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

The Honorable Mitch McConnell
Senate Majority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Chuck Schumer
Senate Minority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, D.C. 20510

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

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)
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,

JOHN AGOGLIA, Col. (Ret.), USA


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

Former Director of the Counterinsurgency Training Center in Afghanistan

NATALIA ARNO
President, Free Russia Foundation

MONICA ARRUDA DE ALMEIDA
Adjunct Professor, Center for Latin American Studies, Edmund A. Walsh School of Foreign Service, Georgetown University

DAVID L. ASHER, PhD
Former Coordinator, North Korea Working Group, Office of the Secretary of State, U.S. Department of State
Former Senior Advisor for East Asian and Pacific Affairs, Office of the Secretary of State, U.S. Department of State
Senior Fellow, Foundation for Defense of Democracies

ANDERS ÅSLUND, PhD
Resident Senior Fellow, Eurasia Center, Atlantic Council

THOMAS P. BALTAZAR, Col. (Ret.), USA
Former Director, Office of Military Affairs, U.S. Agency for International Development

DONNA BARBISCH, Major General (Ret.), USA

ANDREA BARTOLI
Dean of the School of Diplomacy and International Relations, Seton Hall University

RICK BARTON, Amb. (ret.)
Former Assistant Secretary of State, U.S. Department of State
Former Deputy High Commissioner for Refugees, United Nations
Author of Peace Works and Lecturer at Princeton University

WILLIAM E. BERRY, JR., Col. (Ret.), USAF

ROB BERSCHINSKI
Former Deputy Assistant Secretary of State for Democracy, Human Rights and Labor, U.S. Department of State
Former Director for Security and Human Rights, National Security Council, The White House

ALINA BLOOM
Former Special Agent, Federal Bureau of Investigation, U.S. Department of Justice

MICHAEL BOSSHART

This letter is signed in an individual capacity with institutional affiliations listed for reference only.
More Than 100 National Security and Foreign Policy Experts
Call on Congress to Tackle Anonymous Shell Companies

Former Foreign Service Officer, U.S. Department of State

REBECCA BROCATO
Former Special Assistant to the President, The White House
Former Senior Advisor for Legislative Affairs, U.S. Department of State
Director of Strategy and Government Affairs, National Security Action

BRAD BROOKS-RUBIN
Former Special Advisor for Conflict Diamonds, U.S. Department of State
Managing Director, The Sentry/Enough Project

JOHN J. BYRNE, CAMS, Esq.
Former Executive Vice President, Association of Certified Anti-Money Laundering Specialists
Adjunct Professor, Schar School of Policy and Government, George Mason University

CHARLES T. CALL, PhD
Former Senior Adviser to the Assistant Secretary for Conflict and Stabilization Operations, U.S. Department of State
Associate Professor, American University

GREG E. CALLES
Former Supervisory Senior Resident Agent, Federal Bureau of Investigation

SCOTT CARLSON
Former Senior Rule of Law Advisor, U.S. Department of State

MICHAEL CARPENTER, PhD
Former Deputy Assistant Secretary of Defense for Russia, Ukraine, and Eurasia, U.S. Department of Defense
Senior Director, Biden Center for Diplomacy and Global Engagement, University of Pennsylvania

JOHN A. CASSARA
Former Special Agent, U.S. Department of the Treasury

SARAH CHAYES
Former Special Assistant to the Chairman of the Joint Chiefs of Staff, U.S. Department of Defense
Former Special Advisor to Generals David McKiernan and Stanley McChrystal, International Security Assistance Force (Afghanistan)
Author, Thieves of State: Why Corruption Threatens Global Security

BETH COLE

This letter is signed in an individual capacity with institutional affiliations listed for reference only.
More Than 100 National Security and Foreign Policy Experts
Call on Congress to Tackle Anonymous Shell Companies

Former Director, Office of Civil-Military Cooperation, U.S. Agency for International Development

