FACTCOALITION
Financial Accountability & Corporate Transparency

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Prepared for the

Subcommittee on Financial Institutions and Consumer Credit

Hearing on Implementation of FinCEN's Customer Due Diligence Rule – Financial Institution Perspective

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Chairman Luetkemeyer, Ranking Member Clay, and Members of the Subcommittee, thank you for the opportunity to appear before you.

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition and our member organizations, I appreciate the opportunity to discuss FinCEN's Customer Due Diligence (CDD) rule and the importance of collecting beneficial ownership information. This remains a critical element in the larger effort to address grand corruption and the nexus between secrecy jurisdictions, crime, corruption, human rights, and national security.

The FACT Coalition is a non-partisan alliance of more than 100 state, national, and international organizations working to combat the harmful impacts of corrupt financial practices.

Before addressing the particulars of the CDD Rule, it is important to review why the collection of this information matters. As detailed below, the CDD rule is a positive step forward but falls short of what is needed to protect the integrity of our financial system.

What Is an Anonymous Company?

When people create companies in the United States, they are not required to disclose who really profits from their existence or controls their activities — the actual "beneficial owners" of the business. Instead, individuals who benefit can conceal their identity by using front people, or "nominees," to represent the company. For instance, the real owner's attorney can file paperwork under his or her own name even though the attorney has no control or economic stake in the company. Finding nominees is not terribly difficult — there are entities whose entire business model is to file paperwork and stand in for company owners. Additionally, some jurisdictions do not require ownership information at all while others allow for companies to own companies, permitting a layering of corporate structures that makes it difficult to impossible to identify the true underlying owners.

The Dangers of Anonymous Companies

Anonymous companies are the vehicle of choice for drug cartels, organized crime, corrupt foreign officials and others who need to launder money. These entities are then able to profit from these funds, prop up their regimes and engage in a host of harmful actions — including fueling the opioid epidemic, human trafficking, counterfeiting goods, upsetting global supply chains, and threatening our national security. These entities have even been implicated in the lack of affordable housing in the U. S.[1]

The 2016 release of the Panama Papers exposed the magnitude of the problem. Eleven million documents, 214,000 companies, 140 politicians from 50 countries — all from just one law firm in one country creating companies with hidden owners.[2] The fallout was widespread. The revelations led to the resignation of Iceland's prime minister, while the exploits of Russian President Vladimir Putin's associates were well documented in the media.[3] The Panama Papers exposed the direct connection

[1] The New York Times. "Towers of Secrecy: Piercing the Shell Companies." July 27, 2016.
[2] Harding, Luke. "What are the Panama Papers? A guide to history's biggest data leak." The Guardian. April 05, 2016.
[3] Erlanger, Steven, Stephen Castle, and Rick Gladstone. "Iceland's Prime Minister Steps Down Amid Panama Papers Scandal." The New York Times. April 05, 2016.

between criminal practices and the corporate secrecy that enables kleptocrats and others to use legal entities to hide money, fund illicit activity, and move suspect proceeds around the globe with impunity.

Fueling the Opioid Crisis

Early in the 115th Congress, the House Financial Services Committee held a hearing on its oversight plan during which Representative Steven Pearce, Chairman of the Subcommittee on Terrorism and Illicit Finance, noted that drug cartels are coming across the border into his home county in New Mexico, creating shell companies in the trucking sector and "weakening the economic framework by which other companies can be successful."[4] This experience is consistent with recent research.

In 2016, FACT Coalition member Fair Share published the report *Anonymity Overdose* which documented the connection between anonymous companies and the opioid crisis. The report details cases in which opioid traffickers used companies with hidden owners to launder money including the example of "Kingsley Iyare Osemwengie and his associates [who] were found to use call girls and couriers to transport oxycodone, and then move profits through an anonymous shell company aptly named High Profit Investments LLC."[5]

Admiral Kurt Tidd, head of US forces operating in Central and South America, said the US goal is for our forces to interdict 40% of the illegal drugs coming into the country.[6] But John Cassara, former Special Treasury Agent with the Office of Terrorism Finance and Financial Intelligence and a consultant on the report, noted: "We know the drug cartels are in it for the money – and to stop them we need to go after their profits …. Anonymous shell companies make that work much more difficult for law enforcement. We need to do more than just bust the street level distributors, we need to go after the real kingpins, and to do that we need better tools to follow the money."[7]

