

# 127 Groups Support the Corporate Transparency Act of 2019 to End the Abuse of Anonymous Companies

June 10, 2019

The Honorable Carolyn B. Maloney  
United States House of Representatives  
2308 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Peter T. King  
United States House of Representatives  
302 Cannon House Office Building  
Washington, D.C. 20515

The Honorable Tomasz P. Malinowski  
United States House of Representatives  
426 Cannon House Office Building  
Washington, D.C. 20515

## **RE: Support for the Corporate Transparency Act of 2019 (H.R. 2513)**

Dear Representatives Maloney, King, and Malinowski,

We, the undersigned organizations, write to express our strong support for your bipartisan **Corporate Transparency Act of 2019 (H.R. 2513)**, which would require companies to disclose information about the real people who own or control them (often called the “beneficial owners”) at the time they are created.

We support increased corporate transparency because it would: (a) curb corruption<sup>1</sup> and fraud,<sup>2</sup> which robs taxpayers of resources designated for infrastructure, healthcare, and other vital needs; (b) fight tax evasion, both domestically and abroad;<sup>3</sup> (c) inhibit wildlife trafficking<sup>4</sup> and other environmental crimes;<sup>5</sup> (d) protect human rights<sup>6</sup> and combat human trafficking;<sup>7</sup> (e) curtail the financing of drug cartels that fuel the opioid epidemic;<sup>8</sup> (f) promote sound corporate governance and financial stability;<sup>9</sup> and (g) help ensure a fair and level playing field for honest businesses.<sup>10</sup> Some examples include:

- **Environmental Crimes**: Norsudtimber, a European company that is the largest single owner of logging concessions in the Democratic Republic of Congo, is allegedly operating illegally on 90 percent of its sites in the country and used a global web of anonymous shell companies to facilitate the illegal international trade in timber while protecting three Portuguese brothers at the head of the company from scrutiny.<sup>11</sup>
- **Fueling the Opioid Epidemic**: Mihran and Artur Stepanyan operated at least four anonymous shell companies, which they allegedly used to hide a wide-ranging criminal enterprise engaged in racketeering. Their biggest business consisted of diverting prescription drugs such as oxycodone from unlicensed sources to unknowing customers through a website pharmacy.<sup>12</sup>

- Human Rights Abuses: A gang used anonymous companies from Kansas, Missouri, and Ohio to trick victims from overseas in a \$6 million human trafficking scheme.<sup>13</sup>
- Tax Evasion: An attorney from Boca Raton, Florida used an anonymous shell company from New York in a scheme to evade the payment of \$1.5 million in income tax.<sup>14</sup>

A 2014 study by academics at the University of Texas-Austin, Brigham Young University, and Griffith University found that the United States was the easiest place for criminals and kleptocrats to open an anonymous company to launder their proceeds with impunity.<sup>15</sup> Indeed, a March 2019 analysis from Global Financial Integrity reveals that — in all fifty states and the District of Columbia — “more personal information is needed to obtain a library card than to establish a legal entity that can be used to facilitate tax evasion, money laundering, fraud, and corruption.”<sup>16</sup> At the same time, investigations like those that resulted from the Panama Papers continue to reveal that drug cartels, human traffickers, arms dealers, corrupt foreign officials, tax evaders, sanctioned individuals, and other criminals easily and regularly set up U.S. shell companies without providing any information about who owns or controls such companies.<sup>17</sup> Criminals often layer these anonymous corporations, with one owning another and so on, to make it even harder to “follow the money” and figure out who is directing the company’s activity — i.e. the identity of the real criminal. These tactics enable criminals to disguise their identities behind the anonymity provided to U.S. companies and to launder dirty money through the U.S. financial system.

As momentum builds globally to solve the problem of anonymous companies, the U.S. needs a policy solution that will address our role in it and protect American citizens. Congress should pass legislation, like the Corporate Transparency Act, that requires all companies to disclose their ultimate owners to the government when they incorporate and to keep that information up to date. The government entity collecting the information should then, at a minimum, make it available to law enforcement and those we entrust with anti-money laundering responsibilities.

We thank you for your leadership and look forward to working with you on this important and commonsense step to make our corporate formation process more transparent. Your bill will make it harder for criminals to misuse American companies to facilitate illegal activities. Please feel free to reach out to Clark Gascoigne ([cgascoigne@thefactcoalition.org](mailto:cgascoigne@thefactcoalition.org)) or Alexandria Robins ([arobins@globalwitness.org](mailto:arobins@globalwitness.org)) for any additional information or questions.

