

June 27, 2020

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

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

The Honorable James Inhofe  
Chairman, U.S. Senate Armed Services Committee  
U.S. Capitol  
Washington, D.C. 20510

The Honorable Jack Reed  
Ranking Member, U.S. Senate Armed Services Committee  
U.S. Capitol  
Washington, D.C. 20510

Dear Leader McConnell, Leader Schumer, Chairman Inhofe, and Ranking Member Reed,

We write to urge your support of the Anti-Money Laundering Act of 2020 as an amendment to the National Defense Authorization Act. This amendment takes a significant step toward ending the abuse of anonymous shell companies that undermines the integrity of our financial system and puts our national security at greater risk.

Transparency International's U.S. office (TI-US) is part of the largest global coalition dedicated to fighting corruption. With over 100 national chapters around the world, the organization partners with businesses, government, and citizens to promote transparency and accountability and curb the abuse of power in both the public and private sectors.

Corrupt leaders, rogue nations, terrorists, and other criminals routinely hide behind anonymous companies to launder the proceeds of their crimes with impunity. For example, Iran was able to evade U.S. sanctions for years by purchasing real estate in

New York City through an anonymous company.<sup>1</sup> A notorious illegal arms dealer, Viktor Bout, used anonymous companies to move weapons and money to conflict zones and corrupt leaders around the world.<sup>2</sup> Closer to home, the U.S. Department of Defense unwittingly entered into contracts with anonymous companies that were later revealed to be secretly owned by the Taliban.<sup>3</sup>

The threat of unfettered access to our financial system by anonymous companies has been echoed by hundreds of national security experts and current and former military leaders. For example, in a 2019 report by Transparency International's Defense and Security program, *Holes in the Net: U.S. Arms Export Control Gaps in Combatting Corruption*, experts noted that "Anonymous shell companies are a well-established means of diverting contract funds to political cronies and those tied to insurgents, terrorists, warlords, criminal networks, and other malign actors."<sup>4</sup>

As the world's largest economy, the U.S. is a favored target for illicit cash. As detailed in several studies and evaluations that call out the U.S. as a top secrecy jurisdiction, the inadequacy of our current laws compounds the problem. By providing a safe haven for corrupt and criminal actors and their stolen funds, we undermine our own safety and security.

The Anti-Money Laundering Act of 2020 helps us begin to rein in all of these abuses. It is not a perfect bill, and there are changes that will need to be made to ensure that we no longer allow bad actors to escape accountability, but it represents an incredibly important step that would immediately reduce the potential for dangerous manipulation of our financial system.

Corrupt and criminal networks that threaten the U.S. have become more sophisticated in how they raise and move illicit money around the globe. We have not

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<sup>1</sup> See FACT Coalition, "How Rogue Nations & Sanctioned Groups Use Shell Companies," Feb. 14, 2019, available at [thefactcoalition.org/how-rogue-nations-sanctioned-groups-use-shell-companies/](https://thefactcoalition.org/how-rogue-nations-sanctioned-groups-use-shell-companies/).

<sup>2</sup> See Casey Michel, "The U.S. Is a Good Place for Bad People to Stash Their Money," *The Atlantic*, Aug. 10, 2017, available at [www.theatlantic.com/business/archive/2017/07/us-anonymous-shell-companies/531996/](https://www.theatlantic.com/business/archive/2017/07/us-anonymous-shell-companies/531996/).

<sup>3</sup> See Karen DeYoung, "U.S. Trucking Funds Reach Taliban, Military-Led Investigation Concludes," *The Washington Post*, July 24, 2011, available at [www.washingtonpost.com/world/national-security/us-trucking-funds-reach-taliban-military-led-investigation-concludes/2011/07/22/gIQAmMDUXI\\_story.html?utm\\_term=.361db33ec736](https://www.washingtonpost.com/world/national-security/us-trucking-funds-reach-taliban-military-led-investigation-concludes/2011/07/22/gIQAmMDUXI_story.html?utm_term=.361db33ec736).

<sup>4</sup> Colby Goodman, "Holes In The Net: US Arms Export Control Gaps In Combatting Corruption," Transparency International Defence and Security Programme, Jan. 14, 2020, available at [ti-defence.org/publications/united-states-arms-export-sales-corruption-fraud-risk/](https://ti-defence.org/publications/united-states-arms-export-sales-corruption-fraud-risk/).

comprehensively updated our anti-money laundering laws in decades to meet these changes. It is long past time to do so.

We urge your support of including the Anti-Money Laundering Act of 2020 in the National Defense Authorization Act, and appreciate your consideration of our views here. If you have any questions, please contact Scott Greytak, TI-US's Advocacy Director, at [sgreytak@transparency.org](mailto:sgreytak@transparency.org) or 614-668-0258.

Sincerely,

**Gary Kalman**

Director

**Scott Greytak**

Advocacy Director

cc:

Members of the U.S. Senate