

February 19, 2016

The Honorable Charles Grassley
United States Senate
135 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Patrick Leahy
United States Senate
437 Russell Senate Office Building
Washington, D.C. 20510

Dear Senators Grassley and Leahy,

We, the undersigned organizations, are writing to express our strong support for the **Incorporation Transparency and Law Enforcement Assistance Act (S. 2489)**, which would require American companies to disclose information about the real people who own or control them (often called the “beneficial owners”) at the time they are created.

We support increased corporate transparency because it would (1) curb corruption, fraud and tax evasion which robs countries of needed resources to meet budgets and protect vulnerable communities; (2) promote sound corporate governance and financial stability; (3) make corporate campaign contributions more transparent; (4) enable individuals and companies to know with whom they are doing business; (5) help ensure a fair and level playing field for small- and medium-sized businesses; (6) foster global development; and (7) enhance national security. This legislation would also enable law enforcement to more effectively and efficiently conduct investigations to combat terrorism and financial crimes, as they would have access to important information about the ultimate owners of companies.

Approximately two million companies are formed in the U.S. each year—which is more than the rest of the world combined. Many U.S. states rank among the easiest places in the world to set up a company whose owners cannot be traced. In some states you need less identification to set up a company than you do to get a library card. As shown by CBS’ 60 Minutes in [Anonymous, Inc.](#), it’s all too easy to move suspect money in the U.S. through anonymous companies created in America.

Investigations continue to reveal that terrorists, narco-traffickers, arms dealers, corrupt foreign officials, tax evaders, sanctioned individuals and other criminals easily and regularly set up U.S. shell companies, without providing any information about who owns or controls such companies. Criminals often layer anonymous corporations, with one owning another and so on, to make it even harder for law enforcement to “trace the money” to figure out who is directing the company’s activity – i.e. the identity of the real criminal. These tactics enable criminals to disguise their identities behind the anonymity provided to U.S. companies and to launder dirty money through the U.S. financial system.

Anonymous companies have been set up in states across the U.S. to commit crimes and hurt Americans throughout the country. Some examples include:

- Texas lawyers used sham companies from Delaware and Nevada to trick elderly people into investing their life savings in worthless enterprises.
- A gang used anonymous companies from Kansas, Missouri and Ohio to trick victims from overseas in a \$6 million human trafficking scheme.

- A crime syndicate opened fake health clinics across the country in the names of anonymous companies from states including Alabama, California, Colorado, Kentucky, Maryland, Nevada, New Mexico and Texas to steal at least \$35 million from Medicare.
- The Iranian government used an anonymous company from New York to conceal its ownership of a skyscraper on 5th Avenue, in direct breach of sanctions.
- Con artists tricked churchgoers and military personnel into investing millions in a South Carolina company that turned out to be a Ponzi scheme.

State laws govern the creation of U.S. companies, and states have been aware of the problems caused by anonymous companies for several years; however, states have made little effort to collect the information needed to adequately address this problem.

A uniform, federal requirement that no company can be registered anonymously is the only effective way to ensure a level playing field for states. A change in the law would save money from states' budgets by reducing the time and money currently spent trying to track down the anonymous company owners behind so many crimes in the United States. The Departments of Justice and Treasury have offered \$40 million to offset the cost of states updating their systems to include beneficial ownership information, drawing from funds they have recovered from prosecuting precisely the types of criminals that this law would help stop in their tracks. By increasing the collection of fines, penalties and asset forfeitures that result from the improved ability of law enforcement to pursue and prosecute these criminals, the law would also generate new revenue for states.

As momentum builds globally to solve the problem of anonymous companies, the U.S. needs a policy solution that will address our role in it. Congress should pass legislation that requires all American companies to disclose their ultimate owners to the government when they incorporate and to keep that information up to date. The government entity collecting the information should then make it available to law enforcement.

We encourage you to take this common sense step to make our corporate formation process more transparent by supporting the Incorporation Transparency and Law Enforcement Assistance Act. It would make it harder for criminals to misuse American companies to facilitate illegal activities and stop the U.S. from being a dumping ground for dirty money. If you are interested in more information about this important piece of legislation, please contact Eryn Schornick (eschornick@globalwitness.org) or Liz Confalone (lconfalone@gfintegrity.org).

Thank you for your commitment to this important issue.

Sincerely,

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

LeeAnn Hall, Executive Director
Alliance for a Just Society

Timi Gerson, Director of Government Affairs
American Jewish World Service

Bryan McGannon, Director, Policy & Engagement
American Sustainable Business Council (ASBC)

Center for Effective Governance

Lisa Graves, Executive Director
Center for Media and Democracy

Robert McIntyre, Director
Citizens for Tax Justice

Noah Bookbinder, Executive Director
Citizens for Responsibility and Ethics in Washington (CREW)

Marco Simons, Legal Director
EarthRights International

John Prendergast, Founding Director
Enough Project

Tutu Alicante, Executive Director
EG Justice

Clark Gascoigne, Interim Director
Financial Accountability & Corporate Transparency (FACT) Coalition

Nathan Proctor, National Campaign Director
Fair Share

Porter McConnell, Director
Financial Transparency Coalition

Rebecca Adamson, President and Founder
First Peoples Worldwide

Michelle Chan, Director, Economic Policy Program
Friends of the Earth – United States

Raymond Baker, President
Global Financial Integrity

Bret Thiele, Co-Executive Director
The Global Initiative for Economic, Social and Cultural Rights

Alan Hudson, Executive Director
Global Integrity

Stefanie Ostfeld, Acting Head of U.S. Office
Global Witness

Anna Myers, Executive Director
Government Accountability Project

Arvind Ganesan, Director, Business and Human Rights
Human Rights Watch

Warren Krafchik, Executive Director
International Budget Partnership

Ted Smith, Coordinator
International Campaign for Responsible Technology

Judy Gearhart, Executive Director
International Labor Rights Forum

J.H. (Jim) Snider, Ph.D., President
iSolon.org

Eric LeCompte, Executive Director
Jubilee USA Network

Amanda Ballantyne, National Director
Main Street Alliance

Suneeta Kaimal, Chief Operating Officer
Natural Resource Governance Institute

Jo Marie Griesgraber, Executive Director
New Rules for Global Finance

Gavin Hayman, Executive Director
Open Contracting Partnership

Patrice McDermott, Executive Director
OpenTheGovernment.org

Raymond C. Offenheiser, President
Oxfam America

Piper Hendricks, Executive Director
p.h. balanced films

Reverend Dr. J. Herbert Nelson, II, Director of the PC (U.S.A.)'s Office of Public Witness in Washington
Presbyterian Church (USA)

Lisa Gilbert, Director - Congress Watch
Public Citizen

Jana Morgan, Director
Publish What You Pay – US

Service Employees International Union (SEIU)

John Wonderlich, Interim Executive Director
Sunlight Foundation

Andre Delattre, Executive Director
U.S. Public Interest Research Group (U.S. PIRG)

cc: The Honorable Orrin Hatch
The Honorable Jeff Sessions
The Honorable Lindsey Graham
The Honorable John Cornyn
The Honorable Michael Lee
The Honorable Ted Cruz
The Honorable David Vitter
The Honorable Jeff Flake
The Honorable David Perdue
The Honorable Thom Tillis
The Honorable Dianne Feinstein
The Honorable Charles Schumer
The Honorable Richard Durbin
The Honorable Sheldon Whitehouse
The Honorable Amy Klobuchar
The Honorable Al Franken
The Honorable Christopher Coons
The Honorable Richard Blumenthal