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Representative Jeb Hensarling  
Chairman, Committee on Financial Services  
2228 Rayburn House Office Building  
Washington, DC 20515

Representative Maxine Waters  
Ranking Member, Committee on Financial Services  
2221 Rayburn House Office Building  
Washington, DC 20515

December 7, 2017

Dear Honorable Hensarling and Honorable Waters,

I am writing to you as a specialist on human trafficking and illicit financial flows that has testified and met with your staff on issues of accountability and curtailing threat finance. I am the founder and director of the Terrorism, Transnational Crime and Corruption Center, the only institution of its kind that addresses different forms of illicit activity and their intersection with corruption and terrorism. I am part of the scientific committee of the new Homeland Security Center of Excellence at George Mason University on network analysis and transnational crime and a member of the Council on Foreign Relations.

I am requesting that this letter be added to the comments on last week's hearing in regards to the November 29, 2017 Joint Hearing Entitled "Legislative Proposals to Counter Terrorism and Illicit Finance."

My comments focus on Section 9 of the discussion draft of the "Counter Terrorism and Illicit Finance Act."<sup>1</sup> In my writings such as my book *Dirty Entanglements: Corruption, Crime and Terrorism*, congressional testimony and research on illicit trade, I have found diverse sources that link corruption, transnational crime, and threat finance and money laundering to anonymous shell companies both in the have been shown to represent an important nexus of corruption, transnational organized crime, and terrorism, and money laundering. These linkages, facilitated by non-transparent financial flows have harmed U.S. security both domestically and our personnel stationed overseas. Moreover, development

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<sup>1</sup> Counter Terrorism and Illicit Finance Act (Discussion Draft), H.R. \_\_\_\_, 115th Cong., 1st Sess., (November 14, 2017), <https://financialservices.house.gov/uploadedfiles/bills-115hr-pih-ctifa.pdf>.

funds intended to improve the lived of individuals in post-conflict regions and other problematic areas are too frequently diverted into the hands of corrupt officials who do not share our political or economic interests.

Anonymous companies allow crime to pay. As drug traffickers can launder money, human traffickers and smugglers can pay safe houses and terrorists can move them money unimpeded to offshore havens as seen in the Panama Papers. Anonymous companies, as I have testified before your committee are used to purchase real estate that can distort housing markets, show that crime does pay, and move individual farther away from their jobs.

There is a growing awareness of these problems and growing bi-partisan support to counter anonymous companies and require the beneficial owners of companies to be declared.

The following provisions discussed at the hearing in reference to Section 9 of the draft legislation are particularly important in assisting law enforcement go after those seeking to obscure the illicit source of their funds. These measures include the following:

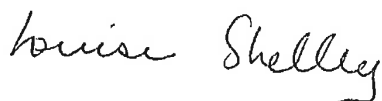
1. Ensure that domestic law enforcement has access, including federal, state, tribal, and local, to the Financial Crime Enforcement Network's (FinCEN) database of beneficial ownership information. This shouldn't require a subpoena.
2. Ensure that foreign law enforcement has access to beneficial ownership information so that it can be used in criminal and civil prosecutions. There is increasing interest in many locales including financial centers overseas to increase available information.
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 and define the term "applicant."
4. 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.
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.

## Centrality of Beneficial Ownership

Understanding the linkages between illicit financial flows and insecurity has become increasingly clear after the revelations of the Panama and the Paradise Papers. The definition of Beneficial Ownership needs to be clarified to ensure that people are not listed as beneficial owners to mask the true identity of the holder of the assets. Knowing the beneficial owners has proved very helpful in countering human trafficking that acquires on property with known owners. Financial pressure can be placed by mortgage holders on the hotels where drug trades and human trafficking are going on. With beneficial ownership, it is possible to go after key facilitators of this activity as has been done successfully by HSI of Homeland Security.

In conclusion, there are important changes that need to be implemented in the proposed legislation to make it more effective in countering transnational crime, diverse forms of illicit trade and terrorism.

Sincerely,



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