CHRISTOPHER CORPORA, PhD
Former U.S. National Security Officer
Professor of Practice, Mercyhurst University

THOMAS CREAL, CPA
Former UN Panel Expert for Sanctions
Former Lead Expert for Task Force 2010 in Afghanistan

ARTHUR E. DEWEY
Former Assistant Secretary of State for Population, Refugees, and Migration, U.S. Department of State

LARRY DIAMOND, PhD
Senior Fellow, Freeman Spogli Institute for International Studies, Stanford University
Senior Fellow, Hoover Institution

MICHAEL DZIEDZIC, PhD, Col. (Ret.), USAF
Adjunct Professor, George Mason University

CAMILLE EISS
Former Senior Advisor for Anti-Corruption to the Assistant Secretary for Democracy, Rights and Labor, U.S. Department of State
Chief of Policy and Global Partnerships, Organized Crime and Corruption Reporting Project

ISRAEL D. ESCABI
Former Unit Chief, Federal Bureau of Investigation

KAREN J. FINKENBINDER, PhD
Rule of Law, Justice & Reconciliation Advisor, Peacekeeping & Stability Operations Institute, U.S. Army War College

JAMIE FLY
Former Counselor for Foreign and National Security Affairs to Senator Marco Rubio
Former Executive Director, Foreign Policy Initiative
Former Director for Counterproliferation Strategy, National Security Council, The White House
Former Assistant for Transnational Threats Policy, Office of the Secretary of Defense, U.S. Department of Defense
Senior Fellow and Director, Future of Geopolitics Program; Director, Asia Program, German Marshall Fund of the United States

CLAY R. FULLER Ph.D.

This letter is signed in an individual capacity with institutional affiliations listed for reference only.
More Than 100 National Security and Foreign Policy Experts
Call on Congress to Tackle Anonymous Shell Companies

Adjunct Professor Western Carolina University
Former Jeane Kirkpatrick Fellow, American Enterprise Institute (AEI)

GAIL FULLER
Former Analyst, Office of Illicit Finance, U.S. Department of the Treasury.

JACK H. GAINES
Former Joint Strategic Advisor, U.S. Department of Defense
Chairman, Chronemics

MARY BETH GOODMAN
Former Special Assistant to the President for National Security Affairs and Senior Director for Development, Democracy and Humanitarian Affairs, National Security Council, The White House
Former Director for International Economic Affairs, National Security Council, The White House

KAREN A. GREENAWAY, Esq.
Former Special Agent, Federal Bureau of Investigation, U.S. Department of Justice

MORTON H. HALPERIN
Former Director of Policy Planning, U.S. Department of State

LEONARD R. HAWLEY
Former Deputy Assistant Secretary of State for International Organization Affairs, U.S. Department of State
Former Director for Multilateral Affairs, National Security Council, The White House
Former Policy Team Staff, National 9/11 Commission

CHRISTOPHER HOH
Former Deputy Chief of Mission at the American Embassy in Vienna and Sarajevo
Former Director for South Central European Affairs, U.S. Department of State
Former Director for Response Strategy and Resource Management, Office for Reconstruction and Stabilization, U.S. Department of State

CARYN HOLLIS
Former acting Assistant Secretary of Defense for Special Operations/Low-intensity Conflict, U.S. Department of Defense
Former Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats, U.S. Department of Defense

CHRISTOPHER J. HOLSHEK, Col. (Ret.), USA

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More Than 100 National Security and Foreign Policy Experts
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Senior Fellow, Alliance for Peacebuilding
Senior Civil-Military Advisor, Narrative Strategies

MELISSA HOOPER
Director, Human Rights and Civil Society program, Human Rights First

BARRA KELLER
Former Deputy Associate Director of Compliance and Enforcement, Financial Crimes
Enforcement Network, U.S. Department of the Treasury

BENJAMIN JUDAH
Research Fellow, Kleptocracy Initiative, Hudson Institute

EDWARD P. JOSEPH
Adjunct Professor & Senior Fellow, Johns Hopkins School of Advanced International Studies

