

Prepared Remarks of FinCEN Deputy Director Jimmy Kirby During Beneficial Ownership Information Reporting Event in Lakewood, Colorado

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**JIMMY KIRBY
DEPUTY DIRECTOR, FINCEN**

**OPENING REMARKS
AS PREPARED FOR DELIVERY
BENEFICIAL OWNERSHIP INFORMATION REPORTING EVENT
LAKEWOOD, COLORADO**

Good morning. I want to thank you all for coming out today, and I especially want to thank Congresswoman Pettersen and her office for their partnership in pulling this together. I'm honored to be with you to discuss the work of the Treasury Department's Financial Crimes Enforcement Network—or FinCEN—and more specifically, to discuss the reasons for why implementing the beneficial ownership information reporting requirements of the Corporate Transparency Act is one of our top priorities.

But first, I thought it would be helpful to explain a bit more about what FinCEN does, so you can understand why this initiative is so vital to our broader efforts to strengthen U.S. national security and protect our financial system.

First, FinCEN issues regulations to combat money laundering, terrorist financing, and other forms of illicit finance. Those regulations require that approximately 300,000 financial institutions report timely and accurate information under the Bank Secrecy Act regarding suspicious activity and certain transactions.

We then provide access to this information to law enforcement and other national security agencies. We also have teams of analysts who examine this reporting using advanced analytic tools and techniques to map illicit networks, identify trends and typologies, and isolate targets for investigations and enforcement. This helps law enforcement investigate serious crimes like narcotrafficking, human trafficking, fraud, and identity theft.

We also issue public alerts and advisories highlighting priority risks to the U.S. financial system and national security to drive further reporting to FinCEN by the financial sector and others, and FinCEN hosts public-private events to discuss everything from ideas for improving our overall regulatory regime to details on criminal schemes and typologies—and these public/private exchanges are a key component of our ongoing support to law enforcement to combat the scourge of fentanyl across the country.

At FinCEN, we also employ various tools to hold illicit or noncompliant actors accountable. In addition to our rigorous support of civil and criminal investigations by other agencies, FinCEN imposes civil money penalties when U.S. financial institutions fail to comply with the Bank Secrecy Act's important mandate to protect national security and the integrity of our financial system.

We are also implementing the Anti-Money Laundering Act of 2020, including the Corporate Transparency Act, which is an important piece of the puzzle as we work to stop bad actors from exploiting the U.S. financial system.

With this background in mind, I want to turn to an important question: Why is it so important for small businesses to report their beneficial owners, the real people behind their companies?

Terrorist financiers, drug kingpins, and other criminals use anonymous corporate structures to launder, move, and hide illicit funds into and through the United States. This dirty money undermines legitimate business activity and compromises U.S. economic and national security. Moreover, the effects of financial crime are detrimental to cities, towns, neighborhoods, and families across America.

Human trafficking, fraud schemes, elder abuse, narcotraffickers, ransomware attackers, and other bad actors often rely on anonymous shell companies to facilitate these serious crimes. Examples of this can hit close to home. In just the last few years, a number of investigations and prosecutions have identified the use of anonymous shell companies as a means by which criminals attempt to evade detection, right here in Colorado. For instance, in June of 2022, the ringleader of a billing fraud scheme that resulted in a substantial loss to the government admitted to the creation of various shell companies that he used to submit fraudulent invoices for non-existent goods. Similarly, co-defendants in a scheme to defraud the government admitted to the creation of a company in order to claim more than \$7 million in tax credits for renewable fuel that they never produced. In an attempt to avoid detection, the defendants laundered money through a series of shell companies in Colorado.

And as a final example—one that may come as a bit of a surprise—is the use of anonymous shell companies to further a money laundering scheme that involved counterfeit Denver Broncos merchandise purchased from China. The underlying investigation uncovered that more than 20 shell companies were used to further the illicit activity.

More generally, corporate anonymity gives criminals a head start over law enforcement. Investigators must devote substantial time and resources to show who the real person is that controls or owns an entity. Criminals know about this advantage and use it to further enrich themselves and exploit the U.S. financial system.

And so, in 2021, Congress enacted the bipartisan Corporate Transparency Act, or CTA, to help law enforcement fight this illicit activity. The CTA is meant to peel back the layers of anonymity by requiring many companies doing business in the United States to report information to FinCEN about their beneficial owners—in other words, the real people who own or control them.

