

Transparency Register: Heads up – the first round of fine notices have been issued

The regulations underpinning the Transparency Register came into force as early as the autumn of 2017. However, in view of various fines being imposed by the Federal Office of Administration (Bundesverwaltungsamt) for breaches of disclosure and reporting obligations, today the issue is shifting increasingly into focus.

In this issue of “In a nutshell.” we would, therefore, like to draw your attention once again to the newly introduced Transparency Register as a special feature of the Money Laundering Act (GWG), even though this is a legal issue characterised by limited links to tax law. For reasons stemming from laws governing professional activity, providing advice on the Money Laundering Act (GWG), which also regulates the disclosure obligations in the Transparency Register, is reserved for lawyers. Given that this area affects many of our clients, we have prepared the following summary for you in collaboration with SLB Kloepper Rechtsanwälte, Munich.

With the reform of the Money Laundering Act (GWG), regulations pertaining to the so-called “Transparency Register” (Sections 18 to 26 GwG) were subsequently introduced. This Register is maintained in addition to the Commercial Register with regard to certain information under company law. The Transparency Register is intended to bring about transparency within existing company law participation structures for legal entities under private law, in particular the company forms of **GmbH, UG and AG** as well as **registered partnerships**. The relevant natural persons behind the domestic company must also be identified.

Who is affected?

Are you a shareholder, managing director or board member of an

- **AG, GmbH, UG (limited liability) or**
- **OHG, as well as any form of KG or**
- **foundation, cooperative, partnership company or association**

or a natural person who holds, either directly or indirectly, shares in this company

- **which are in excess of 25%** of the capital & voting shares, or who
- **exercises control in a comparable way?**

... Then you should take a closer look at the subject.

What are the obligations?

- **Obligatory registration** is stipulated by law
- **Ongoing monitoring** of the existence of reporting obligations
- **Documented proof** of the review and monitoring of your reporting obligations

What sanctions could be imposed?

- **High penalties / severe fines for violations**

According to the new catalogue of fines issued by the Federal Office of Administration (Bundesverwaltungsamt), the fine has quintupled, e.g. for those who fail to disclose/register.

In principle, fines are imposed on obligated natural persons, but they can also be imposed on the company or the person tasked with a supervisory role in a company/business on the grounds of a breach of their supervisory duty.

- **Online shaming**

Existing and valid decisions regarding fines are published on the Internet for five years and can be viewed by anyone.

What indirect consequences and complications are conceivable?

- Possible exclusion from public contracts
A breach of the provisions of the Money Laundering Act (GWG) may, under certain circumstances and at the discretion of the authorities, constitute a so-called ground for exclusion as a tenderer in the awarding of public contracts.
- Potential impairment of the company's "good will" due to negative public perception
- Entry in the Central Trade Register (generally for a fine of EUR 200 upwards)
- Possible restriction of public funding
- Possible entry restrictions in certain countries (e.g. USA)

What do we advise?

As with many other amendments to bureaucratic administrative procedures, we, unfortunately, have to assume that the authorities will ensure, by means of a corresponding practice of issuing fines, that the rules of the Transparency Register go further and are complied with by all those concerned. However, as with all similar amendments, there are many questions of doubt as to who, what and how the new obligations are to be fulfilled.

As we are not permitted to offer any advice on this topic for professional reasons, we strongly recommend to consult an attorney at law.

You are also welcome to contact our cooperation partner Dr. Straßberger at SLB Kloepper Rechtsanwälte, who, along with his team, focuses on the Transparency Register.



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