Human Trafficking

Anonymous companies regularly serve as fronts for those engaged in crimes that involve human rights abuses. According to Global Witness, a FACT Coalition member, "A Moldovan gang used anonymous companies from Kansas, Missouri and Ohio to trick victims from overseas in a $6 million human trafficking scheme."[8]

Stories like that and their own research convinced Polaris, one of the leading U.S.-based organizations fighting human trafficking, to join the call to crack down on companies with hidden owners. Recognizing the role of those companies in trafficking and the difficulty of combatting trafficking schemes if law enforcement cannot "follow the money" to specific individuals profiting from the wrongdoing, in an April 2018 report Polaris wrote the following:

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[4] Maloney, Carolyn, and Peter King. "Unite to crack open shell corporations." NY Daily News. August 28, 2017.
[5] Fair Share. "Anonymity Overdose - How our opioid crisis and shell companies are linked." August 1, 2016.
[6] Woody, Christopher. "US forces are ill-equipped to stop illegal drugs and migrants, says a top military official." Business Insider. March 12, 2016. http://www.businessinsider.com/r-us-forces-ill-equipped-to-stop-illegal-drugs-migrants-admiral-2016-3.
[7] Cassara, John. "Countering International Money Laundering." August 23, 2017.
[8] Global Witness. "Great Rip Off." September 25, 2014.

> *"[A]n estimated 9,000-plus of these [illicit massage] businesses are operating in every state in the country, with earnings totaling nearly $2.5 billion a year across the industry. These businesses dot the sides of highways and are tucked into suburban strip malls between fast food restaurants and dollar stores and behind darkened windows in storefronts in some of America's biggest cities… [E]vidence suggests that behind these bland facades, many of the thousands of women engaging in commercial sex in illicit massage parlors are victims of human trafficking. And for the most part, thanks to corporate secrecy, their traffickers cannot be traced."*

In Fairfax County, Virginia alone, Polaris identified 108 illicit massage businesses that were connected to 181 different corporations.[9]

Several leaders in the anti-human trafficking movement have condemned the use of anonymous companies enabling human trafficking. Melysa Sperber, Director of the Alliance to End Slavery & Trafficking/Humanity United, had this to say when commenting on H.R. 3089, a bill pending in the House Financial Services Committee to require FinCEN to collect beneficial ownership information:

> *"This bill represents a critical first step in ensuring that our federal government partners with financial institutions to restrict traffickers' access to the banking system, thus disrupting their operations. This bill will also improve law enforcements' access to information on traffickers already gathered by financial institutions—making it easier to prosecute traffickers, while reducing the burden on trafficking victims to provide testimony and evidence."*[10]

<u>Upsetting Global Commerce</u>

In a March 2017 report, researchers at FACT Coalition member Global Financial Integrity (GFI) estimated the direct financial cost of transnational crime as follows:

> "[G]lobally the business of transnational crime is valued at an average of $1.6 trillion to $2.2 trillion annually. The study evaluates the overall size of criminal markets in 11 categories: the trafficking of drugs, arms, humans, human organs, and cultural property; counterfeiting, illegal wildlife crime, illegal fishing, illegal logging, illegal mining, and crude oil theft."[11]

GFI highlights anonymous companies as a main vehicle to both engage in illegal trade and hide or launder the resulting proceeds. Recent studies have estimated the scale of money laundering to be in the range of 3% to 5% of global GDP.[12]

Traffickers in counterfeit and other illicit goods and services often hide behind corporate entities that make it more difficult for legitimate businesses to honestly compete in global commerce. In addition, illicit corporations can taint the supply chain of larger corporations that have no desire to deal with suspect entities. That's why a number of leading multinational corporations now support corporate transparency bills in Congress. A letter signed by the Chief Executive Officers of Allianz, The Dow Chemical Group, Kering Group, Salesforce, Unilever, and Virgin Group explained:

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[9] Polaris. "Business Transparency to Combat Human Trafficking."
[10] Sperber, Melysa. "ATEST Letter of Support: End Banking for Human Trafficking Act of 2017." April 26, 2017.
[11] May, Channing. "Transnational Crime and the Developing World" Global Financial Integrity." March 27, 2017.
[12] UNODC. "Money-Laundering and Globalization." 2018.

