113TH CONGRESS
1ST SESSION

S. _____

To ensure that persons who form corporations in the United States disclose the beneficial owners of those corporations, in order to prevent the formation of corporations with hidden owners, stop the misuse of United States corporations by wrongdoers, and assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, tax evasion, and other criminal and civil misconduct involving United States corporations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. LEVIN (for himself, Mr. GRASSLEY, Mrs. FEINSTEIN, and Mr. HARKIN) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To ensure that persons who form corporations in the United States disclose the beneficial owners of those corporations, in order to prevent the formation of corporations with hidden owners, stop the misuse of United States corporations by wrongdoers, and assist law enforcement in detecting, preventing, and punishing terrorism, money laundering, tax evasion, and other criminal and civil misconduct involving United States corporations, 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,*

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) Terrorists and other 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 support terrorist organizations, drug trafficking organizations, and international organized crime groups, as well as commit misconduct affect-

ing interstate and international commerce such as trafficking in illicit drugs, illegal arms trafficking, money laundering, tax evasion, Internet-based fraud, securities fraud, financial fraud, intellectual property crimes, and acts of corruption.

(5) Among those who have abused State incorporation procedures is Victor Bout, a Russian arms dealer who used at least 12 companies incorporated in Texas, Florida, and Delaware to carry out his activities, and has been convicted, in part, for conspiring to sell weapons to a terrorist organization trying to kill citizens of the United States and Federal officers and employees.

(6) Law enforcement efforts to investigate corporations and limited liability companies suspected of wrongdoing 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, the Government Accountability Office, and others.

(7) In July 2006, a leading international anti-money laundering and anti-terrorist financing orga-

nization, the Financial Action Task Force on Money Laundering (in this section referred to as ''FATF''), of which the United States is a member, issued a report that criticized 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.

(8) In response to the FATF report and to strengthen measures to protect homeland security, Federal officials have repeatedly urged the States to improve their formation practices by obtaining beneficial ownership information for the corporations and limited liability companies formed under the laws of such States. But the States continue to form millions of corporations with hidden owners.

(9) 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.

(10) Dozens of Internet websites highlight the anonymity of beneficial owners allowed under the formation 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 inviting terrorists and other wrongdoers to form entities within the United States.

(11) In contrast to practices in the United States, all 28 countries in the European Union are already required to have formation agents identify the beneficial owners of the corporations formed by those agents under the laws of those countries.

(12) To reduce the vulnerability of the United States to wrongdoing by United States corporations and limited liability companies with hidden owners, protect interstate and international commerce from terrorists and other criminals misusing United States corporations and limited liability companies, strengthen law enforcement investigations of suspect corporations and limited liability companies, set minimum standards for and level the playing field among State formation practices, and bring the United States into compliance with international

anti-money laundering and anti-terrorist financing 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.—Part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3750 et seq.) is amended by adding at the end the following:

"Subpart 4—Transparent Incorporation Practices

"SEC. 531. TRANSPARENT INCORPORATION PRACTICES.

''(a) INCORPORATION SYSTEMS.—

''(1) IN GENERAL.—To protect the United States from the misuse affecting interstate or foreign commerce of corporations and limited liability companies with hidden owners, each State that receives funding under subpart 1 shall, not later than 3 years after the date of enactment of this subpart, use an incorporation system that meets the following requirements:

''(A) IDENTIFICATION OF BENEFICIAL OWNERS.—Except as provided in paragraphs (2) and (4), 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) identifies each beneficial owner by name, current residential or business street address, and a unique identifying number from a nonexpired passport issued by the United States or a nonexpired drivers license or identification card issued by a State;

"(ii) if any beneficial owner exercises control over the corporation or limited liability company through another legal entity, such as a corporation, partnership, or trust, identifies each such legal entity and each such beneficial owner who will use that entity to exercise control over the corporation or limited liability company; and

"(iii) if the applicant is not a 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 submit to the State an updated list of the beneficial owners of the corporation or limited liability company and the information described in subparagraph (A) for each such beneficial owner not later than 60 days after the date of any change in the beneficial owners of the corporation or limited liability company;

"(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 the 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, criminal, or administrative subpoena or summons from a State agency, Federal agency, or congressional com-

mittee 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 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

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

"(E) NO BEARER SHARE CORPORATIONS.—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.—To meet the requirements under this section, 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 section; and

