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

May 31, 2018

The Honorable Jeb Hensarling  
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U.S. House of Representatives  
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The Honorable Maxine Waters  
Ranking Member  
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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

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,

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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