

## WHAT THEY ARE SAYING ABOUT ENDING ANONYMOUS SHELL COMPANIES

➤ **Eric O'Neill, Former FBI Counterintelligence Operative, in *Washington Examiner***

[Congress Should Close Loopholes For Anonymous Shell Companies](#)

"With House committee passage of the Corporate Transparency Act, and the introduction of a Senate companion bill that enjoys bipartisan support, the momentum is now firmly behind an effort to finally close legal loopholes that allow criminals to hide behind anonymous shell companies...The solution presented in these bills is amazingly, shockingly simple: It requires the people registering businesses to identify themselves to the government. Any reasonable person would assume that that was already part of the process of registering a business. But it isn't...The primary beneficiaries of the defective status quo are those who rely on its design to cloak their activities from the government. That includes, in the most serious cases, terrorists and drug lords. But it also facilitates money laundering, fraud, tax evasion, and other financial crimes."

➤ **Jim Saksa, Reporter, *Roll Call***

[Bill Cracking Down On LLCs Used For Tax Evasion And Money Laundering Faces Obstacles](#)

"By many accounts, the U.S. is one of the largest havens for money laundering and tax evasion. A United Nations report, confirmed by the Treasury Department, estimated \$300 billion in illicit proceeds flowed through the U.S. financial system in 2010...The U.S. is a popular destination for despots to deposit ill-gotten gains in large part because of its corporate registration system, or lack thereof... Maloney's bill would keep beneficial ownership information secret except from law enforcement and customer-authorized banks, which could rely on the FinCEN filings to fulfill their customer due diligence requirements."

➤ **Steven M. D'Antuono, Acting Deputy Assistant Director at the FBI, *Statement Before Senate Banking, Housing, and Urban Affairs***

[Combating Illicit Financing by Anonymous Shell Companies](#)

"The U.N. Office on Drugs and Crimes estimates that global illicit proceeds total more than \$2 trillion annually, and proceeds of crime generated in the United States were estimated to total approximately \$300 billion in 2010. For an illegal enterprise to succeed, criminals must be able to hide, move, and access these illicit proceeds—often resorting to money laundering and increasingly utilizing the anonymity of shell and front companies to obscure the true beneficial ownership of an entity...A significant number of the challenges described above could be mitigated by requiring legal entities to disclose beneficial ownership information, and by creating a central repository of that information which would be available to law enforcement and regulators. There are numerous examples of such requirements around the world, including by some of our closest partners."

➤ **Sens. Mark Warner, Tom Cotton, Doug Jones and Mike Rounds, on *CNBC***

[Senators: We're Cracking Down On Shell Companies And Money Laundering](#)

"The United States has become one of the go-to destinations for the creation of anonymous shell companies, allowing human traffickers, terrorists, money launderers, sanctions evaders, kleptocrats, and other criminals to promote criminal activities here in the United States undetected. To make matters worse, banking laws designed to detect and combat money laundering and illicit financial activities haven't been updated comprehensively in decades...We've worked together to draft bipartisan legislation that would require U.S. shell companies to report their true owners so that law enforcement can better track and penalize illicit criminal activities. Legitimate U.S. businesses have much to gain from a crackdown on anonymous shell companies. Businesses will avoid lost revenue from counterfeit goods and risks to reputational damage from unknowingly dealing with criminal organizations. At the same time, reporting this information shouldn't mean hours of new paperwork or other costly reporting obligations. Our bill mandates that new corporate-reporting obligations be well-tailored and integrated within existing reporting requirements so they don't place needless burdens on small businesses."

*Statements from the Senators' Press Release:*

- "We must be vigilant and ensure that our financial system is not being misused to fund individuals and groups who intend harm to the United States and our allies," **said Sen. Warner**. "This legislation will empower the Treasury Department and other appropriate agencies to better protect our financial system from such abuse, and will ensure that we are using all the tools at our disposal to protect our national security."
- "The United States ought to make it as difficult as possible for criminals and terrorists to finance their evil deeds. Our draft bill makes it easier for law enforcement to track ill-gotten gains without burdening legitimate businesses," **Sen. Cotton said**.
- "As a former U.S. Attorney, I am all too familiar with criminals hiding behind shell corporations to enable their illegal behavior. At the same time, our anti-money laundering laws have not kept pace with the increasingly sophisticated means by which criminals and terrorist organizations use our financial system to move their money around the world. This bipartisan legislation addresses both challenges and gives law enforcement the tools they need to protect Americans and prosecute criminals," **said Sen. Jones**.