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

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

"(i) receives funding under subpart 1; and

"(ii) 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 in accordance with this section 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 information relating to a corporation or lim-

ited 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 within 60 days—

"(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, within the 60-day period specified under clause (i), 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 section 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.—An incorporation system described in paragraph (1) shall require

that an application for an entity described in clause (i) or (ii) of subsection (d)(2)(B) 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 section 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)(B) 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)(B); 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 date on which

a State begins requiring beneficial ownership information in compliance 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 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)(B) 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)(B); 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 WITH AN OWNERSHIP INTEREST.—As part of the beneficial ownership information required under subsection (a)(1), neither an applicant seeking to form a corporation or limited liability company nor a

corporation or limited liability company providing updated information is required to identify the beneficial owners of any entity that qualifies as an exempt entity under subsection (d)(2)(B).

"(b) PENALTIES.—

"(1) IN GENERAL.—It shall be unlawful for any person to affect interstate or foreign commerce by failing to comply with this subpart by—

"(A) knowingly providing, or attempting to provide, false or fraudulent beneficial ownership information, including a false or fraudulent identifying photograph, to a State or formation agent;

"(B) willfully failing to provide complete or updated beneficial ownership information to a State or formation agent;

"(C) 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

"(D) 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.

"(c) RULES.—To carry out this subpart, the Attorney General of the United States, the Secretary of Homeland Security, and the Secretary of the Treasury may issue joint guidance or a joint rule to clarify application of the definitions under subsection (d) or to specify how to verify beneficial ownership or other identification information provided under this section, including under subsection (a)(3). Failure to issue any such guidance or rule shall not delay the effective date of the requirements under this subpart.

"(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).

"(C) ANTI-ABUSE RULE.—The exceptions under subparagraph (B) shall not apply if used for the purpose of evading, circumventing, or abusing the provisions of subparagraph (A) or subsection (a).

"(2) CORPORATION; LIMITED LIABILITY COMPANY.—

"(A) IN GENERAL.—Subject to subparagraph (B), the terms 'corporation' and 'limited liability company'—

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

"(ii) 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.

"(B) EXEMPT ENTITIES.—Subject to subsection (a)(4), the terms 'corporation' and 'limited liability company' do not include an entity that—

"(i) is—

"(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, under the laws of the United States, or by an international organization of which the United States is a member;

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

"(XIV) any business concern that—

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

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

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

"(XV) any corporation or limited liability company which is owned, in whole or in substantial part, by an entity described in subclause (I), (II), (III), (IV), (V), (VI), (VII), (VIII), (IX), (X), (XI), (XII), (XIII), or (XIV); or

"(ii) is within any class of business concerns which the Attorney General of the United States, the Secretary of Homeland Security, and the Secretary of the Treasury jointly determine in writing, upon the request of a State, and through an order, guidance, or rule 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 criminal or civil misconduct.

"(3) FORMATION AGENT.—The term 'formation agent' means a person who, for compensation, acts on behalf of another person to form, or assist in the formation, of a corporation or limited liability company under the laws of a State.".

(b) FUNDING AUTHORIZATION.—

(1) IN GENERAL.—To carry out section 531 of the Omnibus Crime Control and Safe Streets Act of 1968, as added by this Act, and to protect the United States against the misuse affecting interstate or foreign commerce of corporations or limited liability companies with hidden owners, during the 3-year period beginning on the date of enactment of this Act, funds shall be made available to each State (as that term is defined under section 901(a)(2) of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3791(a)(2))), to pay reasonable costs to comply with the requirements of such section 531 from one or more of the following sources:

(A) Upon written request by a State, and without further appropriation, the Attorney General of the United States shall make available or transfer to the State funds from 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.

(B) Upon written request by a State, after consultation with the Attorney General of the United States, and without further appropriation, the Secretary of the Treasury shall make available or transfer to the State funds from unobligated balances described in section 9703(g)(4)(B) of title 31, United States Code, in the Department of the Treasury Forfeiture Fund.

(2) ELIGIBLE COSTS.—The Attorney General and Secretary of the Treasury, in their sole discretion, shall determine what costs are reasonable for purposes of paragraph (1), taking into account the maximum amount of funds available for distribution to States under paragraph (3).

(3) MAXIMUM AMOUNTS.—

(A) 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 (1)(A).

