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Unveiling the wave of transparent legislation: A global effort to combat crime

By Hassan Chaudry

In an era marked by technological advancements, the popularity of artificial intelligence, complex supply chains, and an increasingly interconnected global economy, the battle against financial crimes—including money laundering and corporate corruption—has become more sophisticated and challenging. Governments worldwide are recognizing the need for greater transparency to ensure protection against illicit activities. One significant stride in this direction is the wave of transparent legislation being introduced, with prominent examples being the Corporate Transparency Act (CTA) in the U.S. and the Economic Crime and Corporate Transparency Bill in the U.K. These legislations aim to enhance disclosure of ultimate beneficial ownership (UBO), providing compliance professionals with the tools to effectively screen for money laundering, adverse media risks, politically exposed persons, and sanctions. This article explores the implications, challenges, and global impact of these initiatives.

Understanding the urgency

Financial crimes pose a substantial threat to the stability and integrity of global economies. Money laundering has emerged as a pervasive issue, with criminals exploiting complex corporate structures to conceal the true beneficiaries of funds. Recognizing the urgency to address these challenges, governments are turning to legislation that mandates the disclosure of ultimate beneficial ownership.

Corporate Transparency Act in the U.S.

The CTA, signed into law in January 2021, represents a landmark development in the U.S. effort to combat money laundering and illicit financial activities. The legislation introduces a robust framework for collecting, maintaining, and accessing beneficial ownership information. Under the CTA, certain corporations and limited liability companies are required to report beneficial ownership information to the Financial Crimes Enforcement Network. The disclosed information includes the names, addresses, and other identifying details of individuals who directly or indirectly own a substantial interest in the reporting entity.

This legislation not only empowers law enforcement agencies and regulatory bodies but also significantly enhances the capabilities of compliance professionals. By having access to comprehensive UBO data, these professionals can more effectively screen for potential money laundering activities and mitigate potential risks.

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