

Banking and Finance Law Daily Wrap Up, BANK SECRECY ACT—FinCEN ‘permanently ends’ beneficial ownership reporting requirement for U.S. small business owners, (Aug. 12, 2026)

Banking and Finance Law Daily Wrap Up

By Justin Marcus Smith, J.D.

FinCEN will still require foreign entities that are “reporting companies” to report beneficial ownership information for foreign individuals in light of current National Money Laundering Risk Assessments.

The Treasury Department [announced](#) that the Financial Crimes Enforcement Network (FinCEN) has issued a [final rule](#) “permanently” removing the requirement for U.S. companies and U.S. persons to report business entity beneficial ownership information (BOI) to FinCEN under the Corporate Transparency Act (CTA). Treasury Secretary Scott Bessent deemed the FinCEN decision a “victory for common sense and American small businesses” consistent with President Trump’s promise to cut red tape. Bessent said the decision will not compromise national security. In a separate [FAQ](#), Treasury said it considered that there are “alternative sources” of information to mitigate the crime and national security risks posed by domestic business entities. In contrast, the FACT Coalition was highly critical that the new rule “violates [the CTA] and the Constitution, and undermines important public safety and national security goals.” FinCEN specified it would “delete” information previously reported by U.S. persons who will now be exempt from the BOI reporting requirement, effective with the other provisions of the final rule, as of publication in the Federal Register.

Background. BOI refers to identifying information about natural persons who directly or indirectly own or control a company. In 2022, the FinCEN issued a final rule that established a BOI reporting requirement pursuant to the bipartisan Corporate Transparency Act (CTA) (see [Banking and Finance Law Daily](#), Sept. 29, 2022). The BOI reporting rule required most corporations, limited liability companies, and other entities created in or registered to do business in the United States to report information about persons with beneficial ownership interests to FinCEN. Specifically, the rule required reporting companies to report four pieces of information—name, birthdate, address, and a unique identifying number and issuing jurisdiction from an acceptable identification document, along with the image of such document—for each person with a beneficial ownership interest (BOI).

Many hailed the BOI reporting rule as the culmination of years of bipartisan efforts by Congress, the Treasury, national security agencies, and law enforcement to boost transparency and to help stop criminal actors, such as oligarchs, kleptocrats, drug traffickers, human traffickers, and others who abuse anonymous shell companies to hide illicit proceeds. The final rule took effect Jan. 1, 2024.

Certain requirements ended. FinCEN summarized that the new final rule, which largely ends the BOI reporting requirement for roughly 27.5 million reporting companies, as follows:

- adopts exemptions set out in the interim final rule (IFR) issued in March 2025, making the rollback of beneficial ownership reporting by U.S. companies permanent, albeit some commenters urged Congressional amendment;
- exempts U.S. persons who already obtained FinCEN IDs from any further obligation to update or correct the information they originally provided to FinCEN to obtain their FinCEN IDs;
- eliminates the requirement for foreign companies to report U.S. person “company applicants” (*i.e.*, the individuals who helped those foreign companies register to do business in the United States);

- exempts foreign pooled investment vehicles registered in the United States from reporting the beneficial ownership information of a U.S. person in control of the investment vehicle; and
- confirms that FinCEN will delete information about any individuals—company applicants, beneficial owners, or recipients of a FinCEN ID—that FinCEN reasonably believes is a U.S. person (e.g., the information is linked to a U.S. passport or U.S. driver's license); an accompanying FAQ said FinCEN is presently “implementing a process” to delete previously uploaded information and that it “anticipates working with the National Archives and Records Administration (NARA) to ensure FinCEN is abiding by all applicable Federal records laws.”

Continued reporting. The FAQ clarified that “reporting companies” under the revised reporting requirements “include only those entities that are formed under the law of a foreign country and have registered to do business in any U.S. State or Tribal jurisdiction by the filing of a document with a secretary of state or similar office.” The FAQ advised that entities should review qualifying or exempt criteria carefully. The FAQ reiterated what the remaining “reporting companies” must still report.

IFR comments. The final rule described a range of public comments received in connection with the IFR, 118 comments in total, including a comment from a U.S. state secretary of state and several U.S. Senators. Forty comment letters were “clearly supportive” of the FinCEN IFR decision to narrow the BOI reporting requirements; 28 were strongly opposed; and 50 did not take a clear position either way.

The state secretary of state and mainly small businesses, accountants, and lawyers, voiced support for narrowing BOI reporting requirements. Some noted the Internal Revenue Service (IRS) already collects information about certain beneficial owners of some businesses. Most prominently, this group requested deletion of the BOI that U.S. persons already reported.

Commenters who urged withdrawal of the IFR disputed whether it comported with Congressional intent for the CTA or disputed the FinCEN conclusion that the BOI reporting benefit did not justify the burden. The final rule also described a variety of other kinds of comments, including those about FinCEN implementation and enforcement.

Alternative information. The final rule mentioned that the “the reduction in expected benefits may, in some cases, be attenuated by the availability of alternative sources of similar information (e.g., commercially available information) to the extent that such sources can be treated as substitutes as opposed to complements.”

FACT Coalition criticism. In a [press release](#), FACT Coalition co-director Erica Hanichak expressed criticism that the new final rule “keeps the floodgates open for criminals to launder money through U.S. shell and front companies.” She said the Treasury Department “handed a major victory to U.S. adversaries, corrupt officials, fraudsters, and tax evaders who use our financial system to move and hide illicit wealth.”

Joining in the press release, CPAC senior policy advisor Frank Russo, also a partner at Modern Fortis, a public safety strategic advocacy firm, stressed that “[l]aw enforcement needs financial tools to investigate and stop criminal networks operating in the shadows.” Russo said the CTA remains valuable, but he stated the FinCEN decision to end most BOI reporting “failed to strike the appropriate balance in implementing it, crippling public safety officers’ ability to protect and serve their communities.”

The FACT Coalition press release continued that the FinCEN decision ran contrary to a recent Government Accountability Office (GAO) analysis and disregarded evidence that Congress accumulated over a decade about how law enforcement investigates crimes enabled by “opaque networks of U.S. shell companies.”

Nelson Bunn, Executive Director of the National District Attorneys Association, who likewise participated in the FACT Coalition press release, said FinCEN has “significantly hindered prosecutors’ ability to identify the bad actors from legitimate businesses when investigating U.S. shell companies used by transnational cartels, human traffickers, and cyberscammers.” He called the BOI reporting requirement an “indispensable tool” for protecting the public.

The FACT Coalition release assessed that although the 2026 National Money Laundering Risk Assessment justified narrowing the focus of the CTA to foreign actor national security and illicit finance risks, those actors “commonly use U.S. entities that are now exempt from disclosure.” Meanwhile, domestic criminals use the same shell entity obfuscatory tactics. The new rule is “nearly identical” to a predecessor “widely opposed” in public comments by law enforcement.

The FACT Coalition concluded its opposition statement with a warning that the FinCEN decision is likely to result in Financial Action Task Force (FATF) censure in the forthcoming FATF mutual evaluation report expected this fall. FATF is the international anti-money laundering standard setter. The FACT Coalition reported that FATF has made beneficial ownership transparency a “priority” in its upcoming round of evaluations. Although FATF upgraded the U.S. to “largely compliant” in connection with beneficial ownership transparency in 2024 thanks to CTA implementation, the FACT Coalition concluded “[t]he changes in today’s final rule jeopardize these improvements.”

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