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Attorney General

Attorney General Bonta Sues Trump Administration for Rolling Back Financial Crime Enforcement

Press Release / Attorney General Bonta Sues Trump Administration for Rolling...

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OAKLAND — California Attorney General Rob Bonta today joined a coalition of 21 attorneys general in filing a lawsuit challenging rulemaking by the Treasury Department's Financial Crimes Enforcement Network (FinCEN) regarding the Corporate Transparency Act. FinCEN's recent rule permanently removes Beneficial Ownership Information (BOI) reporting requirements for U.S. companies and U.S. persons, a requirement intended to stop shell companies — often used to further illicit criminal activity, like money laundering or drug trafficking — from hiding their financial transactions from law enforcement. Today's lawsuit, filed in the U.S. District Court for the District of Oregon, alleges FinCEN's new rule is in excess of statutory authority, contrary to law, and arbitrary and capricious, in violation of the Administrative Procedure Act and the U.S. Constitution.

“The Trump Administration is unlawfully rolling back reporting requirements meant to help law enforcement track down bad actors who hide financial assets in shell companies. These anonymous accounts are often used for illegal activity — like by cartels and criminals to money launder, traffic drugs, or to hide bribes or illegal kickbacks,” **said Attorney General Bonta.** “Congress passed the Corporate Transparency Act with bipartisan support because it understood law enforcement needed an important additional tool to root out illegal financial transactions and corruption. My office is committed to supporting law enforcement’s efforts to enforce the laws that keep people safe and hold bad actors accountable.”

The Corporate Transparency Act requires companies to report BOI to FinCEN to stop shell companies from hiding their financial transactions from law enforcement. The law was specifically intended to prevent the illicit use of shell companies by giving law enforcement agencies access to information about the ownership structures of shell companies. The Corporate Transparency Act requires beneficial owners to submit their names, addresses, birth dates and up-to-date identification records, like a passport or driver’s license, to FinCEN. This information is then later shared with law enforcement.

FinCEN’s new rule exempts all U.S. companies and individuals from reporting requirements and also exempts foreign companies from the requirement to report any U.S. persons who are beneficial owners. FinCEN claims that collecting information from these entities does not serve the public interest. In the new rule, FinCEN also commits to deleting all information previously reported by U.S. companies and individuals, records that likely include evidence of unsolved crimes.

In California, the California Department of Financial Protection and Innovation, the state’s financial services and consumer protection regulator, would have had access to FinCEN’s BOI for investigative and regulatory purposes if not for the promulgation of the new rule. FinCEN’s rule will force law enforcement and regulatory agencies that would have used

FinCEN's BOI to instead resort to time-consuming, less reliable, and less successful procedures to obtain such information. In addition, states will be unable to use this information to enforce compliance with state tax laws, thereby depriving states of tax revenues that they would otherwise be able to collect.

In filing this lawsuit, Attorney General Bonta joins the attorneys general of Oregon, Illinois, Arizona, Colorado, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, North Carolina, Rhode Island, Virginia, Washington, and Wisconsin.

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