



FACTCOALITION

Financial Accountability & Corporate Transparency

May 7, 2025

The Honorable French Hill  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

**RE: Hearing Titled: “The Annual Testimony of the Secretary of the Treasury on the State of the International Financial System”**

Dear Chairman Hill and Ranking Member Waters,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, we appreciate the opportunity to comment on your hearing titled, “The Annual Testimony of the Secretary of the Treasury on the State of the International Financial System.” The FACT Coalition is a [non-partisan alliance](#) of more than 100 state, national, and international organizations promoting policies to combat the harmful impacts of corrupt financial practices. We have been a leading champion of financial transparency reform in the United States for more than 14 years.

We are writing to reiterate the importance of the Corporate Transparency Act (CTA) to defend U.S. national security, protect Americans from fraud, and provide investigators and law enforcement the tools they need to fight against financial crime. Any attempt to repeal or otherwise defang the CTA would further enable U.S. adversaries and drug traffickers to take advantage of our financial system to launder their ill-gotten gains.

**Treasury’s Interim Final Rule Violates the Plain Language of the CTA**

Despite clear evidence of the risks posed by anonymous shell companies to national security, law enforcement, U.S. consumers, and small businesses, on March 21 Treasury issued an [interim final rule](#) (IFR) exempting domestic entities – more than 99 percent of all entities originally covered under the CTA – from reporting requirements. This move flies in the face of more than 10 years of [Treasury National Risk Assessments](#) and Congress' own findings, which make it clear that domestic anonymous entities represent a significant money laundering risk.

The Corporate Transparency Act, as enacted into law, is the product of 20 years of congressional deliberation, debate, and refinement. Throughout that process, lawmakers recognized the risks

posed by domestic entities, and at no stage did they seriously consider exempting all domestic entities from reporting requirements. Ultimately, the statute grants Treasury limited authority to make reporting exemptions only with concurrence from both the Department of Homeland Security and the Attorney General that reporting by the entities in question “would not serve the public interest” and “would not be highly useful” to investigators.

It is precisely because the information required to be reported is “highly useful” to law enforcement that the Act garnered support from [dozens of stakeholders](#) including [42 state Attorneys General](#), the [Fraternal Order of Police](#), and the [National District Attorneys Association](#). In a statement reacting to the release of the IFR, National District Attorneys Association Executive Director Nelson Bunn said that “Treasury’s interim final rule threatens to deny law enforcement the vital information they need to pursue illegitimate business fronts that jeopardize U.S. national security and public safety.”

**Congress should exercise its oversight authority and ensure that Treasury faithfully implements the plain language of the bipartisan Corporate Transparency Act, as a means to protect U.S. national security and give our law enforcement the tools they need to keep the public safe.**

#### *Abuse of Anonymous U.S. Companies Threatens National Security*

Anonymous shell companies are an invaluable tool for U.S. adversaries and terrorist groups to finance their operations. For example, in 2023, the Department of Justice [indicted](#) affiliates of the Iranian Revolutionary Guard-Quds Force (IRGC-QF) and Chinese buyers for schemes to traffic and sell Iranian oil to Chinese government-owned refineries, in violation of U.S. sanctions. The defendants in this case used U.S.-based anonymous shell companies to launder their proceeds, provide false information to the U.S. government, and even used these shell companies as a “trust” to hold the profits for the IRGC. In addition, the Treasury’s [2024 National Money Laundering Risk Assessment](#) (NMLRA) found that Russia and Russian-linked actors use a vast network of anonymous shell companies to evade U.S. sanctions and assist in their illicit financial activities.

The Corporate Transparency Act was intended to close a glaring loophole in the U.S. anti-money laundering framework that allows our adversaries to undermine our national security interests. However, the Treasury’s IFR severely limits the effectiveness of these measures, leaving our financial system vulnerable to exploitation by threat actors.

#### *U.S. Beneficial Ownership Information Vital to Law Enforcement’s Ability to Investigate Drug Trafficking*

As our staff has explained in [testimony](#) before the Senate Caucus on International Narcotics Control, U.S. adversaries are not the only ones benefiting from vulnerabilities in the U.S. financial system: drug cartels and other drug profiteers also rely on anonymous U.S. companies. In 2024, a leader of the [Sinaloa cartel](#) was sentenced to ten years, for his role in laundering more than \$16 million for the Sinaloa cartel’s meth and heroin trafficking operations. This laundering racket was enabled and

facilitated by the use of U.S. shell companies. Earlier this year, another [indictment](#) was unsealed charging a Florida resident with laundering over \$300 million in Sinaloa cartel drug money through the use of anonymous companies in Florida, among others.

Law enforcement groups recognize the threat posed by anonymous entities, but they lack the necessary tools to properly investigate and prosecute the illicit actors that use them. [According](#) to Frank Russo, vice president of Modern Fortis Public Safety Strategies and the director of the CPAC's Center for Combating Human Trafficking, and National District Attorneys Association Executive Director Nelson Bunn, Treasury's IFR is "an alarming reversal that directly undercuts law enforcement's ability to fight trafficking and fentanyl distribution."

### **Congress Should Reject Calls to Repeal the CTA, Focusing Instead on Commonsense Reforms to Help Small Businesses Comply**

Further, Congress should reject calls to repeal the Corporate Transparency Act. [H.R. 425](#), the Repealing Big Brother Overreach Act, led by Rep. Davidson on this committee, would double down on Treasury's harmful interim rule by fully repealing the CTA, undoing decades of anti-money laundering progress with a single stroke and crippling law enforcement's ability to effectively patrol our nation's financial borders.

Repealing the CTA would have particularly dire consequences for ongoing efforts to combat the illicit flow of narcotics into our communities. According to Eric Brown, President of the National Narcotic Officers' Associations' Coalition (NNOAC), "Following the money is a proven strategy in investigations that involve organized criminal activity, especially fentanyl and other illicit drug trafficking. Law enforcement resources are stretched thin, and the Corporate Transparency Act – if fully implemented – would enable narcotic enforcement officers to be more effective in protecting the public from drug trafficking."

Instead of exempting all domestic entities, Congress could ensure that Treasury takes steps to ease compliance costs for small businesses. For instance, Congress could ensure that Treasury improve its outreach to small businesses in collaboration with the Small Business Administration. Likewise, Congress, in its oversight function, could encourage Treasury and the Department of Justice to formally clarify their enforcement policy and prioritize prosecutions in cases that also involve evidence of other crimes. Such an approach would build and elaborate on the statutory requirement that only wilful violations, and not mere negligence, are punishable. Likewise, Congress could urge Treasury to create an even more streamlined version of filing for businesses with the simplest ownership, to ensure that filing is even more efficient.

**We urge the Committee to refrain from advancing any legislation that undermines U.S. national security and ties the hands of law enforcement officials pursuing foreign and domestic financial criminals.**

Thank you for the opportunity to comment. If you have questions, you can contact Erica Hanichak ([ehanichak@thefactcoalition.org](mailto:ehanichak@thefactcoalition.org)).

Sincerely,

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