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August 8, 2016

The Honorable Charles Grassley
United States Senate
135 Hart Senate Office Building
Washington DC, 20510

The Honorable Sheldon Whitehouse
United States Senate
530 Hart Senate Office Building
Washington, DC 20510

The Honorable Peter King
United States House of Representatives
339 Cannon House Office Building
Washington, DC 20515

The Honorable Carolyn Maloney
United States House of Representatives
2308 Rayburn House Office Building
Washington, DC 20515

Dear Senators Grassley and Whitehouse and Representatives King and Maloney:

The Clearing House Association is pleased to support S. 2489/H.R. 4450, the *Incorporation Transparency and Law Enforcement Assistance Act*. We believe the bill would assist public sector efforts to identify money laundering and terrorist financing through the disclosure of the beneficial owners of corporations. In addition, the legislation would bring the United States further in line with international AML/CFT expectations, such as the recommendations developed by the Financial Action Task Force (FATF). We can see no justification for allowing corporations to shield their ownership.

As you know, financial institutions are required by both federal law and regulations, as overseen by Treasury's Financial Crimes Enforcement Network (FinCEN), to know their customers and conduct ongoing monitoring of account information, including a recently finalized rule to require the collection and ongoing monitoring of beneficial ownership information. Each financial institution conducts its own risk-based assessments to comply with these provisions. Currently, there is no requirement that beneficial ownership information be provided to the state of incorporation at the time of incorporation, or updated if ownership changes; therefore banks' efforts become more difficult and there is a duplication of efforts when a corporation deals with more than one bank. Under your legislation, however, both the reporting of beneficial ownership information at the time of incorporation and any change in ownership would be required. For

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this reason, your legislation could materially assist efforts to combat money laundering and terrorist financing by providing a more robust source of beneficial ownership information.

Nonetheless, we also believe that the potential benefits of the bill could be significantly increased by clarifying that financial institutions performing customer due diligence can obtain access to beneficial ownership information reported to a state. Under the current regime, many if not most of the resources devoted to identifying money laundering and terrorist financing are provided by financial institutions; denying them access to this important information would significantly undermine the goals of the bill.

Therefore, while we wholeheartedly support the *Incorporation Transparency and Law Enforcement Assistance Act*, we recommend that the bill - either directly through the states or indirectly through FinCEN - authorize financial institutions conducting their customer due diligence to have access to the information the state collects. As it is currently drafted, we note the bill would require states to provide access, upon request, to beneficial ownership information to law enforcement and FinCEN, but not explicitly require states (or, in turn, FinCEN) to provide it directly to financial institutions.

Financial institutions are wholly committed to combating money laundering and terrorist financing activities. Your legislation requiring beneficial ownership information be reported at incorporation, and consistently updated, will go a long way to assist law enforcement's efforts to combat money laundering and terrorist finance activity. We support these efforts and encourage their further expansion to include the sharing of this information with financial institutions.

The Clearing House Association applauds your leadership on this issue and looks forward to working with you to enact it.

Sincerely,



Gregory Baer
President, The Clearing House Association

cc: The Task Force to Investigate Terrorist Financing