> *"When the true owners of companies put their own name on corporate formation papers, it increases integrity in the system and provides a higher level of confidence when managing risk, developing supply chains and allocating capital. If ownership information is on record, we can have greater reputational and legal certainty in our dealings with third parties, protecting our ability to enforce contracts and safeguard our investments*."[13]

These CEOs are not alone. In fact, according to Ernst & Young's Fiscal Year 2016 Global Fraud Survey, 91 percent of senior executives believe it is important to know the ultimate owner of the entities with which you do business.[14]

Threatening our National Security

The threats posed by anonymous companies go beyond the commercial and criminal spheres; they also threaten our national security. The stories of anonymous companies obtaining contracts with the Department of Defense are numerous and disturbing. A Global Witness report called *Hidden Menace* identifies, in unsettling detail, the role of secrecy in endangering our troops and undermining U.S. security. One example details how a U.S. - Afghan company that won a contract to supply our troops was secretly controlled by the Taliban, which used the profits to fund weapons to attack our soldiers.[15]

A second troubling report, authored by the U.S. Government Accountability Office, details how corporations with hidden owners are leasing office space to sensitive U.S. military and law enforcement agencies, a situation rife with risks that shouldn't be allowed to continue. The report warned of "security risks such as espionage and unauthorized cyber and physical access."[16]

Writing about the GAO report, Global Witness noted:

> "In the end, the GAO found 26 agencies renting space from foreign owners, and of the 14 contacted, nine of them didn't know they were leasing from a foreign owner because the building ownership wasn't clear. In one case, an FBI field office in Seattle responsible for investigating public corruption and money laundering in Asia, among other things, was discovered to be leasing space in a building owned, through a series of domestic and foreign companies, by the Taib family of Malaysia."[17]

The Taib family has been implicated in substantial fraud and money laundering operations. Global Witness' Eryn Schornick commented: "The FBI has a 20-year lease for the space, and at the end, it will have paid $56 million in rent to this family. That makes no sense."[18]

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[13] Allianz, Virgin Group, Salesforce, The Dow Chemical Group, Kering Group, and Unilever. "U.S. government action crucial to fighting corruption." July 14, 2017.
[14] Ernst & Young. "Corporate misconduct — individual consequences." 2016.
[15] Global Witness. "*Hidden Menace*." July 12, 2016.
[16] Tatum, Sophie, and Pamela Brown. "First on CNN: Report finds national security agencies at risk in foreign-owned buildings." January 30, 2017.
[17] May, Kate Torgovnick. "How anonymous companies can undermine national security." April 19, 2017.
[18] Schornick, Eryn. "Government Contracts and National Security." March 7, 2017.

As Congress considers new economic sanctions to counter North Korean threats, the Committee should take note of a U.S. Department of Justice (DOJ) case charging a Chinese national Ma Xiaohong, her company Dandong Hongxiang Industrial Development, and several colleagues with violating U.S. sanctions laws by working with a blacklisted North Korean bank, Kwangson Banking, to set up shell companies in Hong Kong and elsewhere to hide the business they were doing with North Korean companies that help Pyongyang develop nuclear weapons.[19]

I would also note a DOJ case closed in June of 2016 which confirmed that Iran evaded economic sanctions in part by reaping millions of dollars annually from a New York-based anonymous company with investments in Manhattan real estate. [20]

Inflating Affordable Housing

Increasingly there are stories of secret owners bidding up prices on properties and then using them to launder dirty money rather than to purchase as homes. Not only is our real estate market a magnet for kleptocrats and organized crime, but their real estate deals potentially fuel a loss of affordable housing in growing numbers of communities due to skyrocketing real estate prices and vastly inflated markets.

- In Manhattan, the press reports that eight blocks between Lenox Hill and Central Park are nearly 40 percent unoccupied, and more than a quarter of the properties on the Upper East Side are owned but vacant, pricing middle-income families out of those neighborhoods.[21]
- In San Francisco, the media reports a South Beach neighborhood is one-fifth unoccupied, and, in the competitive California housing market, the rent crisis is affecting middle-income families.[22]
- A 2016 story in The Miami Herald about the impact of offshore money on the local housing market found that, "the boom also sent home prices soaring beyond the reach of many working- and middle-class families. Locals trying to buy homes with mortgages can't compete with foreign buyers flush with cash and willing to pay the list price or more."[23]

