



FACTCOALITION

Financial Accountability & Corporate Transparency

April 1, 2025

The Honorable Warren Davidson
Chairman
Subcommittee on National Security, Illicit
Finance, and International Financial
Institutions
U.S. House of Representatives
Washington, DC 20515

The Honorable Joyce Beatty
Ranking Member
Subcommittee on National Security, Illicit
Finance, and International Financial
Institutions
U.S. House of Representatives
Washington, DC 20515

RE: Hearing Titled, “Following the Money: Tools and Techniques to Combat Fraud”

Dear Chairman Davidson and Ranking Member Beatty,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, we appreciate the opportunity to comment on your hearing examining tools required by financial investigators to detect and crack down on fraud. 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. We have been a leading champion of financial transparency reform in the United States for more than 14 years.

We are writing to reiterate the importance of the Corporate Transparency Act (CTA) to protecting everyday citizens from fraud, defending U.S national security, and providing investigators tools in the broader fight against financial crime. Any attempt to repeal or otherwise defang the CTA would further enable fraudsters that, [in 2024 alone](#), robbed ordinary Americans of over \$12.5 billion.

Anonymous Companies Are “Getaway Vehicles” for Fraudsters

The Corporate Transparency Act was passed on a bipartisan basis to end the use of anonymous U.S. shell companies by a diverse range of domestic and foreign criminals, including drug traffickers, corrupt foreign officials, and, increasingly, fraudsters. Prior to the passage of the CTA, all 50 states required more information to get a [library card](#) than they did to form an anonymous company. The CTA closed this gaping loophole by requiring certain entities formed or registered in the U.S. to name their true owner to a secure directory housed at Treasury’s Financial Crimes Enforcement Network.

As noted in a [recent report](#) by Transparency International U.S., the U.S. chapter of the world’s largest anti-corruption organization, “The criminals behind consumer scams often employ

anonymous companies to execute their schemes and evade detection. What the getaway car is to a bank heist, the anonymous company often is to a fraud scheme.” The report details 19 cases occurring between 2019 and 2024 in which anonymous companies were allegedly used to enable consumer fraud or launder the proceeds of scams. A brief selection of these cases include:

- The alleged use of shell companies to launder some \$11 million in [fraudulently diverted Medicare, Medicaid, and private insurance payments](#);
- The alleged use of over dozens of shell companies by two Chinese nationals to launder \$73 million in proceeds from [cryptocurrency investment scams](#); and
- The use of shell companies to both execute and launder the proceeds of a [wire fraud scheme](#) that cost Medicare more than \$20 million.

According to small business trades like Small Business Majority, abuse of anonymous shell companies also [harms American small businesses](#) by enabling fraud, promoting unfair competition for contracts, and empowering patent trolls to harass small business owners.

Treasury’s Recent Order Violates the Statute of the CTA

Despite clear evidence of the risks posed by anonymous shell companies to U.S. consumers, small businesses, and national security, on March 21 Treasury issued an [interim final rule](#) (IFR) exempting domestic entities – more than 99 percent of all entities originally covered under the CTA – from reporting requirements. This move flies in the face of more than 10 years of [Treasury National Risk Assessments](#) and Congress’ own findings, which make it clear that domestic anonymous entities represent a significant money laundering risk.

The Corporate Transparency Act, as enacted into law, is the product of 20 years of congressional deliberation, debate, and refinement. At no stage of the legislative process did lawmakers seriously consider exempting domestic entities writ-large from reporting requirements, and under the final statute Treasury only has the authority to make reporting exemptions with concurrence from the Department of Homeland Security and Attorney General that reporting by the entities in question “would not serve the public interest” and “would not be highly useful” to investigators.

It is in this final form – clearly mandating that information required to be reported be “highly useful” to law enforcement – that the Act garnered support from [dozens of stakeholders](#) including [42 states Attorneys General](#), the [Fraternal Order of Police](#), and the [National District Attorneys Association](#). In a statement reacting to the release of the IFR, National District Attorneys Association Executive Director Nelson Bunn said that “Treasury’s interim final rule threatens to deny law enforcement the vital information they need to pursue illegitimate business fronts that jeopardize U.S. national security and public safety.”

CTA Repeal Would Further Benefit Criminals and Undermine National Security

[H.R. 425](#), the Repealing Big Brother Overreach Act, would double down on Treasury's harmful interim rule by fully repealing the Corporate Transparency Act, undoing decades of anti-money laundering progress with a single stroke. This approach would deny investigators even what little information they may still be able to access on foreign entities doing business in the U.S. under Treasury's IFR, further crippling law enforcement's ability to effectively patrol the nation's financial borders.

Repealing the CTA could also have particularly dire consequences for ongoing efforts to combat the illicit flow of narcotics into American communities. According to Eric Brown, President of the National Narcotic Officers' Associations' Coalition (NNOAC), "Following the money is a proven strategy in investigations that involve organized criminal activity, especially fentanyl and other illicit drug trafficking. Law enforcement resources are stretched thin, and the Corporate Transparency Act – if fully implemented – would enable narcotic enforcement officers to be more effective in protecting the public from drug trafficking."

We hope the Committee will refrain from advancing any legislation that hurts current and future victims of fraud, undermines U.S. national security, and ties the hands of law enforcement officials pursuing foreign and domestic financial criminals.

Thank you for the opportunity to comment. If you have questions, you can contact Erica Hanichak (ehanichak@thefactcoalition.org).

Cc: The Honorable French Hill, Chairman, Committee on Financial Services

Cc: The Honorable Maxine Waters, Ranking Member, Committee on Financial Services