

More than 100 National Security and Foreign Policy Experts Call on Congress to Tackle Anonymous Shell Companies

The Honorable Mitch McConnell
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U.S. Senate
317 Russell Senate Office Building
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The Honorable Chuck Schumer
Senate Minority Leader
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June 25, 2020

Dear Majority Leader McConnell and Minority Leader Schumer,

We write as former military officers, administration officials, law enforcement agents, and foreign policy experts to affirm our conviction that illicit finance poses a serious threat to U.S. national security. As you work to safeguard the U.S. financial system from abuse, we urge you to act against crime and corruption facilitated by anonymous ownership of U.S. shell companies.

The ability to control U.S. companies without disclosing beneficial ownership information has made them attractive vehicles for money laundering. Rogue regimes, terrorist groups, transnational criminal organizations, arms dealers, kleptocrats, drug cartels, and human traffickers have all used U.S.-registered shell companies to obscure their identities and facilitate illicit activities. Meanwhile, U.S. intelligence and law enforcement agencies often find it difficult to investigate these illicit financial networks without access to information about the beneficial ownership of corporate entities involved.

Adversarial authoritarian regimes have become adept at exploiting financial secrecy to spread malign economic influence globally and undermine American leadership. As General David Petraeus and Senator Sheldon Whitehouse noted recently, “the fight against corruption is more than a legal and moral issue; it has become a strategic one — and a battleground in a great power competition.”¹ It is alarming, therefore, that a World Bank study found that U.S. shell companies were used in more grand corruption cases than those of any other country.²

The global spread of crime and corruption, often facilitated by anonymous shell companies, has undermined democratization and economic development in many countries, with adverse implications for U.S. and global security. Societies impoverished by kleptocratic rulers breed

¹ David Petraeus and Sheldon Whitehouse, “Putin and Other Authoritarians’ Corruption is a Weapon — and a Weakness,” *Washington Post*, March 8 2019.

² Emily Halter, Robert Harrison, Ji Won Park, Jason Sharman, Emile Van Der Does De Willebois, *The Puppet Masters : How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It* (Stolen Asset Recovery Initiative / World Bank, 2011)

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resentment and instability, providing fertile recruiting ground for terrorist groups—many of whom use anonymous shell companies in their own illicit funding networks. Corporate anonymity can also pose a direct threat to U.S. military operations and troop safety, for example when the Department of Defense spent \$3.3 million on a U.S.-Afghan contractor secretly owned by local powerbrokers who also purchased weapons for the Taliban.³

Anonymous shell companies are routinely used to circumvent U.S. sanctions relating to Iran, North Korea, Russia, Venezuela, and elsewhere. Indeed, Iranian entities relied on U.S. shell companies to maintain ownership of a skyscraper on New York's Fifth Avenue, which they leased out to Americans for two decades before being detected.⁴

Despite these and numerous other alarming examples, research from the University of Texas and Brigham Young University shows that the U.S. remains one of the easiest places in the world to set up an anonymous shell company.⁵ A recent report by Global Financial Integrity demonstrates that, in all 50 U.S. states, more information is currently required to obtain a library card than to register a company.⁶

As the global economy becomes more interconnected and technologically advanced, America's adversaries will turn to innovative methods of laundering the proceeds of crime and spreading malign economic influence. We must ensure that U.S. intelligence and law enforcement agencies possess the resources they need to hunt bad actors through an increasingly complex global financial system, including corporate beneficial ownership information.

By ending anonymous ownership of companies and encouraging other countries to do the same, the United States could turn a vulnerability into an advantage, disrupting illicit financial networks and pushing back against adversaries who seek to undermine the rule of law globally. Many of our democratic allies, including the European Union, have recognized this and mandated the collection of corporate beneficial ownership information to strengthen their own anti-money laundering systems.

We thank you and your Congressional colleagues for your continued leadership and urge you to adopt legislation that would require the collection of information about the beneficial ownership of U.S. companies.

Sincerely,

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³ "Secret Company Owners Defrauding U.S. Taxpayers, Putting Troops at Risk and Providing Support to Terrorists, Report Reveals," Global Witness, July 12 2016.

⁴ Vivian Wang, "Manhattan Skyscraper Linked to Iran Can Be Seized by U.S., Jury Finds," *New York Times*, June 29 2017.

⁵ Michael Findley, Daniel Nielson and Jason Sharman, *Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism* (Cambridge University Press, 2014).

⁶ "The Library Card Project: The Ease of Forming Anonymous Companies in the United States," Global Financial Integrity, March 21 2019.

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