Current Lack of Beneficial Ownership Transparency

To the extent that these examples illustrate the depth of the problem, it is important to acknowledge that we have often been able to pierce the veil of corporate secrecy through luck or leaks. That must not continue to be a substitute for the critical information needed to stop criminal enterprises. In a report written by former U.S. Treasury Special Agent John Casarra for the FACT Coalition, Cassara noted that in efforts to reclaim laundered money, we are currently "a decimal point away from total failure."[24] His analysis is based on estimates that globally we catch only about 0.1 percent of laundered money. While

[19] Press Release, US Department of Justice, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs, Sept. 26, 2016.
[20] Press Release, US Attorney's Office, Southern District of New York, 2017
[21] Joseph Lawler. "Money Laundering is Shaping US Cities," Washington Examiner, March 27, 2017
[22] Ibid.
[23] Nicholas Nehamas. "How secret offshore money helps fuel Miami's luxury real-estate boom." The Miami Herald. April 3, 2016.
[24] Cassara, John. "Countering International Money Laundering." August 23, 2017.

kleptocrats and other criminal enterprises have updated their tools for the 21st century by utilizing anonymous companies, we have not updated our laws to catch them.

In its 2016 mutual evaluation, the Financial Action Task Force (FATF) found that the U.S. anti-money laundering framework has "significant regulatory gaps" and that the "lack of timely access to accurate and current beneficial ownership information remains one of the fundamental gaps in the U.S. context."[25]

A 2014 report, by academics from the University of Texas-Austin, Brigham Young University, and Griffiths University, found that the United States is the easiest place in the world to establish an anonymous company[26]. The researchers sent out thousands of inquiries to corporate formation agents in over 180 countries with details that should have raised red flags for the recipients. As one example, an agent in Florida responded in an email that, "Your stated purpose could well be a front for funding terrorism … if you wanted a functioning and useful Florida corporation you'd need someone here to put their name on it, set up bank accounts, etc. I wouldn't even consider doing that for less than 5k a month…"[27]

Past rules are not working.

Customer Due Diligence Rule

The FACT Coalition agrees on the need for the CDD rule as a step toward a comprehensive approach to prevent the abuse of anonymous shell companies to launder money through our financial system.

The CDD rule was published in May of 2016. Financial Institutions have had two years to prepare for the implementation of the rule. In addition, prior to publication of the CDD rule, US federal bank examiners have long required banks operating in the United States to explicitly collect beneficial ownership information for corporate entities wishing to open US accounts in order to create a risk profile and assess the attendant risk. For that reason, most US financial institutions already routinely collect beneficial ownership information as part of their "know your customer" obligations. The new rule primarily codified that already existing practice. Because the CDD rule largely codified existing practice, there is no need to delay the implementation of the CDD rule beyond the current implementation date.

The Coalition does have a concern about the CDD rule's definition of "beneficial owner." The rule's definition is critical to ensuring that the information gathered by financial institutions provides the information needed for accurate assessments of risk and to enable law enforcement investigations into any wrongdoing.

The CDD rule requires covered financial institutions to identify the "beneficial owners" of legal entities that open accounts with them, and currently provides a two-prong definition for that term.[28]

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[25] FATF. "United States' measures to combat money laundering and terrorist financing." 2016.
[26] Findley, Michael et al. "Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism." Cambridge University Press (March 24, 2014), Page 74. http://bit.ly/2uTLptQ.
[27] Ibid. pg 98
[28] 31 CFR § 1010.230.

The first prong defines a beneficial owner as "each individual, if any, who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, owns 25 percent or more of the equity interests of a legal entity customer." The second prong defines a beneficial owner as "a single individual with significant responsibility to control, manage, or direct a legal entity customer, including (i) An executive officer or senior manager (e.g., a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer); or (ii) Any other individual who regularly performs similar functions."[29]

The international anti-money laundering standards issued by the Financial Action Task Force (FATF) on money laundering recommends that jurisdictions define a beneficial owner as "the natural person who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement."[30] A longstanding Treasury regulation defines the beneficial owner of a financial account as "an individual who has a level of control over, or entitlement to, the funds or assets in the account that, as a practical matter, enables the individual, directly or indirectly, to control, manage or direct the account."[31]

In contrast, the CDD rule eliminates the concept of entitlement to funds and focuses primarily on control by corporate officers. Unlike the FATF guidance, prior Treasury rule, or virtually any other beneficial ownership definition used in other jurisdictions, the U.S. CDD rule enables a corporate officer to be deemed the beneficial owner of a corporation even if that officer has no ownership role or entitlement to the corporation's funds.

