

108 Groups Support the Corporate Transparency Act of 2019 to End the Abuse of Anonymous Companies

May 6, 2019

The Honorable Carolyn B. Maloney
United States House of Representatives
2308 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Peter T. King
United States House of Representatives
302 Cannon House Office Building
Washington, D.C. 20515

The Honorable Tomasz P. Malinowski
United States House of Representatives
426 Cannon House Office Building
Washington, D.C. 20515

RE: Support for the Corporate Transparency Act of 2019 (H.R. 2513)

Dear Representatives Maloney, King, and Malinowski,

We, the undersigned organizations, write to express our strong support for your bipartisan **Corporate Transparency Act of 2019 (H.R. 2513)**, which would require companies to disclose information about the real people who own or control them (often called the “beneficial owners”) at the time they are created.

We support increased corporate transparency because it would: (a) curb corruption¹ and fraud,² which robs taxpayers of resources designated for infrastructure, healthcare, and other vital needs; (b) fight tax evasion, both domestically and abroad;³ (c) inhibit wildlife trafficking⁴ and other environmental crimes;⁵ (d) protect human rights⁶ and combat human trafficking;⁷ (e) curtail the financing of drug cartels that fuel the opioid epidemic;⁸ (f) promote sound corporate governance and financial stability;⁹ and (g) help ensure a fair and level playing field for honest businesses.¹⁰ Some examples include:

- **Environmental Crimes**: Norsudtimber, a European company that is the largest single owner of logging concessions in the Democratic Republic of Congo, is allegedly operating illegally on 90 percent of its sites in the country and used a global web of anonymous shell companies to facilitate the illegal international trade in timber while protecting three Portuguese brothers at the head of the company from scrutiny.¹¹
- **Fueling the Opioid Epidemic**: Mihran and Artur Stepanyan operated at least four anonymous shell companies, which they allegedly used to hide a wide-ranging criminal enterprise engaged in racketeering. Their biggest business consisted of diverting prescription drugs such as oxycodone from unlicensed sources to unknowing customers through a website pharmacy.¹²

- Human Rights Abuses: A gang used anonymous companies from Kansas, Missouri, and Ohio to trick victims from overseas in a \$6 million human trafficking scheme.¹³
- Tax Evasion: An attorney from Boca Raton, Florida used an anonymous shell company from New York in a scheme to evade the payment of \$1.5 million in income tax.¹⁴

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 criminals and kleptocrats to open an anonymous company to launder their proceeds with impunity.¹⁵ Indeed, a March 2019 analysis from Global Financial Integrity reveals that — in all fifty states and the District of Columbia — “more personal information is needed to obtain a library card than to establish a legal entity that can be used to facilitate tax evasion, money laundering, fraud, and corruption.”¹⁶ At the same time, investigations like those that resulted from the Panama Papers continue to reveal that drug cartels, human traffickers, arms dealers, corrupt foreign officials, tax evaders, sanctioned individuals, and other criminals easily and regularly set up U.S. shell companies without providing any information about who owns or controls such companies.¹⁷ 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 — i.e. the identity of the real criminal. 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, the U.S. needs a policy solution that will address our role in it and protect American citizens. Congress should pass legislation, like the Corporate Transparency Act, that requires all companies to disclose their ultimate owners to the government when they incorporate and to keep that information up to date. The government entity collecting the information should then, at a minimum, make it available to law enforcement and those we entrust with anti-money laundering responsibilities.

We thank you for your leadership and look forward to working with you on this important and commonsense step to make our corporate formation process more transparent. Your bill will make it harder for criminals to misuse American companies to facilitate illegal activities. Please feel free to reach out to Clark Gascoigne (cgascoigne@thefactcoalition.org) or Alexandria Robins (arobins@globalwitness.org) for any additional information or questions.

Thank you again for your leadership on this important issue.

Sincerely,

Accountability Counsel
 ActionAid USA
 Africa Faith & Justice Network
 African Coalition for Corporate Accountability (ACCA)
 Amazon Watch
 American Family Voices
 American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
 American Federation of State, County and Municipal Employees (AFSCME)

American Federation of Teachers
American Sustainable Business Council
Americans for Democratic Action (ADA)
Americans for Financial Reform
Americans for Tax Fairness
Association of Concerned Africa Scholars (ACAS)
Bread for the World
Business and Human Rights (BHR)
Center for International Policy
Center for Popular Democracy Action
Citizens for Responsibility and Ethics in Washington (CREW)
Coalition for Integrity
Coalition on Human Needs
Columbia Center on Sustainable Investment
Communications Workers of America (CWA)
Consumer Action
Consumer Federation of America
Corporate Accountability Lab
Daily Kos
Demand Progress
EarthRights International
Economic Policy Institute
Environmental Investigation Agency
ESG Transparency Initiative
Fair Share
Financial Accountability and Corporate Transparency (FACT) Coalition
Financial Transparency Coalition
Foundation Earth
Friends of the Earth U.S.
Fund for Constitutional Government
Global Alliance for Tax Justice
Global Financial Integrity
Global Integrity
Global Witness
Government Accountability Project
Greenpeace USA
Health Care for America Now
Heartland Initiative
Human Rights First
Human Rights Watch
Institute for Policy Studies – Program on Inequality and the Common Good
Institute on Taxation and Economic Policy
Interfaith Center on Corporate Responsibility (ICCR)
Interfaith Worker Justice