JOSHUA KIRSCHENBAUM
Former Acting Director, Office of Special Measures, Financial Crimes Enforcement Network, U.S. Department of the Treasury
Senior Fellow, Alliance for Securing Democracy, German Marshall Fund

JACQUES PAUL KLEIN, Major General (Ret.), USAF
Former Under-Secretary-General of the United Nations

DAVID J. KRAMER
Former Assistant Secretary of State for Democracy, Human Rights and Labor, U.S. Department of State
Former Deputy Assistant Secretary of State for Europe and Eurasia, U.S. Department of State

MARK A KROEKER
Former Assistant Secretary General ad interim, United Nations
Former United Nations Police Commissioner
Former Portland Oregon Police Chief
Former Los Angeles Police Deputy Chief

DEBRA LAPRE VOTTE
Former Supervisory Special Agent, International Corruption Unit, Federal Bureau of Investigation, U.S. Department of Justice
Senior Investigator, The Sentry

EDWARD LEMON, PhD
DMGS-Kennan Institute Fellow, Daniel Morgan Graduate School, Wilson Center

ALFONSO E. LENHARDT, Amb. (Ret.), Major General (Ret.), USA

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Former Deputy Administrator, U.S. Agency for International Development
Former U.S. Ambassador to Tanzania
Former Sergeant at Arms, U.S. Senate
Former Commanding General, U.S. Army Recruiting Command

DENNIS LORMEL
Former Chief, Terrorist Financing Operations Section, Counterterrorism Division, Federal Bureau of Investigation, U.S. Department of Justice

DAVID M. LUNA
Former Senior Director for National Security & Diplomacy, U.S. Department of State
Former Director for Transnational Threats and Illicit Networks (Anti-Crime Programs), U.S. Department of State
Former Director for Anti-Corruption and Governance Initiatives, Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State

JEFFREY W. MADISON
Former Agent, Federal Bureau of Investigation

MAX G. MANWARING, Col. (Ret.), USA
Professor of Military Strategy, Strategic Studies Institute, U.S. Army War College

J.R. MCBRIEN
Former Associate Director for Global Targeting, Office of Foreign Assets Control, Department of the Treasury

MICHAEL MCFAUL, Amb. (Ret.), PhD
Former U.S. Ambassador to the Russian Federation
Former Special Assistant to the President and Senior Director of Russian and Eurasian Affairs, National Security Council, The White House
Professor of Political Science, Director and Senior Fellow, Freeman Spogli Institute for International Studies, Stanford University
Senior Fellow, Hoover Institution

THOMAS O. MELIA
Former Assistant Administrator for Europe & Eurasia, U.S. Agency for International Development
Former Deputy Assistant Secretary of State for Democracy, Human Rights, and Labor, U.S. Department of State
Washington Director, PEN America

CHRISTOPHER MOELLER

This letter is signed in an individual capacity with institutional affiliations listed for reference only.
More Than 100 National Security and Foreign Policy Experts
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Former Investigator, Asset Forfeiture and Money Laundering Section, Criminal Division, U.S. Department of Justice

DAVID MURRAY
Former Director, Office of Illicit Finance, U.S. Department of the Treasury
Former Senior Advisor to the Under Secretary, U.S. Department of the Treasury

MATTHEW H. MURRAY
Former Deputy Assistant Secretary of Commerce for Europe, the Middle East and Africa, U.S. Department of Commerce
Former Deputy Assistant Secretary of Commerce for Europe and Eurasia, U.S. Department of Commerce

ANDREW NATSIOS
Former Administrator, U.S. Agency for International Development
Executive Professor at the Bush School, Texas A&M University
Director of the Scowcroft Institute of International Affairs

BRIAN O’TOOLE
Former Senior Adviser to the Director, Office of Foreign Assets Control, U.S. Department of the Treasury
Nonresident Senior Fellow, Global Business and Economics Program, Atlantic Council