To better understand the problems created by that approach, consider the following example.

In 2004, an attorney named Michael Berger formed a California corporation called Beautiful Vision Inc. for his client, Teodoro Nguema Obiang Mangue, the 40 year-old son of the President of Equatorial Guinea.[32] The incorporation papers named Mr. Berger as the company president; they did not mention Mr. Obiang. No evidence was located proving who actually owned the company shares, but evidence did establish that Mr. Obiang had asked Mr. Berger to form the corporation, supplied millions of dollars to accounts opened in the name of the corporation, and through Mr. Berger, exercised ultimate control over the company's actions and assets.

From 2004 to 2005, Mr. Berger opened several accounts and purchased two certificates of deposit at Bank of America in the name of Beautiful Vision. He identified himself as the owner and president of the company in bank records. Mr. Obiang was not mentioned in any of the bank records as an owner or officer of the company, but was the sole signatory on one of the Beautiful Vision accounts. Mr. Berger used the accounts to pay bills and expenses incurred by Mr. Obiang; Mr. Obiang also wrote checks on two of the accounts. To finance the transactions, Mr. Obiang wire transferred millions of dollars from

[29] 31 CFR § 1010.230(d)(1) and (2).
[30] FATF General Glossary definition.
[31] 31 CFR § 103.175(b).
[32] These facts are taken from a report and hearing entitled, "Keeping Foreign Corruption Out of the United States: Four Case Histories," U.S. Senate Permanent Subcommittee on Investigations, S. Hrg. 111-540 (2/4/2020), starting at 141.

accounts in Equatorial Guinea to Mr. Berger's law firm account at another bank; Mr. Berger then used checks to transfer the funds into the Beautiful Vision accounts.

Even though Beautiful Vision was formed at Mr. Obiang's direction, he supplied the company's funds and directed how the company funds should be spent, if the U.S. CDD rule had been in effect at the time, Bank of America would not have had to inquire into or name Mr. Obiang as a beneficial owner of the corporation. Because Mr. Berger had named himself as the company president and owner, the new U.S. CDD rule would have allowed Bank of America to rely on the information he provided, with no obligation to look deeper.[33] The bank could have named Mr. Berger and stopped there, even though Mr. Berger did not have any ownership interest in the company, did not exercise ultimate control over the company's actions, and was instead acting on behalf of Mr. Obiang.

That's why the control test is so important. Yet under the CDD rule's control prong, because Mr. Berger was the company's president, he qualified as a "beneficial owner." In addition, Bank of America would have been legally entitled to name him as Beautiful Vision's "single" beneficial owner, even though Mr. Obiang was also an account signatory, writing large checks on the company accounts, and supplying its funds.

In 2005, Bank of America became suspicious of several large transactions involving the Beautiful Vision accounts, saw that Mr. Obiang was an account signatory and signing some of the checks, and discovered his reputation as a corrupt government official. The bank immediately closed the accounts due to his involvement.

The fact that the CDD rule would have allowed the bank, due to Mr. Berger's position as company president, to name him as the sole beneficial owner of the company demonstrates the severe shortcomings in the rule's definition of beneficial owner.

The Coalition strongly favors the definition of beneficial owner in the congressional proposals before the House Financial Services Committee. The proposals define beneficial owner as "each natural person who, directly or indirectly exercises substantial control over a corporation or limited liability company through ownership interests, voting rights, agreement or otherwise; or has a substantial interest in or receives substantial economic benefits from the assets of a corporation or limited liability company." That definition, with its focus on natural persons who ultimately control or benefit from a legal entity, is important to prevent the shell games in which one company owns another which, in turn, owns another and so on — all to obfuscate the name of the individuals who exercise ultimate control.

The Need for a Comprehensive Approach

It is important to note that the CDD rule is only one part of the overall strategy to address the abuse of anonymous shell companies. Bad actors have established U.S. companies to purchase real estate, aircraft and other large ticket items with cash. Companies have been created in the U.S. only to route money from one jurisdiction to another, bypassing the U.S. banks. While financial institutions represent the largest gatekeeper to the U.S. financial system, they are not the only gatekeepers. As such, Congress, as the Treasury Department already has, should look beyond the CDD rule.

[33] See 31 USC § 1010.230(b)(2).

