



## Ending Anonymous Shell Companies

Those wishing to hide illicit funds do not need to go offshore. Anonymous shell companies formed in the United States can be used to launder assets for a range of illegal activities, including by arms dealers, counterfeiters, terrorist financiers and corrupt foreign governments. Criminals often layer anonymous corporations with complex overlapping structures to make it difficult for law enforcement to determine the true financial interest of the entity. All too often criminal investigations hit a dead end when law enforcement encounters a company with hidden ownership.

The United States trails the rest of the world in addressing this problem and has been criticized by the Financial Action Task Force, the inter-governmental body for combating illicit finance, for being a shelter for those seeking to launder money by abusing the corporate form and cloaking their ownership.

## Anonymity is Abused by Criminals in the United States

- Academics from the University of Texas-Austin, Brigham Young University, and Griffith University found that among 103 countries they studied, the United States is the easiest place for suspicious individuals to incorporate an anonymous company.
- The Stolen Asset Recovery Initiative, a joint effort of the World Bank and U.N. Office on Drugs and Crime, reported that anonymous companies were used to hide the proceeds of corruption in 85 percent of the grand corruption cases reviewed, with U.S. entities being the most common.
- A 2017 report by the Government Accountability Office (GAO), “GAO was unable to identify ownership information for about one-third of GSA’s 1,406 high-security leases as of March 2016 because ownership information was not readily available for all buildings.” Congress voted to require the Department of Defense to collect beneficial ownership information for all high security office space it leases.
- A 2018 study by the anti-human trafficking group Polaris, anonymous companies play an outsized role in hiding the identities of the criminals behind trafficking enterprises, specifically illicit massage businesses. Of the more than 6,000 illicit businesses for which Polaris found business records, only 28 percent have an actual person listed on the business registration.
- In a 2017 report by the International Chamber of Commerce’s Business Action to Stop Counterfeiting and Piracy and the International Trademark Association, it is projected that the total employment losses globally due to counterfeiting and piracy will rise from 2 to 2.6 million jobs lost in 2013 to 4.2 to 5.4 million jobs lost in 2022.

## Collecting Beneficial Ownership Information Disrupts Illegal Activity

According to a 2018 study by the New York Federal Reserve with the University of Miami, Anonymous Capital Flows and U.S. Housing Markets, “After anonymity is no longer freely available to domestic and foreign investors, all-cash purchases by corporations fall by approximately 70%, indicating the share of anonymity-seeking investors using LLCs as ‘shell corporations.’”

The Director of the Financial Crimes Enforcement Network recently testified that with “clearer information on the actors behind front companies, the efficacy of the Office of Foreign Assets Control’s sanctions and the Financial Crimes Enforcement Network’s anti-money laundering authorities would improve, enabling us to more effectively secure our nation and achieve our foreign policy goals.”

