

36 Former Military and Civilian National Security Leaders Urge Congress to End Anonymous Shell Companies

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The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
2228 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2221 Rayburn House Office Building
Washington, DC 20515

Chairman Hensarling and Ranking Member Waters,

We write as retired general and field officers from the United States Armed Forces as well as retired civilian leaders from the National Security Council; the Departments of State, Treasury, Defense, Justice, and Commerce; and the U.S. Agency for International Development to reinforce our strong conviction that corruption threatens U.S. national security by fueling and funding terrorism, financing webs of criminality, driving conflict, and increasing insecurity and instability globally.

As you and your colleagues look to curb rogue nations, kleptocrats, and transnational criminal networks from using America as a safe harbor for their ill-gotten gains, we urge you to take action against the use of anonymous shell companies.

The U.S. remains the easiest place in the world to set up an anonymous shell company according to an academic study from the University of Texas and Brigham Young University.¹ To give one example, during the research phase of the study, one corporate formation agent in Florida responded to an email describing a fictitious inquiry writing that, “[Y]our started [sic] purpose could well be a front for funding terrorism... I wouldn’t even consider doing that for less [than \$5,000] a month... If you are working with less than serious money, don’t waste anybody’s time here.”²

¹ Findley, Michael et al. “Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism.” Cambridge University Press (March 24, 2014), Page 74, available at <http://bit.ly/2uTLptQ>.

² Findley, Michael et al. “Global Shell Games: Testing Money Launderers’ and Terrorist Financiers’ Access to Shell Companies.” Griffith University Centre for Governance and Public Policy (September 2012), Page 16, available at <http://bit.ly/2Ki6AO1>.

These companies have put Americans at risk and worse — criminals enjoy the benefits of strong investment returns and total secrecy here in the U.S. Drug cartels and human trafficking operations have long understood the benefits of corporate secrecy to launder money from criminal enterprises. More recently, anonymous companies are implicated in terror financing, fraudulent contracting with our military, and even sanctions evasion.

The growing list of examples of anonymous companies used to undermine troop safety are unsettling to say the least. According to research by the investigative group Global Witness, the Department of Defense entered into a contract with a U.S.-Afghan contractor secretly owned by individuals who purchased weapons for the Taliban. Anonymous companies won contracts and provided unusable bullets, shoddy weapons parts, and ineffective body armor, endangering the troops and wasting national security dollars.³

We acknowledge that financing and money laundering are as much a part of the strategy of terror networks as any bombing or attack. Congress can no longer ignore the threats created by anonymous shell companies. Funding for terrorist operations is critical for recruitment, training, and the planning and execution of attacks. Corrupt leaders in nations around the world steal public funds to prop up their regimes, undermine democratic institutions and ideals, and create internal and regional instability.

As we ratchet up sanctions against hostile nations, it is telling to note that the Iranian Government previously skirted our sanctions for years by utilizing a web of shell companies, including some registered in the United States, to buy a skyscraper on Fifth Avenue in Manhattan.⁴ While the President seeks to negotiate peace on the Korean peninsula, we should not be vulnerable to hostile threats in the future should diplomatic talks falter.

There are numerous challenges we face regarding our nation's security. Requiring the collection of beneficial ownership information for companies created in the United States is a clear and necessary step Congress can take with an immediate and significant impact.

We must protect our homeland against today's transnational threats; safeguard the rule of law and integrity of our institutions; and confront, disrupt, and dismantle the corruptive influences and illicit networks that threaten our national security.

Thank you for the leadership you have shown on this increasingly important issue to our national security. We urge you again to adopt legislation ending the creation of anonymous shell companies in the United States to protect our financial system and economy from abuse by those who wish to harm Americans.

Sincerely,

³ *Global Witness*, "Hidden Menace," July 2016, accessed May 11, 2018, available at <https://www.globalwitness.org/en/reports/hidden-menace/>.

⁴ *United States Department of Justice*. "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." September 17, 2013, available at <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-court-judgment-finding-midtown-office-building-secretly>.

