



FACTCOALITION

Financial Accountability & Corporate Transparency

June 28, 2020

The Honorable Mitch McConnell  
Majority Leader, U.S. Senate  
The Capitol  
Washington, D.C. 20510

The Honorable Chuck Schumer  
Minority Leader, U.S. Senate  
The Capitol  
Washington, D.C. 20510

**Re: Anti-Money Laundering Act of 2020 (S.Amdt.2198 to S.4049)**

Dear Leader McConnell and Leader Schumer:

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, we write to encourage the Senate to advance the bipartisan **Anti-Money Laundering Act of 2020 as a Crapo-Brown amendment to the National Defense Authorization Act for Fiscal Year 2021 (S.Amdt.2198 to S.4049)**. 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ever more sophisticated networks, but our law enforcement and national security officials are currently working with outdated and insufficient tools to counter the emerging threats.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. A bipartisan group of over 100 national security experts has also warned against U.S. adversaries misusing U.S. shell companies.<sup>3</sup>

Sponsored by Senators Mike Crapo (R-ID), Sherrod Brown (D-OH), Tom Cotton (R-AR), Mark Warner (D-VA), Mike Rounds (R-SD), Doug Jones (D-AL), Jerry Moran (R-KS), Bob Menendez (D-NJ), and John Kennedy (R-LA), S.Amdt.2198 would strengthen our nation's anti-money laundering laws and curtail the misuse of anonymous shell companies for illicit purposes.

The biggest vulnerability in our anti-money laundering regime is the incorporation of anonymous U.S. shell companies. These opaque structures have a well-documented history of being used to undermine our national security, 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.

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 terrorists, criminals, and kleptocrats to form an anonymous company to launder their proceeds with impunity.<sup>4</sup> A March 2019 analysis from Global Financial Integrity reveals that — in all fifty states — “more personal information is needed to obtain a

<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.fatf-gafi.org/fag/moneylaundering/>.

<sup>3</sup> John Agoglia et al. Letter to Senate Majority Leader Mitch McConnell and Minority Leader Chuck Schumer, (June 25, 2020), <https://bit.ly/2YDI83C>.

<sup>4</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>.

library card than to establish a legal entity that can be used to facilitate tax evasion, money laundering, fraud, and corruption.”<sup>5</sup> At the same time, investigations like those that resulted from the 2016 Panama Papers leaks continue to reveal that drug cartels, human traffickers, arms dealers, corrupt foreign officials, sanctioned individuals, and other criminals regularly set up U.S. shell companies without providing any information about who owns or controls such companies.<sup>6</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. 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, Congress needs to enact legislation that will address our international obligations and protect American citizens. In October 2019, the House of Representatives took historic action to end the abuse of anonymous U.S. companies by passing the bipartisan Corporate Transparency Act of 2019 (H.R.2513) — a measure that takes 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. It is time for the Senate to similarly address this critical national security threat, and S.Amdt.2198 can be that vehicle.

**Despite containing significant flaws which must be addressed before final enactment, we encourage Senators to keep the legislative process moving forward by advancing the Anti-Money Laundering Act of 2020 (S.Amdt.2198) as an amendment to the National Defense Authorization Act (S.4049) this week.**

The Crapo-Brown amendment, as introduced, is supported by a broad spectrum, including national security groups such as FDD Action, Foreign Policy for America, and National Security Action; business groups such as the American Bankers Association, Credit Union National Association, U.S. Council for International Business, National Foreign Trade Council, National Association of Realtors, and Main Street Alliance; law enforcement groups such as the Fraternal Order of Police and National District Attorneys Association; anti-human trafficking groups such as Polaris; anti-corruption groups such as Transparency International; faith groups such as Jubilee USA Network; humanitarian groups such as the ONE Campaign and Oxfam America, human rights groups such as Freedom House; and the Delaware Secretary of State.

This Congress has an historic opportunity to overcome decades of inaction and 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. We hope you seize it. For additional information, contact Erica Hanichak at ehanichak@thefactcoalition.org.

Sincerely,

**Clark Gascoigne**  
Interim Executive Director

**Erica Hanichak**  
Government Affairs Director

cc Members of the U.S. Senate

<sup>5</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>6</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/>.

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