ENTITY MANAGEMENT – A NEW ESSENTIAL FOR GOVERNANCE AND COMPLIANCE

CORPORATE GOVERNANCE — INFORMATION CENTRAL

When a business entity is formed, along with it comes ongoing regulatory compliance and administrative maintenance. All states require annual report filings. Public companies must monitor insider trading and SEC compliance. The Sarbanes-Oxley and Dodd-Frank Acts imposed new internal record-keeping requirements. In addition, the management team, board of directors, audit committees and regulators regularly request entity information, and other departments need access to corporate data in the course of day-to-day business.

The corporate governance, compliance or legal department is the hub for maintaining compliance and fielding these frequent requests. A central part of the corporate governance and compliance team’s job is managing this inflow and outflow of information and maintaining the corporate data and documents that inform all these transactions and filings.

Taken together, this is called entity management (While also known as subsidiary management, this article uses the broader term of entity management.)

GOOD ENTITY MANAGEMENT IS A STRATEGIC FUNCTION

At its most basic, entity management is: 1) staying up-to-date on the fiduciary, regulatory and statutory responsibilities of a business entity and its directors, officers, managers and partners, 2) advising the board, management and committees on these corporate governance matters, and 3) actively maintaining and managing the corporate record to support all transactions, filings, reports, and audits to fulfill these responsibilities.

This simple definition also shows the degree to which entity management permeates all other corporate governance and compliance functions. Once seen as a time-consuming statutory requirement for running a modern business, entity management has emerged as its own discipline.

Corporate secretaries and paralegals report that the one constant in their day is the need for instant, real-time access to subsidiary and related data and documents. Accurate entity information is required for almost every routine business process. For each and every entity, a corporate secretary must manage 100 or more discrete and unique data points. These range from the most basic, such as the name of the entity and its state of formation, to the more specific, such as bank account numbers for foreign overseas subsidiaries. Each of these pieces of information is essential to compliance filings and other legal documents, as well as to the corporate secretary’s important advisory role.
YOU’RE KNOWN BY THE DATA YOU KEEP

The corporate record is a dynamic body of information that reflects any and all changes to the business, such as mergers, acquisitions, and changes to the entity’s name, legal structure, ownership, directors and more, all of which must be managed. Consider some of the information needs within the typical corporate governance and compliance responsibilities:

Compliance

› Track all entity attributes, management structure, capital structure and ownership as baseline information for effective overall management.
› Know jurisdictions that all entities are qualified in, and filing deadlines in order to file annual reports.
› Know compliance ownership reporting, preclearance procedures and reporting processes to complete SEC Section 16 filings for directors and officers.

Governance

› Oversee the full corporate database to ensure adherence to required corporate secretarial procedures.
› Manage a comprehensive compliance calendar for filings due dates and required shareholder, board, and committee meetings.
› Maintain meeting minutes and resolutions to provide clear visibility into governance actions for relevant stakeholders.
› Track all corporate lifecycle activity and events and maintain documentation for reporting, audits and future corporate actions.

Board of Directors

› Record and maintain the minutes of board and committee meetings, and produce reports to ensure that appropriate governance matters are brought to the attention of the board and management.
› Manage consent and resignation templates and documents for each entity to meet state compliance requirements, support corporate transactions, and manage risk.

› Maintain an address book for all officers, directors, etc. for meetings and other contact needs.

Management

› Supply ownership information for mergers, acquisitions and other business deals, as well as for regular management review.
› Produce reports quickly for management and other departments, such as tax and finance, as needed.

INTERACTIVE SYSTEMS TAME THE COMPLEXITY

More corporate secretaries and corporate legal departments are using online entity management systems to manage their complex information and entity management needs. This has helped them to both integrate “best in class” practices within their own departments and simultaneously implement an organization-wide entity management strategy. Workflow automation has helped drive higher quality, more timely corporate compliance and improved oversight without requiring additional staff. For example, role-based security settings allow corporate secretaries to delegate updates to the departments that implement them, such as tax, legal and compliance. Outside counsel, auditors and board members can also interact with the data on an “as needed” basis.

CONCLUSION

Entity management has become a more important function for corporate governance and compliance professionals, taking up more of their day. Because all other essential governance and compliance functions rely on a dynamic, accurate corporate record, best practices in entity management will enhance the corporate secretary and paralegal’s central role as governance advisor, as well as maximize their efficiency and accuracy and help contain costs. New tools and industry expertise help professionals to manage, access and share corporate data, even on a moment’s notice. Consider evaluating your own entity management practices to target how you can benefit from current innovations and best in class tools.