

## Anonymous Shell Companies

### Enabling Criminal Activity in the U.S. and Around the World

#### [America Is the Easiest Country in the World in which to Form an Anonymous Shell Company.](#)

Creating a U.S. shell company takes less information than acquiring a library card. A 2015 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>1</sup>

#### [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 Shell Companies Facilitate Crimes that Victimize Americans.](#)

##### ***Anonymous Companies & Sanctions Evasion***

- An anonymous NY 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>2</sup>

##### ***Anonymous Companies & Taking Advantage of Vulnerable Americans***

- Foreclosure Crisis: An anonymous DE company is alleged to have purchased property tax liens in MD, IA, KY, OH and DC to force vulnerable homeowners into foreclosure proceedings.<sup>3</sup>
- Scamming Consumers: The Federal Trade Commission sued Ira Rubin for using at least 18 different front companies to sell fraudulent credit cards that people never received.<sup>4</sup>

##### ***Anonymous Companies & Drug Trafficking***

- A Serbian drug lord and his brother are accused of using Delaware shell companies to launder cocaine money.<sup>5</sup>

##### ***Anonymous Companies & Human Trafficking***

- A Moldovan gang used anonymous companies from Kansas, Missouri and Ohio to trick victims from overseas in a \$6 million human trafficking scheme.<sup>6</sup>

##### ***Anonymous Companies & Defrauding the Government/Stealing our Tax Dollars***

- Cheating Medicare: Florida authorities arrested Michel De Jesus Huarte, who set up fake AIDS clinics to bill Medicare for more than \$4.5 million, forming at least 29 shell companies in the process.<sup>7</sup>
- According to an indictment, an Armenian organized crime ring used 118 shell companies in 25 states to bilk more than \$100 million from Medicare.<sup>8</sup>
- Defrauding the Defense Department: In 2011, U.S. government agencies awarded 93 contracts worth over \$1.6 million to one address — 90% from DOD. An investigation revealed Eagle Logistics Aerospace won four contracts worth more than \$50,000, and sold knock-off parts to the Pentagon.<sup>9</sup>

### **Anonymous Companies & Foreign Corruption**

- The son of the President of Equatorial Guinea, a tiny oil-rich country in West Africa where the majority of the population lives on less than \$1 a day, used a CA shell company to disguise his purchase of a \$30 million mansion in Malibu.<sup>10</sup>
- The World Bank found that American shell companies were used to move dirty money more often than those registered in any other country in grand corruption cases.<sup>11</sup>

### **Anonymous Companies & Weapons Trafficking**

- Viktor Bout, aka “the Merchant of Death,” used a global network of shell companies, including at least 12 incorporated in DE, TX, and FL, to disguise his weapons trafficking into conflict zones around the world.<sup>12</sup>

### **Law Enforcement & the Public Is Left in the Dark**

- Without beneficial ownership information, law enforcement hits dead ends in a complex web of shell companies when searching for criminals who launder money, trade drugs and weapons, evade taxes, and finance terrorist activities.<sup>13</sup>

### [There Is a Bipartisan Legislative Solution that would Bring Secret Shell Companies into the Light.](#)

- Rep. Carolyn Maloney (D-NY), Rep. Peter King (R-NY), Sen. Ron Wyden (D-OR), and Sen. Marco Rubio (R-FL) are sponsors of the **Corporate Transparency Act of 2017 [H.R.3089/S.1717]**. 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-date. Both bills make the information available to law enforcement for use in their investigations as well as to financial institutions to assist with their customer due diligence responsibilities.
- H.R.3089/S.1717 instructs the U.S Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) to collect the ownership information unless a state chooses to collect it on its own. S.1454 requires states to collect the information.
- The Treasury and Justice Departments think this is so important that they have made \$40 million available to states for transitional costs from the agencies’ asset forfeiture funds (money recovered from the same types of criminals this bill would help to catch).
- Both measures have robust support from law enforcement, financial institutions, faith groups, anti-corruption groups, liberal and conservative scholars, and the small business community.

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<sup>1</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>2</sup> Julie Satow, “Seizing Iran’s Slice of Fifth Avenue,” *The New York Times*, September 24, 2013, <https://nyti.ms/2nEDDUI>.

<sup>3</sup> *Global Witness*, “The Great Rip-Off”, <http://greatripoffmap.globalwitness.org/#!/case/57901>.

<sup>4</sup> Jeremy Flood, "The Panama Papers: So Much of It Is Legal, and That's a Problem," *U.S. PIRG*, April 14, 2016, <http://www.uspirg.org/blogs/blog/usp/panama-papers-so-much-it-legal-and-thats-problem>.

<sup>5</sup> *Organized Crime and Corruption Reporting Project*, “Brother of Drug Lord Charged with Money Laundering,” <https://www.occrp.org/en/investigations/1350-brother-of-drug-lord-ari-charged-with-money-laundering>.

<sup>6</sup> *Global Witness*, “The Great Rip-Off”, <http://greatripoffmap.globalwitness.org/#!/case/57938>.

<sup>7</sup> Brian Grow, "Special Report: Phantom firms bleed millions from Medicare," *Reuters*, December 21, 2011, <http://reut.rs/uGkAPw>.

<sup>8</sup> Joseph Kraus and Stefanie Ostfeld. "A Bill to End Secrecy Surrounding Shell Companies," *The Hill*, February 03, 2016, <http://thehill.com/blogs/congress-blog/economy-a-budget/265401-a-bill-to-end-secrecy-surrounding-shell-companies>.

<sup>9</sup> Brian Grow and Kelly Carr. "How Two Shell Companies Duped the Pentagon." *Reuters*. June 28, 2011. <http://reut.rs/mNuVbA>.

<sup>10</sup> STAR: Stolen Asset Recovery Initiative. “Corruption Cases: Teodoro Nguema Obiang Mbasogo / Teodoro Nguema Obiang Mangué (United States),” *The World Bank/U.N. Office of Drugs and Crime*. Accessed July 24, 2016. <http://star.worldbank.org/corruption-cases/node/18586>.

<sup>11</sup> “The Incorporation Business: They Sell Sea Shells”, *The Economist*, April 07, 2012. <http://www.economist.com/node/21552197>.

<sup>12</sup> *Global Witness*, “The Great Rip-Off,” <http://greatripoffmap.globalwitness.org/#!/case/57988>.

<sup>13</sup> Melanie Hicken and Blake Ellis, "These U.S. Companies Hide Drug Dealers, Mobsters and Terrorists." *CNNMoney*. December 9, 2015. <http://cnmmon.ie/1U2a7zb>.

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