Thank you again for your leadership on this important issue.

Sincerely,

Accountability Counsel  
 ActionAid USA  
 Africa Faith & Justice Network  
 African Coalition for Corporate Accountability (ACCA)  
 Alliance for Retired Americans  
 Amazon Watch  
 American Family Voices  
 American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)  
 American Federation of State, County and Municipal Employees (AFSCME)  
 American Federation of Teachers

American Sustainable Business Council  
Americans for Democratic Action (ADA)  
Americans for Financial Reform  
Americans for Tax Fairness  
Association of Concerned Africa Scholars (ACAS)  
Bread for the World  
Business and Human Rights (BHR)  
Business & Human Rights Resource Centre  
Campaign for America's Future  
Center for International Policy  
Center for Popular Democracy Action  
Citizens for Responsibility and Ethics in Washington (CREW)  
Coalition for Integrity  
Coalition on Human Needs  
Columban Center for Advocacy and Outreach  
Columbia Center on Sustainable Investment  
Communications Workers of America (CWA)  
Consumer Action  
Consumer Federation of America  
Corporate Accountability Lab  
Corruption Watch UK  
CREDO Action  
Daily Kos  
Demand Progress  
EarthRights International  
Economic Policy Institute  
Enough Project  
Environmental Investigation Agency  
ESG Transparency Initiative  
Fair Share  
Financial Accountability and Corporate Transparency (FACT) Coalition  
Financial Transparency Coalition  
First Amendment Media Group  
Foundation Earth  
Friends of the Earth U.S.  
Fund for Constitutional Government  
Global Alliance for Tax Justice  
Global Financial Integrity  
Global Integrity  
Global Witness  
Government Accountability Project  
Greenpeace USA  
Health Care for America Now  
Heartland Initiative  
Humanity United Action  
Human Rights First  
Human Rights Watch  
Institute for Policy Studies — Program on Inequality and the Common Good  
Institute on Taxation and Economic Policy

Interfaith Center on Corporate Responsibility (ICCR)  
Interfaith Worker Justice  
International Brotherhood of Teamsters  
International Campaign for Responsible Technology  
International Corporate Accountability Roundtable (ICAR)  
International Labor Rights Forum  
International Rights Advocates  
International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America,  
UAW  
Jubilee USA Network  
Liberty Shared  
Luna Global Networks & Convergence Strategies LLC  
Main Street Alliance  
Maryknoll Fathers and Brothers  
Maryknoll Office for Global Concerns  
MiningWatch Canada  
Missionary Oblates  
MomsRising  
National Association for the Advancement of Colored People (NAACP)  
National Education Association  
National Employment Law Project  
National Latino Farmers & Ranchers Trade Association  
National Organization for Women  
Natural Resource Governance Institute  
NETWORK Lobby for Catholic Social Justice  
Open Contracting Partnership  
Open Ownership  
Open the Government  
Oxfam America  
Patriotic Millionaires  
Peace Education Center  
RepresentUs  
Responsible Wealth  
Responsive to Our Community II, LLC  
Pax Advisory  
People Demanding Action  
Polaris  
Project Expedite Justice  
Project On Government Oversight  
Project on Organizing, Development, Education, and Research (PODER)  
Public Citizen  
Publish What You Pay – U.S.  
Repatriation Group International  
Rights and Accountability in Development (RAID)  
Rights CoLab  
RootsAction.org  
Sisters of St. Francis of Philadelphia  
Small Business Majority  
Society of African Missions (SMA Fathers)

Stand Up America  
Sunlight Foundation  
Sustentia  
Take On Wall Street  
Tax Justice Network  
Tax March  
The B Team  
The ONE Campaign  
The Sentry  
The United Methodist Church — General Board of Church and Society  
Trailblazers PAC  
Transparency International  
United Church of Christ, Justice and Witness Ministries  
United for a Fair Economy  
U.S.-Africa Network  
U.S. Public Interest Research Group (PIRG)  
Verité  
Voices for Progress  
Win Without War  
Working America

cc: The Honorable Maxine Waters, Chairwoman, U.S. House Committee on Financial Services  
The Honorable Patrick T. McHenry, Ranking Member, U.S. House Committee on Financial Services  
Members of the U.S. House Committee on Financial Services

