



SPONSOR: Rep. Kowalko & Sen. Ennis
Rep. K. Williams

HOUSE OF REPRESENTATIVES
149th GENERAL ASSEMBLY

HOUSE SUBSTITUTE NO. 1
FOR
HOUSE BILL NO. 57

AN ACT TO AMEND TITLE 6 OF THE DELAWARE CODE RELATING TO LIMITED LIABILITY COMPANIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

1 Section 1. Amend Chapter 18, Title 6 of the Delaware Code by making deletions as shown by strike through and
2 insertions as shown by underline as follows:

3 Sec. 18-1110. Intergovernmental coordination.

4 (a) The Secretary of State shall not certify for formation or domestication nor register a limited liability company
5 (LLC) for any person, group, organization, or government placed on the lists of the Active Sanctions Program of the Office
6 of Foreign Assets Control (OFAC) of the United States Department of the Treasury (DOT) whether requested by a
7 registered agent or the sanctioned person, group, organization or government directly..

8 (b) Registered agents under contract with the Department of State, Division of Corporations, shall use the OFAC
9 sanctions lists to screen potential clients in order to avoid filing certificates for formation, domestication, or registration of a
10 limited liability company for persons, groups, organizations, or governments whose names appear on said lists. The
11 Secretary of State shall provide to all registered agents a link to the OFAC website and its Resource Center.

12 (c) Other registered agents who file applications for clients shall also use the OFAC sanctions lists to screen out
13 potential clients who appear on any of the sanctions lists.

14 (d) Registered agents identifying a match of an applicant with a name on one of the sanctions lists shall not be
15 required by this law to report the match to any government authority. The registered agent's obligation will be to simply
16 reject the applicant as a client.

17 (e) Federal law contains penalties for doing business with a party on the OFAC sanctions lists. The Secretary of
18 State may issue additional State regulatory provisions and penalties to supplement those if the need for additional
19 deterrence is shown.

20 Section 2. The Secretary of State shall provide a copy of this Act and the link to the Office of Foreign Assets
21 Control website and its Resource Center where the sanctions lists may be found to all registered agents who have filed
22 certificates or applications for LLCs with the State of Delaware in the past year within one week following the Governor's
23 signature on this bill. Thereafter they shall be published on the Division of Corporations' webpage.

24 Section 3. The provisions of Section 1 of this Act shall be effective October 1, 2018.

SYNOPSIS

In an attempt to obey federal law, to coordinate with the federal law enforcement agencies, and to assist Delaware registered agents who form LLCs to avoid severe federal fines, this bill attempts to prevent the use of our Limited Liability Act by persons, businesses, groups and nations identified by federal agencies as a threat to this country. Listed entities on OFAC sanctions lists are narcotics traffickers, terrorists, or criminal enterprises with whom federal law forbids Americans from doing business. The means of meeting these objectives is by requiring screening of potential clients (applicants) by companies who are registered agents approved by this State to represent clients who form LLCs. No sanctions will be employed to obtain cooperation, unless the Secretary of State, who already has the authority to deal with registered agents, finds that they are not cooperating.