



## FACT Sheet

### Anonymous Companies and National Security

The 2016 release of the Panama Papers was an avalanche of data on the nefarious use of anonymous companies for corrupt activities. The leak showed that shell companies can represent an important nexus of corruption, money laundering, transnational organized crime, and terrorism, all of which directly harm U.S. foreign policy interests. Such companies have been used to divert U.S. security and overseas development funds from their intended purposes into the hands of those who seek to do the United States harm, and they can help fund the very insurgents and terrorists U.S. troops are fighting.

#### What Is an Anonymous Company?

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 own 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.

#### Anonymous Companies and National Security

##### *Up to 25% of government procurement is lost to corruption — raising direct national security concerns.<sup>1</sup>*

A U.S.-Afghan contractor funneled at least \$3.3 million of U.S. taxpayer dollars to notorious Afghan power brokers, who deliberately hid their ownership interests in companies within the contractor's network to avoid association with the insurgency. These individuals in turn funded the purchase of weapons for the Taliban and insurgents.<sup>2</sup>

##### *Anonymous companies were used to evade economic sanctions against rogue countries*

An anonymous New York 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.<sup>3</sup>

##### *Anonymous companies assisted an illegal weapons dealer when moving hardware into war zones*

Viktor Bout, aka "the Merchant of Death," used a global network of shell companies, including at least 12 incorporated in Delaware, Texas, and Florida, to disguise weapons trafficking into conflict zones around the world.<sup>4</sup>

##### *Anonymous companies were established to defraud the U.S. military and put our troops at risk*

A former *America's Most Wanted* fugitive made millions by defrauding the U.S. government of \$11.2 million during a time of armed conflict. He supplied shoddy, dangerous parts essential to well-functioning weapons and to the safety of troops under the disguise of nominee companies created in New York, Florida, Nevada, Oregon, Washington, Texas, California, New Jersey and Canada.<sup>5</sup>

##### *Anonymous companies were also established to defraud the U.S. military, overcharging for basic supplies*

A U.A.E.-based anonymous company was used to overcharge the U.S. government in a \$48 million scheme to supply food and water to troops in Afghanistan.<sup>6</sup>

*Anonymous companies were used to lease high security space to the government creating security risks.*

A GAO report summary found that, “GAO was unable to identify ownership information for about one-third of GSA's 1,406 high-security leases as of March 2016 because ownership information was not readily available for all buildings.” This included the FBI — renting space owned by a corrupt Malaysian official and his family. In addition to providing funding to money laundering operations the FBI was supposed to be investigating, potential risks include security breaches and cyberattacks.<sup>7</sup>

*The U.S. is the easiest place to establish an anonymous company.*

A 2014 academic study found that the U.S. is the easiest country in the world for terrorists and criminals to open anonymous shell companies to launder their money with impunity.<sup>8</sup> In most states, it requires less identification to open a business than to get a library card.

*While Delaware has become infamous for its ability to recruit companies to register there, no state collects the names of the true ('beneficial') owners of companies.<sup>9</sup>*

Lawyers or other corporate formation agents can list themselves as the contact for the company even though they may have no knowledge of the beneficial owner. The Panamanian firm, Mossack Fonseca, had an employee who served as the named director for 20,000 companies.<sup>10</sup>

[Anonymous Companies Are Easy to Set Up and Dangerous Once Created. They Can Be Stopped.](#)

Representatives Carolyn Maloney (D-NY) and Peter King (R-NY) are sponsors of the **Corporate Transparency Act [H.R.3089]**. Senators Sheldon Whitehouse (D-RI) and Charles Grassley (R-IA) are sponsors of the **True Incorporation Transparency for Law Enforcement (TITLE) Act [S.1454]**. Both bills require companies to disclose their beneficial owner(s) when they incorporate and keep their ownership information up to-do-date.

*For more information, please contact Clark Gascoigne at [cgascoigne@thefactcoalition.org](mailto:cgascoigne@thefactcoalition.org).*

<sup>1</sup> United Nations Office on Drugs and Crime, Guidebook on anti-corruption in public procurement and the management of public finance, good practices in ensuring compliance with article 9 of the United Nations Convention against Corruption; [https://www.unodc.org/documents/corruption/Publications/2013/Guidebook\\_on\\_anti-corruption\\_in\\_public\\_procurement\\_and\\_the\\_management\\_of\\_public\\_finances.pdf](https://www.unodc.org/documents/corruption/Publications/2013/Guidebook_on_anti-corruption_in_public_procurement_and_the_management_of_public_finances.pdf)

<sup>2</sup> Host nation trucking financial connections to insurgents, Task Force 2010 financial forensic assessment, April 19, 2011, page 3; Karen DeYoung, U.S. trucking funds reach Taliban, [https://www.washingtonpost.com/world/national-security/us-trucking-funds-reach-taliban-military-led-investigation-concludes/2011/07/22/gIQAmdUXI\\_story.html?utm\\_term=.361db33ec736](https://www.washingtonpost.com/world/national-security/us-trucking-funds-reach-taliban-military-led-investigation-concludes/2011/07/22/gIQAmdUXI_story.html?utm_term=.361db33ec736)

<sup>3</sup> "Manhattan U.S. Attorney Announces Court Judgment Finding Midtown Office Building Secretly Owned And Controlled By Government Of Iran Subject To Forfeiture For Violations Of The Iranian Transactions Regulations And Money Laundering Offenses." The United States Department of Justice. September 17, 2013, <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-court-judgment-finding-midtown-office-building-secretly>

<sup>4</sup> Written Testimony of U.S. Department of the Treasury Assistant Secretary Daniel L. Glaser before the Senate Committee on the Judiciary, Subcommittee on Crime and Terrorism, 1 November 2011: <https://www.treasury.gov/press-center/press-releases/Pages/tg1346.aspx>

<sup>5</sup> The United States Attorney's Office, Eastern District of Virginia, Former America's Most Wanted Fugitive sentenced to 105 years for leading international conspiracy to defraud the military, <https://www.dodig.mil/IGInformation/IGInformationReleases/RogerDayPR.pdf>

<sup>6</sup> "Defense Contractor Pleads Guilty to Major Fraud in Provision of Supplies to U.S. Troops in Afghanistan." The United States Department of Justice; <https://www.justice.gov/opa/pr/defense-contractor-pleads-guilty-major-fraud-provision-supplies-us-troops-afghanistan>

<sup>7</sup> United States. Cong. House. United States Government Accountability Office. GSA Should Inform Tenant Agencies When Leasing High Security Space from Foreign Owners. 115th Cong., 1st sess. Cong. Rept. GAO, 3 Jan. 2017. <https://www.gao.gov/assets/690/681883.pdf>

<sup>8</sup> Findley, Michael et al. "Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism." Cambridge University Press (March 24, 2014), Page 74. <http://bit.ly/2uTLptQ>

<sup>9</sup> Special Report: A little house of secrets on the Great Plains." Reuters. June 28, 2011. <http://www.reuters.com/article/us-usa-shell-companies-idUSTRE75R20Z20110628>

<sup>10</sup> Partlow, Joshua, and Ana Swanson. "How Panama ended up in the middle of a financial scandal." The Washington Post. April 09, 2016. [https://www.washingtonpost.com/world/the\\_americas/where-the-papers-got-their-name/2016/04/09/f088582e-fcf8-11e5-813a-90ab563f0dde\\_story.html?utm\\_term=.c463dc95cc53](https://www.washingtonpost.com/world/the_americas/where-the-papers-got-their-name/2016/04/09/f088582e-fcf8-11e5-813a-90ab563f0dde_story.html?utm_term=.c463dc95cc53).

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