OLGA OLIKER
Europe Program Director, International Crisis Group

JAMES W. PARDEW Amb. (Ret.)
Former Deputy Assistant Secretary General of NATO for Operation and Crisis Management
Former U.S. Ambassador to Bulgaria
Former Deputy Special Adviser to the President and Secretary of State for Democracy in the Balkans

STEWART PATRICK
Senior Fellow, Council on Foreign Relations

GRETCHEL PETERS
Executive Director, The Center on Illicit Networks and Transnational Organized Crime
Author, Seeds of Terror: How Drugs, Thugs and Crime are Reshaping the Afghan War

MICHAEL PREGENT
Senior Fellow, Hudson Institute
Former Intelligence Officer, U.S. Army

CHIP PONCY

This letter is signed in an individual capacity with institutional affiliations listed for reference only.
More Than 100 National Security and Foreign Policy Experts
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Former Director, Office of Strategic Policy for Terrorist Financing and Financial Crimes, U.S. Department of the Treasury
Senior Advisor, Center on Sanctions and Illicit Finance, Foundation for Defense of Democracies

ERIC G. POSTEL
Former Associate Administrator, U.S. Agency for International Development
Former Assistant to the Administrator for Africa, U.S. Agency for International Development
Former Assistant Administrator, E3 Bureau, U.S. Agency for International Development

JOHN PRENDERGAST
Former Director for African Affairs, National Security Council, The White House
Co-founder, The Sentry

NED PRICE
Former Special Assistant to the President, The White House
Former Spokesperson, National Security Council, The White House
Former Senior Analyst, Central Intelligence Agency
Director of Policy and Communications, National Security Action

SERGIO RODRIGUERA, Jr.
Former Special Advisor to the Under Secretary for Terrorism and Financial Intelligence, U.S. Department of the Treasury
Former Defense Fellow, U.S. Department of Defense
Former Executive Officer, Afghanistan Threat Finance Cell

ELIZABETH ROSENBERG
Former Senior Advisor to the Assistant Secretary for Terrorist Financing and Financial Crimes, and then to the Under Secretary for Terrorism and Financial Intelligence, U.S. Department of the Treasury
Senior Fellow and Director of the Energy, Economics, and Security Program, Center for a New American Security

LAURA ROSENBERGER
Former Chief of Staff to Deputy Secretary of State, U.S. Department of State
Former Senior Advisor to Deputy National Security Advisor, National Security Council, The White House
Former Director for China and Korea, National Security Council, The White House
Director of the Alliance for Securing Democracy and Senior Fellow at the German Marshall Fund of the United States

TOMMY ROSS
Former Deputy Assistant Secretary of Defense for Security Cooperation, U.S. Department of Defense
Senior Associate, Center for Strategic and International Studies

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

JOSH RUDOLPH
Former Director for International Economics, National Security Council, The White House
Former Deputy Director, Markets Room, U.S. Department of the Treasury
Former Advisor to the U.S. Executive Director, International Monetary Fund
Senior Fellow, Alliance for Securing Democracy, German Marshall Fund

ROBERT SAALE
Former Director, Hostage Recovery Fusion Cell, Federal Bureau of Investigation, U.S.
Department of Justice

DONALD L. “LARRY” SAMPLER, JR.
Former Assistant Administrator, U.S. Agency for International Development
Vice President for Administration & Finance/COO, Metropolitan State University, Denver

MARC SCHNEIDER
Former Assistant Administrator for Latin America, U.S. Agency for International Development
Former Principal Deputy Assistant Secretary of State for Human Rights, U.S. Department of State
Former Senior Vice-president, International Crisis Group

DONALD SEMESKY
Former Chief of Financial Operations, Drug Enforcement Administration, U.S. Department of Justice
Former Anti-Money-Laundering Policy Adviser and IRS-Criminal Investigation (IRS-CI) Liaison Officer, Office of National Drug Control Policy, The White House

