



## Anonymous Companies and National Security

Anonymous companies facilitate everything from corruption and money laundering to transnational organized crime, sanctions evasion, and terrorism — all of which directly harm U.S. foreign policy interests. Such companies have been used to divert from their intended purposes U.S. security and overseas development funds into the hands of those who seek to do the United States harm, and they can help fund the very insurgents and terrorists U.S. troops are fighting.

### What Is an Anonymous Company?

When a person sets up a company, they aren't required to disclose the real people who profit from its existence or control its activities, known as "beneficial owners." Individuals can conceal their identity by using front people, or "nominees," to represent the company. For instance, the real owner's attorney can file paperwork under their own name even though they have no control or economic stake in the company. Finding nominees is incredibly easy — there are corporations whose entire business is to file paperwork and stand in for company owners.

***"[T]he United States should make it more difficult for kleptocrats, and their agents, to secretly move money through the rule-of-law world, whether by opening bank accounts, transferring funds or hiding assets behind shell corporations. Failure to close loopholes in these areas is an invitation to foreign interference in America's democracy and a threat to national sovereignty."***

— General (Ret.) David Petraeus, USA  
and Senator Sheldon Whitehouse<sup>1</sup>

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*Up to 25% of government procurement is lost to corruption — raising direct national security concerns.<sup>2</sup>*

A U.S.-Afghan contractor funneled at least \$3.3 million of U.S. taxpayer dollars to notorious Afghan power brokers, who deliberately hid their ownership interests in companies within the contractor's network to avoid association with the insurgency. These individuals in turn funded the purchase of weapons for the Taliban and insurgents.<sup>3</sup>

*Anonymous companies were used to evade economic sanctions against rogue countries.*

An anonymous New York company owned part of a Manhattan skyscraper and used it as a front for the Iranian government in violation of U.S. sanctions. Millions of dollars in rent were illegally funneled to Iran, unbeknownst to stores like Juicy Couture that rented space in the building.<sup>4</sup>

*Anonymous companies facilitate the financing of weapons of mass destruction.*

In addition to Iran, anonymous companies have also been featured in proliferation financing cases involving North Korea, Syria, and Pakistan.<sup>5</sup> In a particularly notable example of a "serial proliferator," a Chinese national named Li Fang Wei (aka Karl Lee) repeatedly formed anonymous entities to carry out procurement activity, even as his businesses were sanctioned by the U.S.<sup>6</sup>

*Anonymous companies were used to lease high security space to the government, creating security risks.*

The Government Accountability Office "was unable to identify ownership information for about one-third of GSA's 1,406 high-security leases as of March 2016 because ownership information was not readily available for all buildings." This included the FBI — renting space owned by a corrupt Malaysian official and his family. In addition to providing funding to money laundering operations that the FBI was supposed to be investigating, potential risks include security breaches and cyberattacks.<sup>7</sup>

*Anonymous companies assisted an illegal weapons dealer when moving hardware into war zones.*

Viktor Bout, aka “the Merchant of Death,” used a global network of anonymous shell companies, including at least 12 incorporated in Delaware, Florida, and Texas, to disguise weapons trafficking into conflict zones around the world.<sup>8</sup>

*Anonymous companies defrauded the U.S. military, put our troops at risk, and overcharged for basic supplies.*

A former *America’s Most Wanted* fugitive made millions by defrauding the U.S. taxpayers of \$11.2 million during a time of armed conflict. He supplied shoddy, dangerous parts essential to well-functioning weapons and to the safety of troops under the guise of nominee companies created in California, Florida, New Jersey, New York, Nevada, Oregon, Texas, Washington, and Canada.<sup>9</sup>

Separately, a U.A.E.-based anonymous company was used to overcharge American taxpayers in a \$48 million scheme to supply food and water to troops in Afghanistan.<sup>10</sup>

*The U.S. is the easiest place to establish an anonymous company.*

A 2014 academic study found that the U.S. is the easiest country in the world for terrorists and criminals to open anonymous shell companies to launder their money with impunity.<sup>11</sup> While Delaware has become infamous for its ability to recruit companies to register there, no state collects the names of the true (‘beneficial’) owners of companies.<sup>12</sup> Indeed, in every state and the District of Columbia, it requires less identification to open a business than to get a library card.<sup>13</sup>

Anonymous Companies Are Easy to Set Up and Dangerous Once Created. They Can Be Stopped.