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- <sup>1</sup> *Transparency International*, "Policy Brief 02/2014: Ending Secrecy to End Impunity: Tracing the Beneficial Owner," June 19, 2014, <http://bit.ly/2W5pEoN>.
  - <sup>2</sup> Brian Grow, "Special Report: Phantom firms bleed millions from Medicare," *Reuters*, December 21, 2011, <http://reut.rs/uGkAPw>.
  - <sup>3</sup> *Institute on Taxation and Economic Policy*, "Delaware: An Onshore Tax Haven," December 10, 2015, <https://itep.org/delaware-an-onshore-tax-haven/>.
  - <sup>4</sup> Grace Zhao, "Why Wildlife Trafficking and Anonymous Companies Are Mutually Inclusive," *Global Financial Integrity*, July 24, 2014, <https://www.gfintegrity.org/wildlife-trafficking-shell-companies-inclusive/>.
  - <sup>5</sup> *United Nations Environment Programme (UNEP) and INTERPOL*, "The Rise of Environmental Crime," June 4, 2016, <http://wedocs.unep.org/handle/20.500.11822/7662>.
  - <sup>6</sup> *Human Rights Watch*, "US: Pass Law to Stem Corruption, Promote Rights," April 11, 2019, <https://www.hrw.org/news/2019/04/11/us-pass-law-stem-corruption-promote-rights>.
  - <sup>7</sup> *Polaris Project*, "Hidden in Plain Sight: How Corporate Secrecy Facilitates Human Trafficking in Illicit Massage Parlors," April 2018, <https://polarisproject.org/resources/hidden-plain-sight-how-corporate-secrecy-facilitates-human-trafficking-illicit-massage>.
  - <sup>8</sup> Nathan Proctor and Julia Ladics, "Anonymity Overdose: Ten Cases that Connect Opioid Trafficking and Related Money Laundering to Anonymous Shell Companies," *Fair Share Education Fund*, August 2016, [https://www.fairshareonline.org/sites/default/files/AnonymityOverdose\\_Aug1\\_2016.pdf](https://www.fairshareonline.org/sites/default/files/AnonymityOverdose_Aug1_2016.pdf).
  - <sup>9</sup> Andrew Liveris, Paul Polman, Marc Benioff, François-Henri Pinault, Oliver Bäte, and Josh Bayliss, "U.S. Government Action Crucial to Fighting Corruption," *The B Team*, July 12, 2017, <http://bit.ly/2vGYDLQ>.

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- <sup>10</sup> *The FACT Coalition*, “FACT Sheet: Business Case for Ending Anonymous Companies,” February 22, 2019, [https://thefactcoalition.org/fact-sheet-business-case-for-ending-anonymous-companies-february-2019?utm\\_medium=policy-analysis/fact-sheets](https://thefactcoalition.org/fact-sheet-business-case-for-ending-anonymous-companies-february-2019?utm_medium=policy-analysis/fact-sheets).
- <sup>11</sup> *Global Witness*, “Total Systems Failure: Exposing the secret networks destroying forests in the Democratic Republic of Congo,” June 26, 2018, <https://www.globalwitness.org/en-gb/campaigns/forests/total-systems-failure/>.
- <sup>12</sup> Proctor and Ladics, Page 10.
- <sup>13</sup> *Global Witness*, “The Great Rip Off: Anonymous company owners and the threat to American interests,” September 2014, <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/>.
- <sup>14</sup> U.S. Attorney’s Office for the Southern District of Florida, “Boca Raton Attorney Pleads Guilty to Tax Evasion,” *U.S. Department of Justice*, March 4, 2016, <https://www.justice.gov/usao-sdfl/pr/boca-raton-attorney-pleads-guilty-tax-evasion>.
- <sup>15</sup> Michael Findley 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>16</sup> Press Release, “Report Demonstrates Ease of Establishing Anonymous Shell Companies,” *Global Financial Integrity*, March 21, 2019, accessible at <https://www.gfintegrity.org/press-release/report-demonstrates-ease-of-establishing-anonymous-shell-companies/>.
- <sup>17</sup> *International Consortium of Investigative Journalists*, “The Panama Papers: Exposing the Rogue Offshore Financial Industry,” An ICIJ Investigation, April 2016, accessible at <https://www.icij.org/investigations/panama-papers/>.