International Brotherhood of Teamsters
International Corporate Accountability Roundtable (ICAR)
International Labor Rights Forum
International Rights Advocates
International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America,
UAW
Jubilee USA Network
Liberty Shared
Luna Global Networks & Convergence Strategies LLC
Main Street Alliance
Maryknoll Fathers and Brothers
Maryknoll Office for Global Concerns
MiningWatch Canada
Missionary Oblates
MomsRising
National Association for the Advancement of Colored People (NAACP)
National Employment Law Project
National Latino Farmers & Ranchers Trade Association
National Organization for Women
Natural Resource Governance Institute
NETWORK Lobby for Catholic Social Justice
Open Contracting Partnership
Open Ownership
Open the Government
Oxfam America
Patriotic Millionaires
Peace Education Center
RepresentUs
Responsible Wealth
Pax Advisory
People Demanding Action
Polaris
Project on Government Oversight
Public Citizen
Publish What You Pay – U.S.
Rights and Accountability in Development (RAID)
RootsAction.org
Sisters of St. Francis of Philadelphia
Small Business Majority
Society of African Missions (SMA Fathers)
Sunlight Foundation
Sustentia
Take On Wall Street
Tax Justice Network
Tax March
The B Team
The ONE Campaign
The Sentry
Trailblazers PAC

Transparency International
United Church of Christ, Justice and Witness Ministries
United for a Fair Economy
U.S.-Africa Network
U.S. Public Interest Research Group (PIRG)
Verite
Voices for Progress
Win Without War

cc: The Honorable Steven T. Mnuchin, Secretary of the Treasury
The Honorable Michael D. Crapo, Chairman, U.S. Senate Committee on Banking, Housing, and Urban Affairs
The Honorable Sherrod C. Brown, Ranking Member, U.S. Senate Committee on Banking, Housing, and Urban Affairs
Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs
The Honorable Maxine Waters, Chairwoman, U.S. House Committee on Financial Services
The Honorable Patrick T. McHenry, Ranking Member, U.S. House Committee on Financial Services
Members of the U.S. House Committee on Financial Services

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- ¹ *Transparency International*, "Policy Brief 02/2014: Ending Secrecy to End Impunity: Tracing the Beneficial Owner," June 19, 2014, <http://bit.ly/2W5pEoN>.
 - ² Brian Grow, "Special Report: Phantom firms bleed millions from Medicare," *Reuters*, December 21, 2011, <http://reut.rs/uGkAPw>.
 - ³ *Institute on Taxation and Economic Policy*, "Delaware: An Onshore Tax Haven," December 10, 2015, <https://itep.org/delaware-an-onshore-tax-haven/>.
 - ⁴ Grace Zhao, "Why Wildlife Trafficking and Anonymous Companies Are Mutually Inclusive," *Global Financial Integrity*, July 24, 2014, <https://www.gfintegrity.org/wildlife-trafficking-shell-companies-inclusive/>.
 - ⁵ *United Nations Environment Programme (UNEP) and INTERPOL*, "The Rise of Environmental Crime," June 4, 2016, <http://wedocs.unep.org/handle/20.500.11822/7662>.
 - ⁶ *Human Rights Watch*, "US: Pass Law to Stem Corruption, Promote Rights," April 11, 2019, <https://www.hrw.org/news/2019/04/11/us-pass-law-stem-corruption-promote-rights>.
 - ⁷ *Polaris Project*, "Hidden in Plain Sight: How Corporate Secrecy Facilitates Human Trafficking in Illicit Massage Parlors," April 2018, <https://polarisproject.org/resources/hidden-plain-sight-how-corporate-secrecy-facilitates-human-trafficking-illicit-massage>.
 - ⁸ Nathan Proctor and Julia Ladics, "Anonymity Overdose: Ten Cases that Connect Opioid Trafficking and Related Money Laundering to Anonymous Shell Companies," *Fair Share Education Fund*, August 2016, https://www.fairshareonline.org/sites/default/files/AnonymityOverdose_Aug1_2016.pdf.
 - ⁹ Andrew Liveris, Paul Polman, Marc Benioff, François-Henri Pinault, Oliver Bäte, and Josh Bayliss, "U.S. Government Action Crucial to Fighting Corruption," *The B Team*, July 12, 2017, <http://bit.ly/2vGYDLQ>.
 - ¹⁰ *The FACT Coalition*, "FACT Sheet: Business Case for Ending Anonymous Companies," February 22, 2019, https://thefactcoalition.org/fact-sheet-business-case-for-ending-anonymous-companies-february-2019?utm_medium=policy-analysis/fact-sheets.
 - ¹¹ *Global Witness*, "Total Systems Failure: Exposing the secret networks destroying forests in the Democratic Republic of Congo," June 26, 2018, <https://www.globalwitness.org/en-gb/campaigns/forests/total-systems-failure/>.
 - ¹² Proctor and Ladics, Page 10.

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- ¹³ *Global Witness*, “The Great Rip Off: Anonymous company owners and the threat to American interests,” September 2014, <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/>.
- ¹⁴ U.S. Attorney’s Office for the Southern District of Florida, “Boca Raton Attorney Pleads Guilty to Tax Evasion,” *U.S. Department of Justice*, March 4, 2016, <https://www.justice.gov/usao-sdfl/pr/boca-raton-attorney-pleads-guilty-tax-evasion>.
- ¹⁵ 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>.
- ¹⁶ 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/>.
- ¹⁷ *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/>.