Rep. Carolyn Maloney (D-NY) and Rep. Peter King (R-NY) are sponsors of the **Corporate Transparency Act of 2019 [H.R.2513]**. The bill requires companies to disclose their beneficial owner(s) when they incorporate and keep their ownership information up to-date.

National security experts support this measure to protect American interests at home and abroad.<sup>14</sup>

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<sup>1</sup> David Petraeus and Sheldon Whitehouse, “Putin and other authoritarians’ corruption is a weapon — and a weakness,” *The Washington Post*, March 8, 2019, <https://wapo.st/2WMM11H>.

<sup>2</sup> U.N. Office on Drugs and Crime, “Guidebook on anti-corruption in public procurement and the management of public finance: Good practices in ensuring compliance with article 9 of the United Nations Convention against Corruption,” *UNODC*, September 2013, <http://bit.ly/2VfuJJU>.

<sup>3</sup> *Global Witness*, “Hidden Menace: How secret company owners are putting troops at risk and harming American taxpayers,” July 12, 2016, <http://bit.ly/HiddenMenace>.

<sup>4</sup> U.S. Attorney’s Office, Southern District of New York, “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,” *U.S. Department of Justice*, September 17, 2013, <http://bit.ly/2xuxlLr>.

<sup>5</sup> Elizabeth Rosenberg et al., “Financial Networks of Mass Destruction,” *Center for a New American Security*, January 24, 2019, <http://bit.ly/2VzQQ2J>.

<sup>6</sup> Ibid.

<sup>7</sup> United States. Cong. House. United States Government Accountability Office. “GSA Should Inform Tenant Agencies When Leasing High Security Space from Foreign Owners.” 115th Cong., 1st sess. Cong. Rept. GAO, 3 Jan. 2017. <https://www.gao.gov/assets/690/681883.pdf>.

<sup>8</sup> Written Testimony of U.S. Treasury Assistant Secretary Daniel L. Glaser before the Senate Committee on the Judiciary, Subcommittee on Crime and Terrorism at a Hearing titled “Combating International Organized Crime: Evaluating Current Authorities, Tools, and Resources,” November 1, 2011, <http://bit.ly/2JcGZtd>.

<sup>9</sup> U.S. Attorney’s Office, Eastern District of Virginia, “Former America’s Most Wanted Fugitive sentenced to 105 years for leading international conspiracy to defraud the military,” *U.S. Department of Justice*, December 15, 2011, <http://bit.ly/30dPfoG>.

<sup>10</sup> Office of Public Affairs, “Defense Contractor Pleads Guilty to Major Fraud in Provision of Supplies to U.S. Troops in Afghanistan.” *U.S. Department of Justice*, December 8, 2014, <http://bit.ly/2LzHLm1>.

<sup>11</sup> Findley, Michael et al. “Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism.” Cambridge University Press (March 24, 2014), Page 74, <http://bit.ly/2uTLptQ>.

<sup>12</sup> Kelly Carr and Brian Grow, “Special Report: A little house of secrets on the Great Plains,” *Reuters*, June 28, 2011, <https://reut.rs/2PUcJUo>.

<sup>13</sup> *Global Financial Integrity*, “The Library Card Project: The Ease of Forming Anonymous Companies in the United States,” March 21, 2019, <http://bit.ly/2VkOxvN>.

<sup>14</sup> Letter to the U.S. House Committee on Financial Services from 61 National Security Experts, dated May 6, 2019, <http://bit.ly/2YpJax8>.

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