

Warner, Cotton, Jones, Rounds, Unveil Draft Legislation to Improve Corporate Transparency and Combat Financing of Terrorism, Money Laundering

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WASHINGTON – Senate Banking Committee members U.S. Sens. Mark R. Warner (D-VA), Tom Cotton (R-AR), Doug Jones (D-AL), and Mike Rounds (R-SD) today unveiled draft bipartisan legislation to improve corporate transparency, strengthen national security, and help law enforcement combat illicit financial activity being carried out by terrorists, drug and human traffickers, and other criminals.

The *Improving Laundering Laws and Increasing Comprehensive Information Tracking of Criminal Activity in Shell Holdings (ILLICIT CASH) Act* would, for the first time, require shell companies – often used as fronts for criminal activity – to disclose their true owners to the U.S. Department of Treasury. It would also update decades-old anti-money laundering (AML) and combating the financing of terrorism (CFT) policies, by giving Treasury and law enforcement the tools they need to fight criminal networks. This includes improving overall communication between law enforcement, financial institutions, and regulators, and facilitating the adoption of critical 21st century technologies.

“We must be vigilant and ensure that our financial system is not being misused to fund individuals and groups who intend harm to the United States and our allies,” **said Sen. Warner.** “This legislation will empower the Treasury Department and other appropriate agencies to better protect our financial system from such abuse, and will ensure that we are using all the tools at our disposal to protect our national security.”

“The United States ought to make it as difficult as possible for criminals and terrorists to finance their evil deeds. Our draft bill makes it easier for law enforcement to track ill-gotten gains without burdening legitimate businesses,” **Sen. Cotton said.**

“As a former U.S. Attorney, I am all too familiar with criminals hiding behind shell corporations to enable their illegal behavior. At the same time, our anti-money laundering laws have not kept pace with the increasingly sophisticated means by which criminals and terrorist organizations use our financial system to move their money around the world. This bipartisan legislation addresses both challenges and gives law enforcement the tools they need to protect Americans and prosecute criminals,” **said Sen. Jones.**

"Fighting crime and depriving terrorists of the tools they use to engage in illicit activity within our financial system is vital to protecting Americans," **said Sen. Rounds.** “Our legislation seeks to protect our financial system from bad actors by streamlining our government's anti-money laundering system and simultaneously protecting small businesses from undue compliance burdens. I'm proud to partner with my colleagues on this important legislation and look forward to advancing it in the Senate.”

According to research from the University of Texas and Brigham Young University, the U.S. remains one of the easiest places in the world to set up an anonymous shell company. A recent report by Global Financial Integrity demonstrates that, in all 50 U.S. states, more information is currently required to obtain a library card than to register a company. Human traffickers, terrorist groups, arms dealers, transnational criminal organizations, kleptocrats, drug cartels, and rogue regimes have all used U.S.-registered shell companies to hide their identities and facilitate illicit activities. Meanwhile, U.S. intelligence and law enforcement agencies find it increasingly difficult to investigate these illicit financial networks without access to information about the beneficial ownership of corporate entities involved.

At the same time, U.S. AML-CFT laws have not kept pace with the growing exploitation of the global financial system to facilitate criminal activity. According to a United Nations Report, money laundering activity and illicit cross-border financial flows have generated upwards of \$300 billion annually in criminal proceeds. While tracking these growing sums is increasingly difficult, U.S. laws have also failed to adequately address the small dollar financing of global terrorist groups.

Given the critical importance of cracking down on criminal shell companies and the need to combat money laundering and terrorism, the *ILLICIT CASH Act* envisions a more transparent corporate ownership system and an updated, effective and efficient AML-CFT regime designed for the 21st century. Specifically, this legislation would:

- **Establish federal reporting requirements mandating that all beneficial ownership information** be maintained in a comprehensive federal database, accessible by federal and local law enforcement.
- **Help recruit and retain top talent at the Financial Crimes Enforcement Network (FinCEN)** by putting employees on a pay scale comparable to that of federal financial regulators.
- **Create a hub of financial expert investigators** at FinCEN to investigate potential AML-CFT activity in collaboration with federal government agencies.
- **Create a team of FinCEN technology experts to further the development of new and essential technologies** that can assist financial institutions and the federal government in their efforts to combat money laundering.
- **Facilitate communications between the Treasury and financial institutions** by establishing a Treasury financial institution liaison to seek and receive comments regarding AML-CFT rules, regulations, and examinations.
- **Require the Department of Justice (DOJ) to provide the Treasury Department with metrics** on the usefulness of AML-CFT data from financial institutions for law enforcement purposes, as well as data on the past and current trends identified by DOJ in the AML-CFT landscape.
- **Require law enforcement to coordinate with financial regulators** to provide periodic feedback to financial institutions on their suspicious activity reports.
- **Prioritize the protection of personally identifying information** while establishing a clear path for financial institutions to share AML-CFT information for the purposes of identifying suspicious activity.
- **Prevent foreign banks from obstructing money laundering or terrorist financing investigations** by requiring these banks to produce records in a manner that establishes their authenticity and reliability for evidentiary purposes, and compelling them to comply with subpoenas. This legislation would also authorize contempt sanctions for banks that fail to comply.
- **Ensure the inclusion of current and future payment systems in the AML-CFT regime** by updating the definition of “coins and currency” to include digital currency.

Sens. Warner, Cotton, Jones, and Rounds are now seeking input from stakeholders regarding their draft legislation. Submissions can be made to

Sen. Warner's office at AML-BSAReform@warner.senate.gov by July 19, 2019.

For an in-depth look at this bill, click [here](#). The full text of the bill is available [here](#).