The information provided to FinCEN is housed in a secure, non-public database, and we've set rigorous standards around access and data-sharing to ensure that only authorized recipients can obtain beneficial ownership information. In addition to ensuring that this information is protected, we are taking a phased approach to providing access for law enforcement and other partners, so that the information fulfills the law enforcement and national security purposes laid out in the CTA.

I'd also like to take a moment to discuss how it might help bring bad actors to account in the real world.

In 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC—which administers and enforces economic sanctions—took action against a Russian oligarch named Suleiman Kerimov that should have prevented him from benefitting from his assets in the United States. When the United States took this action, it should not only have blocked Kerimov's assets in U.S. jurisdiction, but also prevented all U.S. persons from dealing with Kerimov. But for approximately four years after the United States imposed sanctions on him, Kerimov used a complex series of legal structures to continue to retain an interest in, and benefit from, his over \$1 billion in assets in the United States. Kerimov's funds were subsequently invested in large public and private U.S. companies and managed by a series of U.S. investment firms and facilitators. Along the way, Kerimov and his proxies used various layers of shell companies, including LLCs, to conceal his interest. In 2022, after a yearslong investigation that consumed the work of several enforcement officers, OFAC publicly identified a Delaware-based corporate network that Kerimov was leveraging and finally blocked over a billion dollars of Kerimov's assets. Untangling this web of corporate structures allowed OFAC to ensure that Kerimov's assets in the United States remain blocked and inaccessible to him.

Identifying this network required an extensive, multi-year enforcement investigation into Kerimov's U.S. holdings by OFAC. Beneficial ownership information reporting can make these types of investigations more efficient by providing a direct resource for law enforcement, national security, and intelligence officials. It can give law enforcement an advantage over illicit actors, diminish the head start that corporate anonymity provides, and ultimately level the playing field for legitimate American businesses.

But let me be clear. Small business owners doing their best to comply with the law should not lose sleep over these new reporting requirements. The CTA penalizes willful violations of the law, and this is where we plan to focus our enforcement actions. It's not a "gotcha" exercise, and we're not looking to needlessly burden America's thriving small business community.

On the other hand, the illicit actors that the CTA targets—kleptocrats, criminals, money launderers, terrorist financiers, tax evaders, and others looking to manipulate America's corporate system to hide their identities—should lose sleep over this law.

As more legitimate and law-abiding businesses comply with the requirements and report beneficial ownership information, bad actors will increasingly be forced into tough choices that jeopardize their ability to perpetuate crime undetected.

If they choose not to file, or if they file false information, that may trigger an investigation. If they file true beneficial ownership information, they lose the anonymity that protects their criminal enterprise.

In other words, more transparency means fewer opportunities for bad actors to avoid detection, even when they think they're hiding.

We recognize—and celebrate—that America's small business community is vital to our economy. With that in mind, some ask why these reporting requirements apply to so many small businesses, but not bigger corporations. Indeed, the CTA exempts certain other types of businesses, including some large businesses, from its beneficial ownership reporting requirements. In part, it's because many of those big businesses are often disclosing their ownership in some way. If you think of a big company like Amazon or Comcast cable here in Colorado, they already disclose information about those who own or control them, and indeed, are frequently subject to greater regulatory scrutiny.

Nevertheless, we also know that running a small business is not easy. That's why, in every step of implementing this law, we've considered small business owners and the potential burden that any regulation might impose on their day-to-day operations. Filing a report is easy and free of charge, and for companies with simple ownership structures, we estimate that it should take about 20 minutes. The majority of companies that are required to file should be able to complete the process without the help of an attorney or accountant. And it's not an annual requirement: unless you need to update or correct information, beneficial ownership reporting is a one-time filing.

To successfully support law enforcement and other officials as they work to protect our national security and economy, it's important for small businesses across the country to do their part under the CTA. In terms of deadlines, most companies' reports aren't due until January 1, 2025. But we encourage you not to wait. The database is live and ready when you are. If you created or registered your business this year, in 2024, you have 90 days to file your initial report. Starting in 2025, every newly created or registered company must file within 30 days.

We have additional information about these deadlines and lots of guidance, FAQs, videos, and other materials to make compliance as easy as possible on our website, fincen.gov/boi—and we thank small businesses in advance for doing their part to help stop illicit finance.

Thanks again for joining me today, and thanks again to Congresswoman Pettersen and her team for bringing us together. With that, I'm excited to hear your questions and thoughts, so I'll open the floor.

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