



FACTCOALITION

Financial Accountability & Corporate Transparency

October 22, 2019

The Honorable Nancy Pelosi  
Speaker  
United States House of Representatives  
H-232, The Capitol  
Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
United States House of Representatives  
H-204, The Capitol  
Washington, DC 20515

**RE: The Corporate Transparency Act of 2019 (H.R. 2513) and the COUNTER Act of 2019 (H.R. 2514)**

Dear Speaker Pelosi and Minority Leader McCarthy,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, we write to urge your support of the **Corporate Transparency Act of 2019 (H.R. 2513)** and the **Coordinating Oversight, Upgrading and Innovating Technology, and Examiner Reform (COUNTER) Act of 2019 (H.R. 2514)**. The FACT Coalition is a non-partisan alliance of more than 100 state, national, and international organizations promoting policies to combat the harmful impacts of corrupt financial practices.<sup>1</sup>

It has been decades since our nation's anti-money laundering laws were updated. Over time, the criminal and corrupt have developed ever more sophisticated networks, but our law enforcement and national security officials are currently working with outdated and insufficient tools to counter the emerging threats.

The International Monetary Fund (IMF) and United Nations Office on Drugs and Crime (UNODC) estimate the scale of global money laundering falls somewhere around two to five percent of global gross domestic product — approximately \$1.5 trillion to \$3.7 trillion in 2015.<sup>2</sup>

According to the UNODC, less than one percent of global illicit financial flows are seized and forfeited. Raymond Baker, the founder of FACT Coalition member Global Financial Integrity, notes that the numbers show enforcement fails 99.9 percent of the time. In other words: "We are just a decimal point away from total failure."<sup>3</sup>

These bills represent an historic opportunity to address decades of inaction.

**The Corporate Transparency Act**, sponsored by Representatives Carolyn Maloney and Peter King, would end the abuse of anonymous shell companies. These entities have a well-documented history of being used to hide bad actors and launder the proceeds for a wide variety of crimes including sanctions evasion, terrorist financing, human trafficking, drug trafficking, illegal arms dealing, tax evasion, the sale of counterfeit and pirated goods, and grand corruption.

The bill would take the simple but effective step of asking businesses to name the true owner (a.k.a. beneficial owner) at the point of corporate formation and provide updates when ownership information changes. According the U.S. Small Business Administration, approximately three-quarters of all U.S.

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<sup>1</sup> A full list of FACT Coalition members is available at <http://thefactcoalition.org/about/coalition-members-and-supporters/>.

<sup>2</sup> Financial Action Task Force, Money Laundering, *Financial Action Task Force*, 2016. Available at <http://www.fatfgafi.org/faq/moneylaundering/>.

<sup>3</sup> Raymond Baker, "Capitalism's Achilles Heel: Dirty Money and How to Renew the Free-Market System," New Jersey: John Wiley & Sons, Inc, 2005.

businesses are non-employer firms — meaning they involve only one individual.<sup>4</sup> An analysis by the United Kingdom of its beneficial ownership directory found the costs as reported by small business owners of maintaining and updating their information over time was between \$2 and \$3 per year.<sup>5</sup> For small businesses, this is a simple matter and the benefits to law enforcement are enormous.

**The COUNTER Act**, sponsored by Representative Emmanuel Cleaver, includes a number of important provisions to combat the growing sophistication of criminal networks. Among the many provisions, the bill would establish new requirements for arts and antiquities dealers to ensure high-end transactions are not serving as fronts for money-laundering. The bill would also extend Treasury’s Geographic Targeting Orders to better protect our nation’s real estate from purchase by rogue actors. This latter threat was highlighted in a recent case in which the U.S. Department of Justice found, after many years, that Iran had been evading our sanctions through anonymous U.S. companies used to purchase a skyscraper in Manhattan.<sup>6</sup>

Regarding the amendments:

- We support the Manager’s amendment bringing the two bills together;
- We support Representative Levin’s amendment, ensuring FinCEN may use the information obtained by this bill to notify industry and the public about criminal trends.
- We also support Representative Burgess’s amendment requiring an annual report to Congress of anonymized data;
- We oppose Representative Hill’s amendment, which could create misleading data; and
- We strongly oppose Representative Davidson’s amendment, which would roll back existing anti-money laundering rules and make it easier for criminals to access our financial system.

We applaud Representatives Maloney, King, and Cleaver for championing these critical reforms. We urge you to support both the Corporate Transparency Act and the COUNTER Act as a once in a generation opportunity to improve our anti-money laundering rules, better protect local communities from the harms caused by criminal and corrupt activity, and ensure the integrity of our financial system.

For additional information, contact Clark Gascoigne at [cgascoigne@thefactcoalition.org](mailto:cgascoigne@thefactcoalition.org) or +1 (202) 813-0290.

Sincerely,

**Gary Kalman**  
Executive Director

**Clark Gascoigne**  
Deputy Director

cc Members of the U.S. House of Representatives

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<sup>4</sup> *Small Business Administration*, “Frequently Asked Questions,” September 2012, [https://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf).

<sup>5</sup> *U.K. Department for Business, Energy & Industrial Strategy*, “People of Significant Control (PSC) Register: review of implementation,” August 2, 2019, <https://www.gov.uk/government/publications/people-of-significant-control-psc-register-review-of-implementation>, Pg. 28.

<sup>6</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, <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-court-judgment-finding-midtown-office-building-secretly>.

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