



INTERNATIONAL CORPORATE  
ACCOUNTABILITY ROUNDTABLE

December 12, 2017

The Honorable Steve Pearce  
Chairman, Subcommittee on Terrorism and Illicit Finance  
U.S. House Financial Services Committee  
2432 Rayburn House Office Building  
Washington, DC 20515

The Honorable Ed Perlmutter  
Ranking Member, Subcommittee on Terrorism and Illicit Finance  
U.S. House Financial Services Committee  
1410 Longworth House Office Building  
Washington, DC 20515

The Honorable Blaine Luetkemeyer  
Chairman, Subcommittee on Financial Institutions and Consumer Credit  
U.S. House Financial Services Committee  
2230 Rayburn House Office Building  
Washington, DC 20515

The Honorable Lacy Clay  
Ranking Member, Subcommittee on Financial Institutions and Consumer Credit  
U.S. House Financial Services Committee  
2428 Rayburn House Office Building  
Washington, DC 20515

**Re: House Financial Services Subcommittee on Terrorism and Illicit Finance and  
Subcommittee on Financial Institutions and Consumer Credit, Joint Hearing Entitled  
“Legislative Proposals to Counter Terrorism and Illicit Finance,” November 29, 2017**

Dear Chairmen Pearce and Luetkemeyer and Ranking Members Perlmutter and Clay:

The International Corporate Accountability Roundtable (ICAR) is a civil society organization that believes in the need for an economy that respects the rights of all people, not just powerful corporations. We welcome the November 29 hearing on “Legislative Proposals to Counter Terrorism and Illicit Finance” and the Committee’s interest in tackling money laundering and mandating transparency regarding the beneficial owners of American companies.

The lack of transparency in corporate structures and ownership can lead to real and significant human rights impacts. For example, individuals and multinational corporations use anonymous companies to avoid paying their fair share in taxes, robbing governments of income for essential services such as health, infrastructure, and education. As United Nations Independent Expert Juan Pablo Bohoslavky<sup>1</sup> said upon release of the Paradise Papers, such corporate tax abuse “undermines social justice and human rights worldwide.”<sup>2</sup>

Corporate secrecy around beneficial ownership has allowed human traffickers to operate front businesses and profit from human rights abuses with impunity. For example, research conducted by Polaris found that there are over 6,500 illicit massage businesses operating in the United States, and that human trafficking has occurred in many of these businesses in Tampa, Honolulu, Houston, San Francisco, Albany, Columbus, Oklahoma City, and Fairfax County, VA. However, as no U.S. states require corporations to disclose their beneficial owner, it is extremely difficult to identify and hold accountable the criminals who are controlling or profiting from human trafficking by using the massage parlors as a disguise.<sup>3</sup>

Ultimately, anonymous companies undermine the ability of governments, including the United States, to enforce laws, provide essential public services, and reduce poverty. The ability to know the true persons behind legal entities enables the law enforcement to more effectively investigate and prosecute those who break laws such as tax evasion, money laundering, and human trafficking.

We therefore welcome the draft legislative proposal entitled “Counter Terrorism and Illicit Finance Act.” We particularly commend the Committee on the strong definition of beneficial owner. By specifying that the term “beneficial owner” applies to natural persons, this bill allows for the true identity of an entity’s owner to be uncovered and will reduce the ability for wrongdoers to hide behind corporate secrecy.

To further strengthen the draft legislation and ensure that it can effectively achieve the intended results, we encourage the Committee to implement the following recommendations, which were highlighted in the testimony presented by Stefanie Ostfeld of Global Witness, a member of ICAR, at the November 29<sup>th</sup> hearing.<sup>4</sup>

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<sup>1</sup> Juan Pablo Bohoslavky is the United Nations Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights.

<sup>2</sup> United Nations Human Rights Office of the High Commissioner, *Paradise Papers: State must act against “abusive tax conduct of corporations – UN human rights experts*, Nov. 9, 2017, <http://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=22377&LangID=E>.

<sup>3</sup> Polaris, Business Transparency to Combat Human Trafficking, <https://thefactcoalition.org/wp-content/uploads/2017/08/Polaris-Anonymous-Companies-Fact-Sheet-10-17-2016-FINAL.pdf> (last visited Dec. 11, 2017).

<sup>4</sup> *Hearing on A Legislative Proposal to Counter Terrorism and Illicit Finance Before the House Subcomm. on Fin. Services on Terrorism and Illicit Fin. and Subcomm. on Fin. Institutions and Consumer Credit*, 115<sup>th</sup> Congress (2017)

Specifically, the “Counter Terrorism and Illicit Finance Act” should:

1. Ensure that domestic law enforcement has access, including federal, state, tribal, and local, to the Financial Crime Enforcement Network’s (FinCEN) database of beneficial ownership information. This should not require a subpoena.
2. Ensure that foreign law enforcement has access to beneficial ownership information so that it can be used in both criminal prosecutions and administrative actions.
3. Require foreign nationals to file their beneficial ownership information with FinCEN, including submitting a scanned copy of the relevant pages of their non-expired passport to FinCEN.
4. Add an enforcement mechanism to the draft legislation. This could be done by requiring that beneficial ownership information be disclosed to FinCEN prior to being able to incorporate under state law. More specifically, FinCEN should be provided authority to regulate on matters related to beneficial ownership.
5. Allow beneficial ownership identification to include non-expired state issued identification documents, in addition to a U.S. driver’s license or passport.

We are thankful for your consideration and look to you to safeguard human rights by ensuring wrongdoers can no longer use the United States as a safe haven and hide behind anonymously held companies.

Sincerely,



Amol Mehra  
Executive Director  
International Corporate Accountability Roundtable