GAYLE SMITH

Former Administrator, U.S. Agency for International Development (2015-2017)
Former Special Assistant to the President and Senior Director for Development, Democracy and Humanitarian Affairs, National Security Council, The White House (2009-2015)
Former Special Assistant to the President and Senior Director for African Affairs, National Security Council, The White House (1998-2001)
President and CEO of The ONE Campaign (2017-Present)

ALFONSO E. LENHARDT, Amb. (Ret.), MG (Ret.), USA

Former Deputy Administrator, U.S. Agency for International Development (2014-2017)
Former U.S. Ambassador to Tanzania (2009-2013)
Former Sergeant at Arms, U.S. Senate (2001-2003)
Former Commanding General, U.S. Army Recruiting Command (1996-1997)

ROBERT W. FARRAND, Amb. (Ret.)

Former Brčko (Bosnia) Supervisor (1997-2000)
Former Deputy High Representative for Bosnia and Herzegovina (1997-2000)
Former U.S. Ambassador to Papua New Guinea, Solomon Islands, and Vanuatu (1990-1993)

BISA WILLIAMS, Amb. (Ret.)

Former Deputy Assistant Secretary, Bureau of African Affairs, U.S. Department of State (2013-2015)
Former U.S. Ambassador to Niger (2010-2013)

SARAH E. MENDELSON

Former U.S. Ambassador to the United Nations Economic and Social Council (2015-2017)
Former Deputy Assistant Administrator, Bureau of Democracy, Conflict, and Humanitarian Assistance, U.S. Agency for International Development (2010-2014)

MORTON H. HALPERIN

Former Director of Policy Planning, U.S. Department of State (1998-2001)

DAVID J. KRAMER

Former Assistant Secretary of State for Democracy, Human Rights and Labor, U.S. Department of State (2008-2009)
Former Deputy Assistant Secretary of State for Europe and Eurasia, U.S. Department of State (2005-2008)

MARY BETH GOODMAN

Former Special Assistant to the President for National Security Affairs and Senior Director for Development, Democracy and Humanitarian Affairs, National Security Council, The White House (2015-2017)
Former Director for International Economic Affairs, National Security Council, The White House (2011-2013)

ERIC G. POSTEL

Former Associate Administrator, U.S. Agency for International Development (2015-2017)
Former Assistant to the Administrator for Africa, U.S. Agency for International Development (2014-2015)
Former Assistant Administrator, E3 Bureau, U.S. Agency for International Development (2011-2017)

THOMAS O. MELIA

Former Assistant Administrator for Europe & Eurasia, U.S. Agency for International Development (2015-2017)
Former Deputy Assistant Secretary of State for Democracy, Human Rights, and Labor, U.S. Department of State (2010-2015)
Washington Director, PEN America

JONATHAN WINER

Former Deputy Assistant Secretary of State for International Law Enforcement, U.S. Department of State (1994-1999)

ROB BERSCHINSKI

Former Deputy Assistant Secretary of State for Democracy, Human Rights and Labor, U.S. Department of State (2015-2017)
Former Director for Security and Human Rights, National Security Council, The White House (2010-2013)

WILLIAM F. WECHSLER

Former Deputy Assistant Secretary of Defense for Special Operations and Combating Terrorism, U.S. Department of Defense (2012-2015)
Former Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats, U.S. Department of Defense (2009-2012)

TOMMY ROSS

Former Deputy Assistant Secretary of Defense for Security Cooperation, U.S. Department of Defense (2014-2017)

MICHAEL CARPENTER, Ph.D.

Former Deputy Assistant Secretary of Defense for Russia, Ukraine, and Eurasia, U.S. Department of Defense (2015-2017)
Senior Director, Biden Center for Diplomacy and Global Engagement, University of Pennsylvania

MATTHEW H. MURRAY

Former Deputy Assistant Secretary of Commerce for Europe, the Middle East and Africa, U.S. Department of Commerce (2013-2015)
Former Deputy Assistant Secretary of Commerce for Europe and Eurasia, U.S. Department of Commerce (2012-2013)

JOSEPH (JODY) MYERS

Former Director for Counterterrorism, National Security Council, The White House (2001-2004)

