

## **Anonymous Shell Companies: Enabling Criminal Activity in the U.S. and Around the World**

### **America is one of the easiest places in the world in which to form an anonymous shell company.**

- Creating a U.S. shell company takes less information than acquiring a driver’s license, or in some states, even a library card. When a person sets up a company, they aren’t required to disclose the real people who profit from its existence or control its activities, known as “beneficial owners.”
- Individuals 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 their name even though they have no control or economic stake in the company. Finding nominees is incredibly easy—there are corporations whose entire business is to file paperwork and stand in for company owners.
- An academic study found that the U.S. is the second easiest country in the world, after Kenya, for terrorists and criminals to open anonymous shell companies to launder their money with impunity.

### **Anonymous shell companies facilitate crimes that victimize ordinary Americans.**

#### ***Anonymous Companies & Sanctions Evasion***

- An anonymous NY company owned part of a Manhattan skyscraper and used it as a front for the Iranian government. Millions of dollars in rent were illegally funneled to Iran, unbeknownst to stores like Juicy Couture that rented space in the building.

#### ***Anonymous Companies & Taking Advantage of Vulnerable Americans***

- **Foreclosure Crisis:** An anonymous DE company is alleged to have purchased property tax liens in MD, IA, KY, OH and DC to force vulnerable homeowners into foreclosure proceedings.
- **Scamming Consumers:** The Federal Trade Commission sued Ira Rubin for using at least 18 different front companies to sell fraudulent credit cards that people never received.

#### ***Anonymous Companies & Drug Trafficking***

- A Serbian drug lord and his brother are accused of using Delaware shell companies to launder cocaine money.

#### ***Anonymous Companies & Human Trafficking***

- A Moldovan gang used anonymous companies from Kansas, Missouri and Ohio to trick victims from overseas in a \$6 million human trafficking scheme.

#### ***Anonymous Companies & Defrauding the Government/Stealing our Tax Dollars***

- **Cheating Medicare:** Florida authorities arrested Michel De Jesus Huarte, who set up fake AIDS clinics to bill Medicare for more than \$4.5 million, forming at least 29 shell companies in the process.
- According to an indictment, an Armenian organized crime ring used 118 shell companies in 25 states to bilk more than \$100 million from Medicare.
- **Defrauding the Defense Department:** In 2011, U.S. government agencies awarded 93 contracts worth over \$1.6 million to one address—90% from DOD. An investigation revealed Eagle Logistics Aerospace won four contracts worth more than \$50,000, and sold knock-off parts to the Pentagon.

### *Anonymous Companies & Foreign Corruption*

- The son of the President of Equatorial Guinea, a tiny oil-rich country in West Africa where the majority of the population lives on less than \$1 a day, used a CA shell company to disguise his purchase of a \$30 million mansion in Malibu.
- The World Bank found that American shell companies were used to move dirty money more often than those registered in any other country in grand corruption cases.

### *Anonymous Companies & Weapons Trafficking*

- Viktor Bout, aka “the Merchant of Death,” used a global network of shell companies, including at least 12 incorporated in DE, TX, and FL, to disguise his weapons trafficking into conflict zones around the world.

### *Law enforcement and the public is left in the dark*

- Without beneficial ownership information, law enforcement hits dead ends in a complex web of shell companies when searching for criminals who launder money, trade drugs and weapons, evade taxes, and finance terrorist activities.

### **There is a bipartisan legislative solution that would bring secret shell companies into the light.**

- Representatives **Carolyn Maloney (D-NY)** and **Peter King (R-NY)** are sponsors of the Incorporation Transparency and Law Enforcement Assistance Act in the House ([H. R. 4450](#)). Senators **Sheldon Whitehouse (D-RI)**, **Charles Grassley (R-IA)**, and **Dianne Feinstein (D-CA)** are sponsors of the companion bill in the Senate ([S. 2489](#)).
- The bill requires companies to disclose their beneficial owner(s) when they incorporate and keep their ownership information up to-do-date.
- The bill would only add a couple extra lines on the incorporation forms and annual reports businesses already have to file, so compliance costs for states and small businesses would be minimal.
- The Treasury and Justice Departments think this is so important that they have made \$40 million available to states for transitional costs from the agencies’ asset forfeiture funds (money recovered from the same types of criminals this bill would help to catch).
- The bill has robust support from the law enforcement community, faith groups, public interest groups, and the small business community.

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