

Maloney and Vance call on Congress to stop anonymous terrorist and criminal shell corporation money laundering in New York City

Mar 7, 2016

Press Release

Maloney's bill requires true owner of a corporation to be disclosed

NEW YORK – Flanked by local District Attorneys, Congresswoman Carolyn B. Maloney today pressed for action on her legislation that would unmask anonymous shell corporations helping law enforcement uncover criminal and terrorist money laundering operations. Maloney was joined by Manhattan DA Cyrus Vance, and Former FBI Special Agent Konrad Motyka from the Society of Former Special Agents of the FBI. Bronx DA Darcel D. Clark, Brooklyn DA Ken Thompson, and New York State Attorney General Eric T. Schneiderman voiced their support for H.R. 4450, the Incorporation Transparency and Law Enforcement Assistance Act, which Maloney introduced with Rep. Peter King in February.

“ISIS and other terrorists are remarkably sophisticated, and they are looking for any opportunity to exploit our legal and financial systems,” said **Congresswoman Maloney**. “We are aiding and abetting terrorists and criminals when we allow them to set up anonymous shell companies and funnel money into the United States. The level of ineptitude in dealing with this problem in Washington is shocking. My bill simply says, if you want to form a corporation in the United States, tell us who really owns it! It’s that simple. I think the American people would be shocked to learn that isn’t the law already.”

"Anonymous corporations are used to facilitate crimes like terrorism, international money laundering, and large-scale financial frauds of every kind, and frequently result in investigative dead ends for law enforcement agencies," said **Manhattan District Attorney Cyrus R. Vance, Jr.** "Creating and enforcing minimum disclosure requirements -- like a real name, current

address, and valid identification, as Rep. Maloney's bill does - is a common-sense way to ensure more transparency in the incorporation process."

"The Incorporation Transparency and Law Enforcement Assistance Act would enhance the ability of Federal investigators to identify the true owners of companies," said **Konrad Motyka, representative from the Society of Former Special Agents of the FBI**. "The U.S. already requires banks in foreign countries to report on funds and accounts held by American citizens. It is only fair for us to honor our international obligations by providing this same information when requested as part of a criminal investigation. We cannot hold ourselves out to be a national of laws and financial stability without the needed reforms being sought by this legislation. The Society stands behind this bipartisan effort to make our financial more transparent, effective, and free of terrorist and criminal financial influence."

"I applaud Congresswoman Maloney for shining a light on the abuse of anonymous corporate vehicles in the United States to hide and potentially launder foreign money," said **Attorney General Eric. T. Schneiderman**. "State incorporation laws should be used to help start and grow businesses, not to facilitate shadowy criminal activity. The Incorporation Transparency and Law Enforcement Assistance Act will provide law enforcement with the tools they need to better identify and investigate money laundering, and I salute Representatives Maloney and King and Senator Whitehouse for their bipartisan work on this critical law enforcement issue."

"This issue's time has come – this bill can stop the flow of dirty money into our property and banking system," said **Stefanie Ostfeld, Head of U.S. Office at Global Witness**. "Its swift passage through Congress will make America fairer and safer by stopping dictators, terrorists and drug traffickers from being able to legally hide behind anonymously-owned American companies. We strongly welcome today's call from DA Vance and Congresswoman Maloney, it's another big step toward a new era of transparency and fairness in business."

"This law targeting shell companies would help our investigations in the Bronx of real estate fraud and financial fraud of immigrants and the elderly," said **Bronx District Attorney Darcel D. Clark**. "The unscrupulous often hide behind LLCs (Limited Liability Corporations) and other entities, making them tough to track down and hold accountable for money laundering and other crimes."

"This proposal is a much needed step in preventing thieves from covering their tracks," said **Brooklyn District Attorney Ken Thompson**. "Those seeking to exploit the vulnerable through investment fraud or other schemes, or corrupt businessmen or public officials seeking illegal profits, would be the only opponents of this effort to create more corporate transparency."

The introduction of the Incorporation Transparency and Law Enforcement Assistance Act followed a groundbreaking investigation by Global Witness, which exposed the common practice of using U.S.-based shell corporations to launder money linked to criminal enterprises. The investigation, which aired last month on 60 Minutes, showed that lax disclosure laws in the United States are easily manipulated and exploited. An investigation last year by The New York Times documented how streams of foreign wealth shielded by shell corporations are used to purchase more than half of all properties in New York City that cost more than \$5 million.

Background:

H.R. 4450 Incorporation Transparency and Law Enforcement Assistance Act of 2016

Criminal organizations are infamous for using shell corporations, both foreign and domestic, to open bank accounts, launder money, perpetrate fraud, and finance terrorism. The Incorporation Transparency and Law Enforcement Assistance Act will gather beneficial ownership information from companies that thus far have been able to escape oversight and thwart law enforcement.

- Anonymous incorporation isn't difficult for criminals to do — virtually no states require corporate applications to provide the identity of the corporation's ultimate owner.
- As it stands, anyone can easily manipulate the system and fund criminal activity.

What this bill does:

- Directs the Treasury Department to issue regulations requiring corporations and limited liability companies formed in a state that does not already require basic disclosure, to file information about their beneficial ownership with Treasury as a backup.

Provides minimum disclosure requirements for states:

- Identification of beneficial owners by name, current address, and non-expired passport or state-issued driver's license;
- Identification of any affiliated legal entity that will exercise control over the incorporated entity; and
- Consistent updating of lists of beneficial owners no later than 60 days after any change in ownership.

Provides civil penalties for those who:

- Submit false or fraudulent beneficial ownership information;
- Do not provide complete or updated information; or
- Knowingly disclose subpoena, summons, or other requests for beneficial ownership information without authorization.

This bill will offer the transparency law enforcement needs to investigate these kinds of financial crimes.

- It is narrowly tailored so as not to be overly burdensome on either incorporating entities or the states themselves.
- The bill's language is so narrow that most corporations are already exempt from the bill's requirements, including companies that are already regulated by federal banking regulators and companies with over 20 employees, because these types of companies are very unlikely to open bank accounts to hide or move criminal funds or to hold illegal assets.

###