

## Group of 14 Anti-Human Trafficking Organizations Urge Lawmakers to End Anonymous Companies

The Honorable Mike Crapo  
Chairman  
Committee on Banking, Housing, and Urban Affairs  
U.S. Senate  
239 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
U.S. Senate  
503 Hart Senate Office Building  
Washington, D.C. 20510

September 23, 2019

### **RE: The Facilitation of Human Trafficking via Anonymous Company Ownership**

Chairman Crapo and Ranking Member Brown,

As groups dedicated to the curbing of human trafficking and forced labor, we applaud the work Congress is doing to increase corporate transparency. Requiring companies to disclose information about the real people who own or control them (“beneficial owners”) would give law enforcement a necessary tool in the fight against human trafficking by allowing them to follow the money and hold criminals accountable for the illicit businesses they own. Eventually, this legislation could help prevent traffickers from profiting off of abuse and crime.

According to *The Typology of Modern Slavery*, a 2017 report from Polaris (a leading anti-human trafficking policy and advocacy organization), massage parlor trafficking is the second most common type of trafficking in the U.S.<sup>1</sup> Through large networks, traffickers recruit young women in their home countries or after they have recently immigrated to the U.S. and force them to work at these massage parlors, controlling them through coercion, isolation, debt bondage, and implied threats.

Polaris’ research shows that there are at least 9,000 of these illicit massage parlors in the U.S. alone — and most are part of a more extensive organized crime network, that includes at least one other massage parlor and a non-massage venue, which is used to launder the proceeds.<sup>2</sup> As with other organized criminal operations, law enforcement officials find it difficult to understand the structure of these networks and who really controls them because the true ownership of these businesses is hidden, obscured, or undisclosed through the use of shell companies.

Of the 9,000 illicit massage businesses Polaris identified in 2018, only 6,000 have any business records at all. Of those, only 28 percent list any individual's name in the record, and only 21 percent list an owner's name — under current law, that's not mandatory, and the names that are listed aren't verifiable.<sup>3</sup> If all businesses began reporting their beneficial owners, law enforcement would be able to put the pieces together and identify how illicit businesses are connected to one another and who ultimately controls and benefits from them.

Anonymously owned companies are also used by human traffickers who employ other types of schemes besides massage parlors to exploit people for profit. In 2010, a forced labor criminal enterprise was uncovered in which victims were lured into the U.S. from their home countries of Jamaica, the Dominican Republic, the Philippines, and elsewhere. They were promised the American Dream but then forced to live in over-priced, over-crowded, sub-standard apartments and sent to work in hotels, resorts, and casinos across the U.S. In return, the traffickers withheld their earnings and threatened the workers with deportation and fees if they left. The gang that ran the operation hid behind a web of anonymous companies registered in Kansas, Missouri and Ohio — allowing them to obscure their real identities and launder the proceeds of the scheme.<sup>4</sup>

Without beneficial ownership reporting, law enforcement's ability to enforce anti-human trafficking laws is restricted to sweeping the site of a trafficking operation and arresting everyone there — which rarely includes the real owners of that business or operation. Unfortunately, for victims and police alike, this undermines trust between a victim and law enforcement. If businesses had to disclose their real owners, police officers could better identify the real owners of the companies used in these trafficking schemes. This would allow them to hold those who benefit most from human trafficking accountable under the law, rather than the victims of these schemes.

As with all transnational organized crime, human trafficking must be fought on all fronts. Beneficial ownership legislation would lift a veil of secrecy that provides cover for criminals, allowing law enforcement to go after the true perpetrators of this abuse.

We thank you and your colleagues for your continued efforts to bring light to this issue, and we urge you to move legislation that would require the collection of information on the real owners of companies.

Sincerely,

Agape International Missions

Amirah, Inc.

Baptist Resource Network

Candle Of Hope Foundation

Freedom Network USA

Humanity United Action

International Rights Advocates

Liberty Shared

Polaris Project

Street Grace

Shared Hope International

Verité

Youth Underground

3 Strands Global Foundation

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<sup>1</sup> Polaris Project, “The Typology of Modern Slavery: Defining Sex and Labor Trafficking in the United States,” January 2018, page 12, <https://polarisproject.org/sites/default/files/Polaris-Typology-of-Modern-Slavery.pdf>.

<sup>2</sup> Polaris Project, “Human Trafficking in Illicit Massage Businesses,” January 2018,

[https://polarisproject.org/sites/default/files/Full\\_Report\\_Human\\_Trafficking\\_in\\_Illicit\\_Massage\\_Businesses.pdf](https://polarisproject.org/sites/default/files/Full_Report_Human_Trafficking_in_Illicit_Massage_Businesses.pdf)

<sup>3</sup> Polaris Project, “Hidden in Plain Sight: How Corporate Secrecy Facilitates Human Trafficking in Illicit Massage Parlors,” April 20, 2018, <http://polarisproject.org/sites/default/files/Polaris%20-%20Beneficial%20Ownership%20-%20April%202018.pdf>.

<sup>4</sup> Global Witness, “The Great Rip Off,” September 24, 2014, page 11, <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/>.