ''sections 5314, 5315, and 5333''; and

(ii) in paragraph (6), by inserting ''(except section 5333)'' after ''subchapter'' each place it appears; and

(B) in section 5322, by striking ''section 5315 or 5324'' each place it appears and inserting ''section 5315, 5324, or 5333''.

(4) TABLE OF CONTENTS.—The table of contents of chapter 53 of title 31, United States Code, is amended by inserting after the item relating to section 5332 the following:

''Sec. 5333. Transparent incorporation practices.''.

(5) RESTRICTIONS ON PUBLIC ACCESS.—A State may—

(A) restrict public access to all or any portion of the beneficial ownership information provided to the State as described under section

5332 of title 31, United States Code, as added by this Act; and

(B) by statute, regulation, order, or interpretation adopted or issued by the State after the date of enactment of this Act, provide for public access to all or any portion of such information.

(6) NO DUTY OF VERIFICATION.—This Act and the amendments made by this Act do not impose any obligation on a State to verify the name, address, or identity of a beneficial owner whose information is submitted to such State under section 5333 of title 31, United States Code, as added by this Act.

(b) FUNDING AUTHORIZATION.—

(1) IN GENERAL.—To carry out section 5333 of title 31, United States Code, during the 3-year period beginning on the date of enactment of this Act, funds shall be made available to each State to pay reasonable costs relating to compliance with the requirements of such section.

(2) FUNDING SOURCES.—To protect the United States against the misuse of United States corporations and limited liability companies with hidden owners, funds shall be provided to each State to

carry out the purposes described in paragraph (1) from one or more of the following sources:

(A) Upon application by a State, and without further appropriation, the Secretary of the Treasury shall make available to the State unobligated balances described in section 9703(g)(4)(B) of title 31, United States Code, in the Department of the Treasury Forfeiture Fund established under section 9703(a) of title 31, United States Code.

(B) Upon application by a State, after consultation with the Secretary of the Treasury, and without further appropriation, the Attorney General of the United States shall make available to the State excess unobligated balances (as defined in section 524(c)(8)(D) of title 28, United States Code) in the Department of Justice Assets Forfeiture Fund established under section 524(c) of title 28, United States Code.

(3) MAXIMUM AMOUNTS.—

(A) DEPARTMENT OF THE TREASURY.—The Secretary of the Treasury may not make available to States a total of more than $30,000,000 under paragraph (2)(A).

(B) DEPARTMENT OF JUSTICE.—The Attorney General of the United States may not make available to States a total of more than $10,000,000 under paragraph (2)(B).

(4) RULEMAKING.—Not later than the end of the 180-day period beginning on the date of the enactment of this Act, the Secretary of the Treasury and the Attorney General shall, jointly, issue regulations setting forth the procedures for States to apply for funds under this subsection, including determining which State measures should be funded to assess, plan, develop, test, or implement relevant policies, procedures, or system modifications.

(c) COMPLIANCE REPORT.—Nothing in this section or the amendments made by this section authorizes the Secretary of the Treasury to withhold from a State any funding otherwise available to the State because of a failure by that State to comply with section 5333 of title 31, United States Code. Not later than the end of the 42-month period beginning on the date of the enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Financial Services of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate a report—

(1) identifying which States obtain beneficial ownership information as described in such section 5333;

(2) with respect to each State that does not obtain such information, whether corporations and limited liability companies formed under the laws of such State are in compliance with such section 5333 and providing the specified beneficial ownership information to the Secretary of the Treasury; and

(3) whether the Department of the Treasury is in compliance with such section 5333 and, if not, what steps it must take to come into compliance with this section.

(d) FEDERAL CONTRACTORS.—Not later than the first day of the first full fiscal year beginning at least one year after the date of the enactment of this Act, the Administrator for Federal Procurement Policy shall revise the Federal Acquisition Regulation maintained under section 1303(a)(1) of title 41, United States Code, to require any contractor who is subject to the requirement to disclose beneficial ownership information under section 5333 of title 31, United States Code, to provide the information required to be disclosed under such section to the Federal Government as part of any bid or proposal for a contract with a value threshold in excess of the simplified acquisi-

tion threshold under section 134 of title 41, United States Code.

(e) ANTI-MONEY LAUNDERING OBLIGATIONS OF FORMATION AGENTS.—

(1) IN GENERAL.—Section 5312(a)(2) of title 31, United States Code, is amended—

(A) in subparagraph (Y), by striking ''or'' at the end;

(B) by redesignating subparagraph (Z) as subparagraph (AA); and

(C) by inserting after subparagraph (Y) the following:

''(Z) any person who, for compensation—

''(i) acts on behalf of another person to form, or assist in formation of, a corporation or limited liability company under the laws of a State; or

''(ii) purchases, sells, or transfers the public records that form a corporation or limited liability company; or''.

(2) DEADLINE FOR ANTI-MONEY LAUNDERING RULE FOR FORMATION AGENTS.—

(A) PROPOSED RULE.—Not later than 120 days after the date of enactment of this Act, the Secretary of the Treasury, in consultation

with the Attorney General of the United States and the Commissioner of the Internal Revenue Service, shall publish a proposed rule in the Federal Register requiring persons described in section 5312(a)(2)(Z) of title 31, United States Code, as amended by this subsection, to establish anti-money laundering programs under subsection (h) of section 5318 of that title.

(B) FINAL RULE.—Not later than 270 days after the date of enactment of this Act, the Secretary of the Treasury shall publish the rule described in this subsection in final form in the Federal Register.

(C) EXCLUSIONS.—Any rule promulgated under this subsection shall exclude from the category of persons involved in forming a corporation or limited liability company—

(i) any government agency; and

(ii) any attorney or law firm that uses a paid formation agent operating within the United States to form the corporation or limited liability company.

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

(a) OTHER LEGAL ENTITIES.—Not later than 2 years after the date of enactment of this Act, the Comp-

1 troller General of the United States shall conduct a study
2 and submit to the Congress a report—
3 (1) identifying each State that has procedures
4 that enable persons to form or register under the
5 laws of the State partnerships, trusts, or other legal
6 entities, and the nature of those procedures;
7 (2) identifying each State that requires persons
8 seeking to form or register partnerships, trusts, or
9 other legal entities under the laws of the State to
10 provide information about the beneficial owners (as
11 that term is defined in section 5333(d)(1) of title
12 31, United States Code, as added by this Act) or
13 beneficiaries of such entities, and the nature of the
14 required information;
15 (3) evaluating whether the lack of available
16 beneficial ownership information for partnerships,
17 trusts, or other legal entities—
18 (A) raises concerns about the involvement
19 of such entities in terrorism, money laundering,
20 tax evasion, securities fraud, or other mis-
21 conduct; and
22 (B) has impeded investigations into enti-
23 ties suspected of such misconduct; and
24 (4) evaluating whether the failure of the United
25 States to require beneficial ownership information

for partnerships and trusts formed or registered in the United States has elicited international criticism and what steps, if any, the United States has taken or is planning to take in response.

(b) EFFECTIVENESS OF INCORPORATION PRACTICES.—Not later than 5 years after the date of enactment of this Act, the Comptroller General of the United States shall conduct a study and submit to the Congress a report assessing the effectiveness of incorporation practices implemented under this Act and the amendments made by this Act in—

(1) providing law enforcement agencies with prompt access to reliable, useful, and complete beneficial ownership information; and

(2) strengthening the capability of law enforcement agencies to combat incorporation abuses, civil and criminal misconduct, and detect, prevent, or punish terrorism, money laundering, tax evasion, or other misconduct.

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