- "Fighting crime and depriving terrorists of the tools they use to engage in illicit activity within our financial system is vital to protecting Americans," said **Sen. Rounds**. "Our legislation seeks to protect our financial system from bad actors by streamlining our government's anti-money laundering system and simultaneously protecting small businesses from undue compliance burdens. I'm proud to partner with my colleagues on this important legislation and look forward to advancing it in the Senate."

➤ **Samuel Rubinfeld, Reporter, *Wall Street Journal***

[Delaware Backs Overhaul of Shell-Company Rules](#)

"Companies are incorporated at the state level, but federal lawmakers are searching for a way to oversee the process. They have tried for a decade to pass a bill that would require companies to identify their owners at the time they are formed, but certain states, including Delaware, have balked... Earlier this month, however, a key Delaware official endorsed proposed federal changes to incorporation laws that come as part of an overhaul meant to deter money laundering and terrorism financing. The changes would put the federal government, instead of the states, in charge of corporate-ownership issues... "It's time to get something workable that can actually help law enforcement, and get it passed," said Delaware Secretary of State Jeffrey Bullock in a recent interview about the endorsement."

➤ **Comptroller of the Currency Joseph Otting, in *American Banker* Article Written by Kate Berry**

[States could solve beneficial ownership issue: OCC's Otting](#)

"Banks face increased challenges in complying with anti-money-laundering laws that could be mitigated if states mandated the collection of accurate information on owners when a corporation first registers as an LLC, Comptroller of the Currency Joseph Otting said Monday.

Otting called for the creation of a database that would allow financial institutions to obtain and validate information on the beneficial ownership of shell corporations. But that database does not currently exist because some states do not collect any information from new companies on their owners, making information sharing difficult."

➤ **Clay Fuller, Jeanne Kirkpatrick Fellow in Foreign and Defense Policy at the American Enterprise Institute, in *Reuters***

[The Business of Funding Terrorism Threats](#)

"The anonymous shell company—which has no identifiable owner and exists only to hold or transfer value—lurks beneath many of America's mounting problems. The opioid crisis? Shell companies are used to mask the shipping and distribution of fentanyl, which is mostly manufactured in China. Election interference? Russia used shell companies to funnel money and information to the Internet Research Agency, which fed the trolls involved in nefarious internet political influence schemes. Terrorism? LLC anonymity is key to the successful funneling of money and information for these groups...Congress is now considering The Corporate Transparency Act of 2019. This bill is seen by many as the opening volley in a clash between democratic capitalism and authoritarian corruption. The legislation requires those with ultimate control of a company to register and update information on who and what they are for the Financial Crimes Enforcement Network (FinCEN), one of the investigative arms of the U.S. Treasury Department"

➤ **Samuel Rubinfeld, Reporter, *Wall Street Journal***

[Mnuchin Seeks Shell Company Changes Within Six Months](#)

"We need to be able to figure out an efficient and prudent way that we have access to beneficial ownership," said Mr. Mnuchin. "We've got to figure out this beneficial ownership [issue] in the next six months," he added. "I don't want to be coming back here next year and we don't have this solved."

International watchdogs have flagged U.S. failures on incorporation transparency when reviewing the country's anti-money laundering framework. The U.S., as a result, has garnered a reputation as a global tax haven. Last month Delaware, the state that has a large incorporation industry, endorsed a bill that would allow the federal government to collect corporate-ownership information that could be accessed by law enforcement. That endorsement lent fresh support to a push to fix holes in the U.S. anti-money laundering system."

➤ **Jeanne Whalen, Reporter, *The Washington Post***

[Criminals And Kleptocrats Will Find It Harder To Launder Money In U.S. If Bill Passes](#)

"Nearly 2 million corporations and limited liability companies are registered each year in the United States, at the state level. Few states require companies to disclose their true owners, with Delaware and a few others turning the registration of anonymous companies into big business. That's one reason the U.K.-based Tax Justice Network last year named the United States the globe's second most financially secretive jurisdiction, behind Switzerland and ahead of the Cayman Islands. Law enforcement authorities have linked anonymous U.S. shell companies to many crimes. Viktor Bout, a Russian arms trafficker serving a 25-year federal prison sentence for illegal weapons sales, used U.S. shell companies in his dealings, according to the Treasury Department. Federal officials say they think the Sinaloa cartel has used U.S. shell companies for its narcotics trafficking. And in 2013 a federal judge found that an anonymous New York company that owned part of an office tower was acting as a front for Iran, in violation of U.S. sanctions."