



May 7, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
2221 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
2004 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry,

We write to express our firm and continued support for the Committee’s work to end the abuse of anonymous shell corporations and to modernize the anti-money laundering/countering the financing of terrorism (AML/CFT) regulatory system.

Banks and credit unions urge strong bipartisan support of H.R. 2513, the "Corporate Transparency Act of 2019", and urge swift action on this needed legislation that would provide law enforcement with more information that will ensure bad actors are brought to justice. As we have noted to this Committee in the past, there is broad bipartisan agreement that the U.S. should no longer enable criminals to launder money in support of illicit activities through the use of anonymous shell companies. Members of Congress, including Congresswoman Maloney and Congressman Luetkemeyer, have worked on the issue for months, if not years, and have negotiated in good faith to find consensus. The resulting legislation to create a secure beneficial

ownership registry of legal entities, held at the Financial Crimes Enforcement Network at the Department of Treasury, represents the best path forward to achieve this goal.

It is important to note that while multiple proposals have been introduced in Congress to address illicit activity through shell corporations, we believe H.R. 2513 strikes the right balance between imposing minimal requirements on small businesses while providing important information to law enforcement and financial institutions performing due diligence (a semi-law enforcement function). Upon enactment, we would encourage the drafters to work with the Treasury Department as part of the rulemaking process, to consider relevant existing requirements, including the customer due diligence requirements for financial institutions, in order to clarify the inter-relationship with the transparency requirements in the bill and to ensure consistency in implementation.

The drafters have also addressed important concerns surrounding access and data privacy, appropriate penalties for non-compliance and potential misuse of the database. For these reasons, HR 2513 has been endorsed by a variety of industries and interest groups across the political spectrum including law enforcement, national security, district attorneys, financial institutions, realtors, and corporate governance organizations.

In addition to H.R. 2513, we also strongly encourage Members to support Congressman Cleaver's bill, H.R. 2514, to modernize the outdated and inefficient Bank Secrecy Act (BSA) regulatory framework. We believe the bill is a strong step in the right direction to facilitate information sharing and feedback from law enforcement to financial institutions and further facilitate information sharing between financial institutions as well as encourage the use of technology and artificial intelligence within institutions' AML programs.

We would like to highlight one concern with H.R. 2514, section 211, to require the Department of Justice to submit to Congress an annual report on deferred and non-prosecution agreements. While we do not oppose increased transparency between law enforcement and financial institutions, we believe this provision will likely be used as a mechanism to politicize and second-guess the judicial process. We believe provisions like these increase the personal liability on individual compliance officers and will only further dissuade potential candidates from accepting compliance positions in financial institutions.

We commend Chairwoman Waters, Congresswoman Maloney and others on the Committee for their leadership on these issues. Congress is long overdue to come together in support of legislation that will have a profound impact on preventing human trafficking, drug smuggling, terrorism financing and other illicit activity and we thank the committee for its dedication to improving the AML/CFT structure.

Sincerely,

Bank Policy Institute

Consumer Bankers Association

Securities Industry and Financial Markets Association

Mid-Size Bank Coalition of America

Institute of International Bankers

American Bankers Association

Financial Services Forum

Bankers Association for Finance and Trade

Institute of International Finance