(B) 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 (1)(B).

(4) FUNDING AVAILABILITY.—The amounts available to be provided to, and any amounts provided to, a State under paragraph (1) shall be exempt from, and shall not be reduced under, any order under section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901a), including the order for fiscal year 2014 issued by the President on April 10, 2013.

(c) STATE COMPLIANCE REPORT.—Nothing in this Act or an amendment made by this Act authorizes the Attorney General of the United States to withhold from a State any funding otherwise available to the State under subpart 1 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3750 et seq.) because of a failure by that State to comply with subpart 4 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968, as added by this Act. Not later than 42 months after the date of enactment of this Act, the Comptroller General of the United States shall submit to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representa-

tives a report identifying which States are in compliance with subpart 4 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968 and, for any State not in compliance, what measures must be taken by that State to achieve compliance with such subpart 4.

(d) EFFECT ON STATE LAW.—

(1) IN GENERAL.—This Act and the amendments made by this Act do not supersede, alter, or affect any statute, regulation, order, or interpretation in effect in any State, except where a State has elected to receive funding from the Department of Justice under subpart 1 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3750 et seq.), and then only to the extent that such State statute, regulation, order, or interpretation is inconsistent with this Act or an amendment made by this Act.

(2) NOT INCONSISTENT.—A State statute, regulation, order, or interpretation is not inconsistent with this Act or an amendment made by this Act if such statute, regulation, order, or interpretation—

(A) requires additional information, more frequently updated information, or additional measures to verify information related to a corporation, limited liability company, or beneficial

owner, than is specified under this Act or an amendment made by this Act; or

(B) imposes additional limits on public access to the beneficial ownership information obtained by the State than is specified under this Act or an amendment made by this Act.

(3) STATE RECORDS.—Nothing in this Act or the amendments made by this Act limits the authority of a State, by statute or otherwise, to disclose or to not disclose to the public all or any portion of the beneficial ownership information provided to the State under subpart 4 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968, as added by this Act.

(4) 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 subpart 4 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968, as added by this Act.

(e) FEDERAL CONTRACTORS.—Not later than the first day of the first full fiscal year beginning at least 1 year after the date of 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 subpart 4 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968, as added by this Act, to provide the information required to be disclosed under such subpart 4 to the Federal Government as part of any bid or proposal for a contract with a value threshold in excess of the simplified acquisition threshold under section 134 of title 41, United States Code.

SEC. 4. ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING OBLIGATIONS OF FORMATION AGENTS.

(a) ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING OBLIGATIONS OF FORMATION AGENTS.—Section 5312(a)(2) of title 31, United States Code, is amended—

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

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

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

"(Z) any person engaged in the business of forming corporations or limited liability companies; or".

(b) DEADLINE FOR IMPLEMENTING RULE FOR FORMATION AGENTS.—

(1) PROPOSED RULE.—Not later than 120 days after the date of enactment of this Act, the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States, 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 section, to establish anti-money laundering programs under subsection (h) of section 5318 of that title.

(2) 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.

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

(A) any government agency; and

(B) 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. 5. STUDIES AND REPORTS.

(a) OTHER LEGAL ENTITIES.—Not later than 2 years after the date of enactment of this Act, the Comptroller General of the United States shall conduct a study and submit to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives a report—

(1) identifying each State that has procedures that enable persons to form or register under the laws of the State partnerships, trusts, charitable organizations, or other legal entities, and the nature of those procedures;

(2) identifying each State that requires persons seeking to form or register partnerships, trusts, charitable organizations, or other legal entities under the laws of the State to provide information about the beneficial owners (as that term is defined in section 531 of title I of the Omnibus Crime Control and Safe Streets Act of 1968, as added by this Act) or beneficiaries of such entities, and the nature of the required information;

(3) evaluating whether the lack of available beneficial ownership information for partnerships, trusts, charitable organizations, or other legal entities—

(A) raises concerns about the involvement of such entities in terrorism, money laundering, tax evasion, securities fraud, trafficking in illicit drugs, or other criminal or civil misconduct; and

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

(4) evaluating whether the failure of the United States to require beneficial ownership information for partnerships, trusts, charitable organizations, or other legal entities 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 Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives a report assessing the effectiveness of incorporation practices imple-

mented 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 and other civil and criminal misconduct.