

Coalition for Integrity

Senate Passes Corporate Transparency Act as Part of the National Defense Authorization Act

FOR IMMEDIATE RELEASE

December 11, 2020 – The Coalition for Integrity welcomes the passage of the [Corporate Transparency Act](#) by the U.S. Senate. This bill was passed by the House Tuesday night, as part of the larger National Defense Authorization Act, and today, a day after International Anti-corruption Day, the Senate has taken a step that will go a long way towards reducing the use of anonymous companies to facilitate crime and corruption.

Every year, over two million corporations, LLCs, and other business entities are formed in the United States—with many states collecting less information from the individuals forming these entities than from people applying for a driver’s license. Information about natural persons who directly or indirectly exercise substantial control and persons who receive substantial economic benefits from the company/legal entity is not collected. This anonymity facilitates domestic and foreign corruption by allowing individuals to hide their identities and their corruptly obtained assets behind the façade of a U.S. corporation. The Corporate Transparency Act will change this by requiring legal entities incorporated in the U.S. to disclose their true, beneficial owners at the time of formation.

There are several high-profile examples of abuse of the United States’ system involving foreign corruption. In 2019, the Treasury Department released a report on corruption in Venezuela. No-bid or low-bid contracts were awarded to shell companies incorporated in the United States, who would then act as intermediaries to give kickbacks to corrupt officials in the government. In recent reports on the Isabel dos Santos scandal, the daughter of Angola’s former president is alleged to have used shell companies in a variety of countries, including the United States, to embezzle state funds. And in Malaysia, corrupt officials diverted billions of dollars from the country’s Sovereign Wealth Fund and subsequently laundered through shell companies in the United States.

In the domestic sphere, the most recent trend has been for criminals to take advantage of these loopholes to commit fraud on various COVID-19 relief programs. In Florida, [the Justice Department](#) charged three men for using anonymous shell companies to fraudulently obtain \$2 million in PPP loans. A [separate case](#), also in Florida, involved two people obtaining \$3 million in PPP loans through shell companies.

We applaud the members of the House and Senate who sponsored and passed this legislation and all organizations, business groups, non-profit groups and others who came together to advocate for the closure of this loophole.

We also urge FinCEN to continue to work to close loopholes that allow corrupt actors to launder money through real estate transactions, by expanding the Geographic Targeting Order program to the entire country, and making it permanent. Further, we urge the real estate industry to conduct due-diligence on buyers’ identities and the sources of their funds.



1023 15th Street NW
Suite 300
Washington, DC 20005

Tel: 202-589-1616
EMAIL: administration@coalitionforintegrity.org
WEBSITE: www.coalitionforintegrity.org

“Any effective anti-money laundering system needs multiple checks and balances. In addition to legislation to collect beneficial ownership information upon company formation, resources for law enforcement should be increased, gatekeepers involved in luxury good purchases such as the real estate industry should be required to conduct due diligence into buyers’ identities and the sources of their funds, and senior officials at banks and other institutions who enable money laundering should be individually prosecuted. Financial institutions should also increase the resources devoted to compliance and increase training available for their staff.” said Shruti Shah, President & CEO at Coalition for Integrity. “This bill is the first step, but it is only through a broad partnership between the public and private sector that we can truly end the exploitation of our laws to fuel corruption.”

Notes:

For press inquiries please contact: President & CEO; Shruti Shah: Telephone: 202-589-1616; Email: sshah@coalitionforintegrity.org

[Beneficial ownership transparency](#), Coalition for Integrity



1023 15th Street NW
Suite 300
Washington, DC 20005

Tel: 202-589-1616
Fax: 202-589-1512
EMAIL coalition@coalitionforintegrity.org
WEBSITE www.coalitionforintegrity.org