



December 7, 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 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 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 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: November 29, 2017 Joint Hearing Entitled “Legislative Proposals to Counter Terrorism and Illicit Finance”

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

Thank you for holding the recent hearing on “Legislative Proposals to Counter Terrorism and Illicit Finance”. We would like to offer comments for the record regarding the discussion draft of the “Counter Terrorism and Illicit Finance Act”,¹ and more specifically regarding its Section 9: “Transparent Incorporation Practices”. We urge your sub-committees to preserve the strong definition of “beneficial owners” adopted in that draft, and at the same time to strengthen the bill in order to make it more effective to fight financial crimes.

Oxfam is a global organization working to end the injustice of poverty. We work with poor communities in over 90 countries to help them build better futures for themselves, stand up for their rights, and save lives in disasters.

¹ U.S. House. 115th Congress, 1st Session. *H.R._____, Counter Terrorism and Illicit Finance Act: Discussion Draft dated November 14, 2017.* <https://financialservices.house.gov/uploadedfiles/bills-115hr-pih-ctifa.pdf>.

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Based on decades of experience in international development, we have concluded that incorporation transparency is essential to alleviate poverty in the world. Corruption, tax evasion, arms trafficking, and human trafficking are scourges that afflict developing countries. These crimes have in common the fact that the trail of investigations into them often ends with anonymous shell companies.

Corruption is one of the principal barriers to economic development and poverty alleviation.² Not only does it waste public resources that could otherwise fund schools, clinics and other social services, but it also discourages private investment, and fosters distrust between citizens and their government, which makes countries ungovernable and prone to civil strife.

Almost a third of rich Africans' wealth – about \$500 billion – is estimated to be held offshore, much of it undeclared, which may cost African governments \$14 billion a year.³ That is equivalent to the sums needed to pay for healthcare to save the lives of 4 million children and to employ teachers and allow every African child to go to school.

At least \$2.2 billion worth of arms and ammunition was illegally imported by countries under arms embargoes between 2000 and 2010,⁴ fueling civil wars that destroy lives and livelihoods and set countries decades backward on their development paths.

Oxfam has documented the horrific stories of migrants fleeing war zones only to fall prey to human traffickers.⁵ Anonymous companies from Kansas, Missouri and Ohio were instrumental to trick victims from overseas in a \$6 million human trafficking scheme.⁶

The United States is a prime location for anonymous companies, providing them with a veneer of respectability as well as access to a deep financial system and strong rule of law. At their Summit in Lough Erne (United Kingdom) in 2013, G8 members including the United States committed to make progress to ensure that both tax and law enforcement authorities in all countries where companies operate are able to find out who really owns them. It is high time to fulfil that commitment.

² Transparency International, "Corruption: Cost for Developing Countries", <http://www.transparency.org.uk/corruption/corruption-statistics/corruption-cost-for-developing-countries/#.WiheslWnHcs>

³ Oxfam, "Paradise Papers: The Hidden Costs of Tax Dodging", <https://www.oxfam.org/en/even-it/paradise-papers-hidden-costs-tax-dodging>

⁴ Oxfam, "Saving Lives with Common Sense", <https://www.oxfamamerica.org/explore/research-publications/saving-lives-with-common-sense/>

⁵ Oxfam, "You Aren't Human Anymore", https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/mb-migrants-libya-europe-090817-en.pdf

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

We therefore applaud the Sub-Committees' initiative to address the issue of anonymous shell companies by requiring the collection of beneficial ownership information for law enforcement authorities.

We urge the sub-committees to strengthen the draft to ensure that the legislation will be truly effective for law enforcement authorities to fight the scourges of corruption, tax evasion, arms trafficking and human trafficking both in the United States and abroad. That means the bill should:

1. Ensure that foreign law enforcement has access to beneficial ownership information so that it can be used in criminal and civil prosecutions.
2. 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 and define the term "applicant."
3. Add an enforcement mechanism to the discussion draft. This could be done by making the state incorporation process dependent on beneficial ownership information being provided to FinCEN. It could potentially be done by ensuring FinCEN has the authority to regulate in this area in order to have current listings from the states about all of the corporations and LLCs that are active.
4. 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 shouldn't require a subpoena.
5. Allow identification for beneficial owners to include non-expired state issued identification to meet the requirement if they do not have a non-expired U.S. driver's license or passport.

At the same time, we urge the sub-committees to preserve the strong definition of "beneficial owners" adopted in the discussion draft.

We thank you for your attention and your commitment to international development. If you would like more information, please contact Linda Delgado at linda.delgado@oxfam.org.

Sincerely,

Abby Maxman, CEO
Oxfam America