

**For Discussion in Colorado Secretary of State Fraudulent Business Filings Working Group
January 11, 2023**

One example of a way to secure business filings via Registered Agent while also potentially reducing the cost and burden on CDOS.

1. Require All Registered Agents to Create a Registered Agent User Account within CDOS either as a Commercial Registered Agent (CRA) or as a Beneficial Owner Registered Agent (BORA).

a. Commercial Registered Agents (CRAs)

A CRA is a Corporate Entity that is acting as a Registered Agent for a business they do not own. The CRA must be physically located in Colorado.

- i. CDOS will verify both the Colorado physical address (via mailed PIN) and authenticate the identity of the responsible party (via Colorado ID check) prior to allowing the CRA to complete the user registration process.
- ii. Should the CRA update its physical location or their responsible party, CDOS will verify the new physical address and/or authenticate the new responsible party.
- iii. CDOS will automatically reverify the Colorado physical address and reauthenticate the responsible person at an interval that has yet to be decided.
- iv. Should address verification or responsible party authentication fail after X attempts, the businesses that the CRA is a registered agent for will be notified that they must select a new CRA otherwise their businesses will be dissolved and the CRA will not be allowed to be listed as a RA on any new filings.

b. Beneficial Owner Registered Agents (BORA)

A BORA is someone that is acting as a Registered Agent for business(es) that they own. The BORA must physically reside in Colorado.

- i. CDOS will verify both the Colorado physical address (via mailed PIN) and authenticate the identity of the owner (via Colorado ID check), but still allow them to incorporate their business while awaiting this information. However, until the physical address is verified, the entity that they incorporate will have a status of "Good Standing - Pending."
- ii. Should the BORA update their physical location or its owner, CDOS will verify the new physical address and/or authenticate the new owner.
- iii. CDOS will automatically reverify the Colorado physical address and reauthenticate the owner at an interval that has yet to be decided.
- iv. Should address verification or owner authentication fail after X attempts, the business will be automatically dissolved.

2. Commercial Registered Agent Information and Document Retention Requirements

- a. CRAs must maintain up-to-date records that provide the verifiable identity, address, and contact information for at least one officer or director of the entity/entities for which they are Registered Agents. This information and documents are subject to audit and verification by appropriate law enforcement personnel.

- b. Should the CRA be found to not be in compliance with this record keeping requirement, they will be assessed penalties of... (examples):
 - i. a fine of \$X per business
 - ii. Suspension of their CRA status
 - iii. Require the businesses they are RAs for to select new RAs within a certain period to maintain their Good Standing status.
 - iv. Criminal penalties

How this would work during the filing process

1. The filer would follow the same process that they currently do now to file a business with the exception of having to select a CRA as their registered agent from a list or by selecting the BORA option.
2. Should they select a CRA, they would complete their filing as usual. The CRA will be instantly automatically notified via their registered email address and they can either accept or decline their role as the CRA for the entity. Should the CRA decline, the filer will be notified via email that they must choose another CRA in order to complete the business filing. If the CRA accepts, then the business filer will receive an email notifying them the business filing is complete.
3. Should they select BORA, the filer will be instructed to create a BORA user account first and then file use their BORA account number to complete the filing process.

Benefits of Verifying and Authenticating only the RAs (CRAs or BORAs)

1. CDOS would only need to verify and authenticate RAs
2. CDOS would only need to be concerned with manual password resets for CRAs and BORA accounts instead of for all business accounts.
3. CDOS could charge a small fee annual fee for CRA and BORA user accounts to offset verification, authentication, and customer service costs, without changing business registration fees.
4. Filers can still file as effortlessly as they do now with little to no delay.
5. Filers can still maintain as much privacy as they have today.
6. Bad actors attempting to create illicit shells would be stymied by the new CRA/BORA user account process.
7. Civil litigators and law enforcement will have an authenticated Colorado address to serve and they will have an authenticated Colorado person to speak with and to obtain KYC from regarding suspect businesses.