



**Senate Caucus on International Narcotics Control**  
**“Opaque Shell Companies: A Risk to National Security,  
Public Health, and Rule of Law”**

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Chair Whitehouse, Co-Chair Grassley, and other members of the Caucus – thank you for holding this important hearing.

I am here on behalf of the Financial Accountability and Corporate Transparency, or FACT, Coalition and its more than 100 members to discuss the dangers that opaque shell companies present to Americans.

Illicit shell networks span states and continents, threatening American public safety and national security. My fellow witnesses have raised how drug traffickers use anonymous shell companies as “financial getaway vehicles” to peddle products, protect profits, and harm average Americans. These harms are not new. Nor are they abstract. The use of anonymous companies has lethal consequences for our communities.

The evidence is damning in light of our nation’s opioid epidemic. Consider just one case involving a series of pain management clinics in Florida and Tennessee. These clinics doled out medically unnecessary opioids to the tune of \$21 million, and funneled kickbacks through a network of shell companies in Tennessee. This criminal overprescribing scheme led to the death of at least 700 people.

700 people – and that’s just one case among dozens where criminals have used shell companies to enrich themselves while exacerbating this public health crisis.

Historically, shell companies have made the U.S. vulnerable to financial crimes. Treasury Secretary Janet Yellen, has said, quote, “There is a good case that, right now, the best place to hide and launder ill-gotten gains is actually the United States.” The United States is a stable democracy, and home to the world’s largest economy. This means that the U.S. doesn’t just shield the world’s worst actors behind shells: in many cases, it promises them the protection of the rule of law as well as a strong return on their investments.

Drug profiteers have taken note. Both down the block and across our borders, drug operations large and small rely on anonymous U.S. companies. In 2023, twelve people were indicted in connection with the Sinaloa Cartel’s heroin and meth trafficking operations. The defendants, located in the U.S., Mexico, and Canada, laundered at least \$16 million through Wyoming-based shell companies. The secrecy afforded by anonymous corporations proves vital for sustaining drug cartels and the violence they inflict on our cities.

We also see U.S. shell companies used as part of other crimes drug traffickers commit to finance their operations, including environmental crimes. For instance, a Peruvian national using the pseudonym “Peter Ferrari” and his associates allegedly moved billions of dollars worth of illegally sourced gold through the United States as a means to launder drug money, using anonymous shell companies and other methods.

As raised by other witnesses, anonymous companies also endanger our national security. One example is particularly striking, in which individuals moved \$1 billion in Iranian funds held in South Korea through companies registered in the U.S. and elsewhere. The cognitive dissonance in here is palpable. Any U.S. sanctions policy pursued without parallel steps to close anti-money laundering loopholes is at best, wishful thinking, and at worse, a farce. We need to correct course.

One way the U.S. can help stop the shell game is to implement the bipartisan Corporate Transparency Act, or CTA, which marks the most significant update to U.S. anti-money laundering laws in 20 years. It requires certain entities to name their true owner to a secure directory housed at the Financial Crimes Enforcement Network, or FinCEN.

Prior to the CTA, all 50 U.S. states required more personal information to get a library card than they did to establish a legal entity. Now, law enforcement officers have new tools to follow the money.

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It is crucial that the implementation of the Corporate Transparency Act goes well: and so far, it largely has.

- First, FinCEN successfully launched the database on January 1st, and more than **1 million** businesses have already filed information about their true owners.
- Second, according to a recent poll by Small Business Majority, nearly **70 percent** of businesses that have already filed said reporting was easy.
  - Just **18 percent** said it was difficult.
  - Anecdotally, businesses with simple ownership have reported that it takes less than 20 minutes to complete the form, and filing is free.
  - Unless their data needs to be updated, businesses may never need to interact with FinCEN again.

This means that – after nearly twenty years of deliberation on the scourge of shell companies – Congress struck the right balance when passing this bipartisan law to keep our country and our region safe, while also keeping costs to business low. Congress passed this law, but now it needs to fund its implementation. Congress should meet the President’s request of \$216 million for FinCEN for the upcoming fiscal year.

Beyond the Corporate Transparency Act, the U.S. must also apply AML protections to third-party professionals. If U.S. shell companies are the financial getaway vehicle, then these so-called “enablers” often provide criminals the car keys and the road map that allow them to make their escape into the U.S. financial system. Both the Administration and Congress must act to prevent the circumnavigation of our laws. Thanks, and I look forward to your questions.

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