DANIEL SERWER
Professor, Johns Hopkins School of Advanced International Studies

LOUISE SHELLEY, PhD
Omer L. and Nancy Hirst Endowed Chair, George Mason University
Director, Terrorism, Transnational Crime and Corruption Center, George Mason University
University Professor, Schar School of Policy and Government, George Mason University

NATE SIBLEY
Research Fellow, Kleptocracy Initiative, Hudson Institute

BARBARA SMITH
Former Deputy Assistant Administrator for Policy, Planning and Learning, U.S. Agency for International Development
Former Director for Afghanistan and Pakistan, National Security Council, The White House

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More Than 100 National Security and Foreign Policy Experts
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Senior Associate (Non-resident), Center for Strategic and International Studies
Adjunct Professor, Korbel School of International Studies

GAYLE E. SMITH
Former Administrator, U.S. Agency for International Development
Former Senior Director for Development and Democracy, National Security Council, The White House
President and CEO, The ONE Campaign

TYLER STAPLETON
Former Senior Legislative Assistant for National Security, U.S. House of Representatives
Deputy Director of Congressional Relations, Foundation for Defense of Democracies

STEPHEN JOHN STEDMAN
Senior Fellow, Freeman Spogli Institute for International Studies, Stanford University

THOMAS STRENTZ, PhD
Former Supervisory Special Agent, Federal Bureau of Investigation, U.S. Department of Justice

ADAM SZUBIN
Former Acting Secretary of the Treasury, U.S. Department of the Treasury
Former acting Under Secretary, Office of Terrorism and Financial Intelligence, Department of the Treasury

CHARLES E. TUCKER, Major General (Ret.), USAF
Former Director of Doctrine, Training, and Force Development (J-7) for the U.S. National Guard, Washington D.C.
Executive Director of the World Engagement Institute, Chicago, IL

ROBERT ULMER
Former Special Agent, Federal Bureau of Investigation, U.S. Department of Justice

ROBERT W. VERICKER
Former Agent, Federal Bureau of Investigation
Associate Professor, Administration of Justice Department, University of Hawaii

JODI VITTORI, Lt Col. (Ret.), USAF
Former ISAF Task Force Shafafiyat Contracting, Economic Development, and Rule of Law Team Chief

WILLIAM F. WECHSLER
Former Deputy Assistant Secretary of Defense for Special Operations and Combating Terrorism, U.S. Department of Defense

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Former Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats, U.S.
Department of Defense

LAURA WILLIAMS
Former Supervisory Special Agent, Financial Crimes Section, Federal Bureau of Investigation

CLINT WILLIAMSON
Former Ambassador-at-Large for War Crimes Issues, Department of State
Former Special Assistant to the President, The White House
Former Senior Director for Relief, Stabilization and Development, National Security Council,
The White House
Senior Director for Rule of Law, Governance and Security, McCain Institute

JONATHAN WINER
Former Deputy Assistant Secretary of State for International Law Enforcement, U.S. Department
of State

BEVERLY S. WRIGHT
Former Supervisory Special Agent, Federal Bureau of Investigation, U.S. Department of Justice

JAMES M. WRIGHT
Former Senior Advisor, Office of Technical Assistance, U.S. Department of the Treasury
Board Member, U.S. Capital Chapter, Association of Certified Anti-money Laundering
Specialists

CC:
The Honorable Mike Pompeo, Secretary of State
The Honorable Steve Mnuchin, Secretary of the Treasury
The Honorable Mark Esper, Secretary of Defense
The Honorable William Barr, Attorney General
The Honorable Wilbur Ross, Secretary of Commerce
The Honorable Kevin McAleenan, Acting Secretary of Homeland Security
The Honorable Robert O’Brien, Assistant to the President for National Security Affairs
The Honorable Mark Green, Administrator, U.S. Agency for International Development

This letter is signed in an individual capacity with institutional affiliations listed for reference only.