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Financial Accountability & Corporate Transparency

June 28, 2017

The Honorable Carolyn B. Maloney
United States House of Representatives
2308 Rayburn House Office Building
Washington, DC 20515

The Honorable Peter T. King
United States House of Representatives
339 Cannon House Office Building
Washington, DC 20515

The Honorable Edward R. Royce
United States House of Representatives
2310 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
United States House of Representatives
2221 Rayburn House Office Building,
Washington, DC 20515

RE: Corporate Transparency Act

Dear Representatives Maloney and King,

We, the undersigned organizations, write to express our strong support for your bipartisan Corporate Transparency Act, which would require companies to disclose information about the real people who own or control them (often called the “beneficial owners”) at the time they are created.

We support increased corporate transparency because it would (1) safeguard our national security and expose terrorist financing; (2) curb corruption and fraud, which robs taxpayers of resources designated for infrastructure, and other critical needs; (3) provide critical tools to law enforcement and others to combat money laundering; (4) promote sound corporate governance and financial stability; (5) combat human trafficking; (6) curtail the financing of drug cartels; and (7) help ensure a fair and level playing field for small- and medium-sized businesses.

Many U.S. states rank among the easiest places in the world to set up a company whose owners cannot be traced.¹ In many states, you need less identification to set up a company than you do to get a library card.² The lack of transparency allows corrupt foreign official to divert resources from public treasuries and destabilize the economies of developing nations. As shown last year by the Pulitzer-Prize-winning revelations of the Panama Papers and by CBS’ 60 Minutes, it’s all too easy to move suspect money in the

¹ Findley, Michael et al. "Global Shell Games: Testing Money Launderers’ and Terrorist Financiers’ Access to Shell Companies." https://www.griffith.edu.au/_data/assets/pdf_file/0008/454625/Oct2012-Global-Shell-Games.Media-Summary.10Oct12.pdf

² Findley, Michael et al. "Global Shell Games: Testing Money Launderers’ and Terrorist Financiers’ Access to Shell Companies." https://www.griffith.edu.au/_data/assets/pdf_file/0008/454625/Oct2012-Global-Shell-Games.Media-Summary.10Oct12.pdf

U.S. through anonymous companies created in this country.³

Investigations continue to reveal that terrorists, drug cartels, human traffickers, arms dealers, corrupt foreign officials, tax evaders, sanctioned individuals, and other criminals easily and regularly set up U.S. shell companies without providing any information about who owns or controls such companies.⁴ Criminals often layer anonymous corporations, with one owning another and so on, to make it even harder for law enforcement to “follow the money” to figure out who is directing the company’s activity — i.e. the identity of the real criminal. These tactics enable criminals to disguise their identities behind the anonymity provided to U.S. companies and to launder dirty money through the U.S. financial system. The lack of transparency also allows corrupt foreign official to divert resources from public treasuries and destabilize the economies of developing nations

Anonymous companies have been set up in states across the U.S. to commit crimes and hurt Americans throughout the country. Some examples include:

- A gang used anonymous companies from Kansas, Missouri, and Ohio to trick victims from overseas in a \$6 million human trafficking scheme.⁵
- A crime syndicate opened fake health clinics across the country in the names of anonymous companies from states including Alabama, California, Colorado, Kentucky, Maryland, Nevada, New Mexico, and Texas to steal at least \$35 million from Medicare.⁶
- The Iranian government used an anonymous company from New York to conceal its ownership of a skyscraper on 5th Avenue, in direct breach of sanctions.⁷
- Con artists tricked churchgoers and military personnel into investing millions in a South Carolina company that turned out to be a Ponzi scheme.⁸
- Texas lawyers used sham companies from Delaware and Nevada to trick elderly people into investing their life savings in worthless enterprises.⁹

Currently, no state collects ownership information.¹⁰ A uniform, federal requirement that no company can be registered anonymously is the most effective way to ensure a level playing field for states. A change in the law would save money from states’ budgets by reducing the time and money currently

³ <http://www.cbsnews.com/news/anonymous-inc-60-minutes-steve-kroft-investigation/>

⁴ Special Report: A little house of secrets on the Great Plains." Reuters. June 28, 2011. <http://www.reuters.com/article/us-usa-shell-companies-idUSTRE75R20Z20110628>

⁵ "Great Rip Off." Global Witness. Accessed June 16, 2017.

<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/>.

⁶ *ibid.*

⁷ "Manhattan U.S. Attorney Announces Court Judgment Finding Midtown Office Building Secretly Owned And Controlled By Government Of Iran Subject To Forfeiture For Violations Of The Iranian Transactions Regulations And Money Laundering Offenses." The United States Department of Justice. September 17, 2013, <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-court-judgment-finding-midtown-office-building-secretly>

⁸ Great Rip Off." Global Witness. Accessed June 16, 2017.

<https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/>.

⁹ *ibid.*

¹⁰ Special Report: A little house of secrets on the Great Plains." Reuters. June 28, 2011.

<http://www.reuters.com/article/us-usa-shell-companies-idUSTRE75R20Z20110628>

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spent trying to track down the anonymous company owners behind so many crimes in the United States. The Departments of Justice and Treasury have offered \$40 million to offset the cost of states updating their systems to include beneficial ownership information, drawing from funds they have recovered from prosecuting precisely the types of criminals that this law would help stop in their tracks.¹¹ By increasing the collection of fines and penalties that result from the improved ability of law enforcement to pursue and prosecute these criminals, the law would also generate new revenue for states.

As momentum builds globally to solve the problem of anonymous companies, the U.S. needs a policy solution that will address our role in it. Congress should pass legislation that requires all companies to disclose their ultimate owners to the government when they incorporate and to keep that information up to date. The government entity collecting the information should then make it available to law enforcement.

We thank you for your leadership and look forward to working with you on this important and commonsense step to make our corporate formation process more transparent. Your bill will make it harder for criminals to misuse American companies to facilitate illegal activities and stop the U.S. from being a dumping ground for dirty money. Please feel free to reach out to Clark Gascoigne (cgascoigne@thefactcoalition.org), Eryn Schornick (eschornick@globalwitness.org), or Liz Confalone (lconfalone@gfintegrity.org) for any additional information or questions.

Thank you for your commitment to this important issue.

Sincerely,

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¹¹ Great Rip Off. <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off>

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cc: Members of the U.S. House Committee on Financial Services

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