In issuing the CDD rule, the U.S. Treasury Department noted the importance of enacting legislation to complement the regulation and also to press for strong international disclosure requirements. It wrote in the preamble to the final rule:

> *"Finally, clarifying and strengthening CDD is an important component of Treasury's broader three-part strategy to enhance financial transparency of legal entities. Other key elements of this strategy include: (i) Increasing the transparency of U.S. legal entities through the collection of beneficial ownership information at the time of the legal entity's formation and (ii) facilitating global implementation of international standards regarding CDD and beneficial ownership of legal entities.*
>
> *This final rule thus complements the Administration's ongoing work with Congress to facilitate adoption of legislation that would require the collection of beneficial ownership information at the time that legal entities are formed in the United States."*

There are at least two proposals currently pending in the House Financial Services Committee to strengthen corporate transparency by improving beneficial ownership disclosures. We thank Chairman Luetkmeyer for his leadership in sponsoring the Counter Terrorism and Illicit Finance Act and Representatives Pete King and Carolyn Maloney for cosponsoring the Corporate Transparency Act. Both proposals would require covered companies to name their beneficial owners at the time of formation. Both include strong, consensus definitions of beneficial ownership – language that is virtually identical to what was already approved overwhelmingly by Congress in last year's National Defense Authorization Act (NDAA). In the NDAA for FY2018, a provision was included to require the Department of Defense to collect beneficial ownership information when leasing high security office space.

I would also note that the Treasury has just recently extended the Geographic Targeting Orders (GTOs), a pilot project to collect beneficial ownership information for high-end, cash-financed real estate transactions in seven metropolitan areas. The extension came after FinCEN issued a report based on the data that found:

> *"about 30 percent of the transactions covered by the GTOs involve[d] a beneficial owner or purchaser representative that is also the subject of a previous suspicious activity report. This corroborates FinCEN's concerns about the use of shell companies to buy luxury real estate in 'all-cash' transactions."*

FinCEN's then-acting director Jamal El-Hindi stated: "These GTOs are producing valuable data that is assisting law enforcement and is serving to inform our future efforts to address money laundering in the real estate sector."

The CDD rule, the NDAA provision, and the GTOs are all important steps, but if we are serious about protecting the integrity of our financial system and cracking down on the harms caused by illicit entities with hidden owners, Congress should pass one of the above referenced bills to create a consistent, national standard that levels the playing field for all states and corporate entities.

The political support for a comprehensive approach is widespread and crosses party and ideological lines. The Clearing House, sitting beside me today, the Financial Services Roundtable, American Bankers Association, Independent Community Bankers Association, National Association of Federally-Insured

Credit Unions, Credit Union National Association, and other financial trade associations have all indicated support for legislation to require the collection of beneficial ownership information. So has the National Association of Realtors. CEOs of multinational corporations and small business trade associations have also weighed in support of corporate transparency legislation. So have faith based coalitions, law enforcement organizations, scholars at conservative and liberal think tanks, legal scholars, veterans and civilian national security experts. All have weighed in support of a national standard for collecting beneficial ownership information.

As bills move forward through the process we must ensure that those charged with protecting our financial system from abuse are provided the proper tools to do so. State and federal law enforcement should be able to request the information with a civil, criminal or administrative subpoena or summons. Since the majority of law enforcement investigations begin with local law enforcement, it is critical that they be given reasonable access to the corporate ownership information. As our first line of defense against suspect transactions, financial institutions should also be able to request ownership data with written permission from the customer.

Conclusion

Drug traffickers, corrupt officials, and other criminals use anonymous shell companies to hide the money they steal and maintain the power they hold. The total amount of dirty money moved through and held by companies with hidden owners is impossible to know precisely but estimates run into the trillions of dollars. The resulting harm is widespread — impacting national security, trafficking victims, and economic and political stability.

Many of the most dangerous criminal elements now operate sophisticated financial networks. They have updated the way they do "business," which Includes the use of companies with hidden owners. As the rest of the world cracks down on corporate secrecy, the criminals and other wrongdoers are looking increasingly to the United States to set up the corporate entities they need to hide their misconduct. If we hope to adequately address the threats, we need to modernize our laws to match the rest of the world and the existing international standards. Steps such as the CDD rule are necessary but not sufficient.

We must lift the veil of secrecy over the US companies used to hide assets, launder money, and move suspect funds for criminals. It is past time to enact legislation to stop the abuse of US corporate entities.