

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

May 31, 2018

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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.<sup>1</sup> 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.”<sup>2</sup>

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<sup>1</sup> 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>.

<sup>2</sup> 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.<sup>3</sup>

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.<sup>4</sup> 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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<sup>3</sup> *Global Witness*, "Hidden Menace," July 2016, accessed May 11, 2018, available at <https://www.globalwitness.org/en/reports/hidden-menace/>.

<sup>4</sup> *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>.

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