

## CLIENT ALERT

# The CTA Receives its Coup De Grâce: U.S. Companies and Individuals No Longer Required to Report Beneficial Ownership Information

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In a move described by President Trump as ending “the economic menace” of beneficial ownership information (“BOI”) reporting, the Financial Crimes Enforcement Network (“FinCEN”) issued an interim final rule (the “**Revised Reporting Rule**” or the “**Rule**”) on March 21, 2025 to dramatically curtail the Corporate Transparency Act (“CTA”) requirements. Under the new Rule, only foreign reporting companies<sup>1</sup> that register to conduct business in the United States are required to make BOI reports concerning their foreign, but not U.S., owners. The Revised Reporting Rule slashes the number of expected BOI reporting companies from over 32 million to under 12,000.

<sup>1</sup> A “foreign reporting company” is any entity that is (1) a corporation, limited liability company, or other entity; (2) formed under the law of a foreign country; and (3) registered to do business in any State or tribal jurisdiction by the filing of a document with a secretary of state or any similar office under the law of that State or Indian tribe. Because the Revised Reporting Rule eliminates the reporting requirements for domestic reporting companies, the Rule simplifies this definition to refer to foreign reporting companies as “reporting companies.”

Although the Rule is subject to comments, it became effective immediately upon publication in the Federal Register on March 26, 2025. Comments are due May 27, 2025, after which FinCEN will eventually issue a final rule.

This development follows U.S. Treasury Secretary Scott Bessent's announcement in early March that FinCEN would not enforce penalties or fines associated with the BOI reporting rule against U.S. citizens or domestic reporting companies, and that FinCEN would be issuing a proposed rulemaking to narrow the scope of the BOI reporting rule to foreign reporting companies only.<sup>2</sup> The Revised Reporting Rule goes even further and also eliminates the requirement that foreign reporting companies disclose the BOI of their U.S. person beneficial owners, meaning that only non-U.S. beneficial owners will need to be disclosed. Thus, while foreign reporting companies operating in the United States will need to continue providing certain BOI information, the Revised Reporting Rule reduces the reporting and compliance burdens even for such companies.

### **Foreign Reporting Companies (narrowed filing requirement)**

Existing foreign reporting companies that registered to do business in the United States prior to March 26, 2025 have until **April 25, 2025** to submit their initial BOI reports. Similarly, updates or corrections to existing BOI reports must be filed by **April 25, 2025**. Newly-registered foreign reporting companies have **30 calendar days** to file their initial BOI reports after they receive notice that they have been registered to do business in the United States.

The Revised Reporting Rule also eliminates the requirement for foreign reporting companies to provide information about their U.S. owners in their BOI reports.

1. Foreign reporting companies that are partially owned by U.S. persons only need to report the BOI of their foreign person owners.
2. Foreign reporting companies that are wholly owned by U.S. persons do not need to provide any of their owners' BOI and are exempt from the reporting requirement.
3. Foreign pooled investment vehicles only need to report the BOI of non-U.S. persons that exercise substantial control over the entity. If a foreign pooled investment vehicle is substantially controlled by U.S. and non-U.S. persons, the company is only required to report the individual who is not a U.S. person who has the greatest authority over the strategic management of the entity.

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<sup>2</sup> Treasury Department Announces Suspension of Enforcement of Corporate Transparency Act Against U.S. Citizens and Domestic Reporting Companies, Department of the Treasury (Mar. 2, 2025), <https://home.treasury.gov/news/press-releases/sb0038>.

**Domestic Reporting Companies (no filings)**

For domestic reporting companies, because there is no longer any obligation to file BOI reports, any domestic company that waited to file its initial BOI report no longer needs to do so. Domestic reporting companies that previously filed BOI reports do not have any obligation to update or correct previously-filed BOI reports.

We will be monitoring FinCEN's responses to comments on the final rule for guidance on companies' outstanding questions about the impact of the Rule, including whether and how domestic reporting companies and U.S. person beneficial owners can remove previously-submitted BOI from FinCEN's database. It also remains to be seen how the Rule will impact the multiple ongoing cases challenging the CTA and the BOI reporting rule. The Fifth Circuit has already delayed oral arguments and requested supplemental briefing on the Revised Reporting Rule in *Texas Top Cop Shop v. Bondi*.

Although the CTA is still on the books, the Revised Reporting Rule eliminates the BOI reporting requirement for all U.S. companies and persons, and even narrows the scope and compliance burden for the relatively few foreign reporting companies.

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