DAVID HAMON

Former Director for Research and Studies, Advanced Systems and Concepts, Defense Threat Reduction Agency, U.S. Department of Defense (2007-2010)

DENNIS LORMEL

Former Chief, Terrorist Financing Operations Section, Counterterrorism Division, Federal Bureau of Investigation, U.S. Department of Justice (2001-2003)

CHIP PONCY

Former Director of the Office of Strategic Policy for Terrorist Financing and Financial Crimes, U.S. Department of the Treasury (2002-2013)

Senior Advisor, Center on Sanctions and Illicit Finance (CSIF), Foundation for Defense of Democracies

SARAH CHAYES

Former Special Assistant to the Chairman of the Joint Chiefs of Staff, U.S. Department of Defense (2010-2011)

Author, *Thieves of State: Why Corruption Threatens Global Security*

DONALD SEMESKY

Former Chief of Financial Operations, Drug Enforcement Administration, U.S. Department of Justice (2003-2008)

Former Anti-Money-Laundering Policy Adviser and IRS-Criminal Investigation (IRS-CI) Liaison Officer, Office of National Drug Control Policy, The White House (2000-2003)

JOHN AGOGLIA, COL (Ret.), USA

Former Director of the Counterinsurgency Training Center-Afghanistan (2008-2010)

THOMAS P. BALTAZAR, COL (Ret.), USA

Former Director, USAID Office of Military Affairs (2005-2010)

WILLIAM E. BERRY, JR., Col. (Ret.), USAF

MICHAEL DZIEDZIC, Ph.D., Col. (Ret.), USA

Adjunct Professor, George Mason University

CHRISTOPHER J. HOLSHEK, COL (Ret.), USA

Senior Fellow, Alliance for Peacebuilding and Senior Civil-Military Advisor, Narrative Strategies

PAUL D. HUGHES, COL (Ret.), USA

Special Advisor and Director, Overseas Safety and Security, United States Institute of Peace

MAX G. MANWARING, COL (Ret.), USA

Professor of Military Strategy, Strategic Studies Institute (SSI), U.S. Army War College

DAVID L. ASHER, Ph.D.

Former Coordinator, North Korea Working Group, Office of the Secretary of State, U.S. Department of State (2003-2005)

Former Senior Advisor for East Asian and Pacific Affairs, Office of the Secretary of State, U.S. Department of State (2001-2005)

Adjunct Senior Fellow, Center for a New American Security

CAMILLE EISS

Former Senior Advisor for Anti-Corruption, DRL, U.S. Department of State (2015-2017)

Former Policy Director of the Truman National Security Project (2009-2012)

Director of Partnerships, Organized Crime and Corruption Reporting Project (OCCRP)

DAVID M. LUNA

Former Senior Director for National Security & Diplomacy, INL, U.S. Department of State (2013-2017)

JAMES M. WRIGHT

Former Senior Advisor, Office of Technical Assistance, U.S. Department of the Treasury

Board Member, U.S. Capital Chapter, Association of Certified Anti-money Laundering Specialists (ACAMS)

DAVID E. A. JOHNSON, LTC (Ret.), USA

Executive Director, Center for Advanced Defense Studies (C4ADS)

JODI VITTORI, Lt Col. (Ret.), USAF

Former ISAF Task Force Shafafiyat Contracting, Economic Development, and Rule of Law Team Chief

Author, *Terrorist Financing and Resourcing*

KAREN J. FINKENBINDER, Ph.D.

Rule of Law, Justice & Reconciliation Advisor, Peacekeeping & Stability Operations Institute, U.S. Army War College

cc: The Honorable Mike Pompeo, Secretary of State
The Honorable Steve Mnuchin, Secretary of the Treasury
The Honorable James Mattis, Secretary of Defense
The Honorable Jeff Sessions, Attorney General
The Honorable Wilbur Ross, Secretary of Commerce
The Honorable Kirstjen Nielsen, Secretary of Homeland Security
The Honorable John Bolton, Assistant to the President for National Security Affairs
The Honorable Mark Green, Administrator, U.S. Agency for International Development