

Anti-Money Laundering

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Governor Signs New York LLC Transparency Act into Law

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On Dec. 22, New York Governor Kathy Hochul signed the New York Limited Liability Company Transparency Act (NY LLC Transparency Act) into law.¹ The NY LLC Transparency Act is modeled on the Corporate Transparency Act (CTA), a federal law aimed at tackling tax evasion and financial crimes, that took effect Jan. 1.² We discussed how companies can prepare for the CTA in a prior [Client Alert](#) and explained the CTA Final Rule and its requirements in a subsequent [Client Alert](#).

The NY LLC Transparency Act purportedly targets “anonymous LLCs,” where true owners of LLCs have created shell companies as exploitation vehicles for money laundering, tax evasion, organized crime, corruption, and other forms of financial crimes.³ Historically, according to the New York Legislature, bad actors have been able to conceal their identities because, by design, very little personal information is required to form an LLC. Moreover, true owners can further conceal their identities by nesting between layers of corporate intermediary entities, allowing assets to effectively become washed through anonymous legal entities—a phenomena documented by the investigations into the Panama Papers and the Pandora Papers.⁴

The NY LLC Transparency Act goes into effect on Dec. 21, 2024, and unless one of the 23 exemptions that track the statutory exemptions in the CTA apply,⁵ such as for large operating companies, broker-dealers, publicly traded companies, insurance companies, registered investment advisers, and certain subsidiaries of such exempt entities, it will require LLCs formed or authorized to do business in New York to file documentation with the Secretary of State.

The NY LLC Transparency Act requires the reporting entity to file certain information for any individual who is a beneficial owner⁶ as defined in the act including, but not limited to full legal name, date of birth, current business address, and unique Financial Crimes Enforcement Network identifying number.⁷ For LLCs that make CTA filings with the federal government, the NY LLC Transparency Act permits the LLC to file a copy of the same form with the NY Department of State. Failing to comply with the NY LLC Transparency Act can result in a civil fine of \$250 per entity and a public listing of noncompliance.⁸

This year will be pivotal for businesses in New York to get ahead of the implementation of the NY LLC Transparency Act. If you are unsure whether the NY LLC Transparency Act is applicable to you, feel free to contact one of the listed authors of this client alert, or collectively at LSAMLTeam@lowenstein.com.

¹ Press Release, Governor Hochul Signs the LLC Transparency Act (Dec. 23, 2023), <https://www.governor.ny.gov/news/governor-hochul-signs-llc-transparency-act>.

² Beneficial Ownership Information Reporting Requirements, 87 Fed. Reg. 59498 (Nov. 30, 2023) (to be codified at 31 C.F.R. 1010).

³ *Senate Bill S8439B Summary*, NEW YORK STATE SENATE, <https://www.nysenate.gov/legislation/bills/2021/S8439>.

⁴ *Id.*

⁵ LLC Transparency Act, N.Y. S.995 (2023); see also 31 U.S.C. Section 5336(a)(11)(B).

⁶ “Beneficial Owner,” like in the CTA, is defined as any individual who, directly or indirectly, either exercises substantial control over such reporting company or owns or controls 25% or more of the ownership interest of such reporting company. See LLC Transparency Act, N.Y. S.995 (2023); see also 31 U.S.C. Section 5336(a)(11)(B).

⁷ See 31 U.S.C. Section 5336(a)(11)(B). The Secretary will maintain a public database that includes: (1) the name of the business entity; (2) the history of such name and/or any name changes; (3) the current business street address and county; (4) the duration or date of dissolution of the business entity; (5) the date of initial filing of articles of organization; (5) the date of the most recent filing; and (6) the filing history associated with the entity for every reporting entity across the state.

⁸ *Id.* at fn 5.

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