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Senator Warren Statement on GAO Report Finding that Trump Administration Undermined Law to Combat Criminal Abuse of Shell Companies

Washington, D.C. – United States Senator Elizabeth Warren (D-Mass.), Ranking Member of the Senate Banking, Housing, and Urban Affairs Committee, released the following statement on today's GAO report on Treasury's gutting of the the bipartisan Corporate Transparency Act — a law previously championed by President Trump's own current National Security Advisor:

"The Trump Administration continues to put cartels and criminals ahead of law enforcement, opening the door for them to move millions of dollars through our financial system. Today's GAO report confirms that Treasury gutted a bipartisan law designed to crack down on the abuse of shell companies, exempted 99 percent of the entities previously required to report, and has failed to address the significant risks this rollback created. Law enforcement groups have warned that it will be harder to go after drug traffickers, sanctions evaders, and major criminal enterprises. Instead of ignoring these warnings, the Trump Administration must reverse its reckless decision immediately."

Ranking Member Warren and her colleagues have previously conducted oversight highlighting how the Trump Administration's rollback benefits Chinese money laundering networks that move huge sums for drug cartels; harms efforts to combat fraud in U.S. government programs; and helps a range of other bad actors. Ranking Member Warren and her colleagues have also asked Treasury to explain

Elon Musk's potential involvement in gutting the law, given new public reporting that Mr. Musk uses a network of dozens of secretive companies that are potentially the same type of entities that would be subject to the law's transparency requirements.

Law enforcement groups and national security experts have sounded the alarm about the Trump Administration's rollback of the CTA. Public reports have long documented the abuse of U.S. shell and front companies by Sinaloa cartel operatives, Iranian sanctions evaders, and those stealing technology for China's military.

Since last year's rollback, significant risks have come into clearer focus:

Drug cartels and fentanyl

- The *Daily Caller* said: "Trump Admin May Have Accidentally Empowered Cartels To Flood America With Fentanyl, Republican Legal Experts Warn."

- The Trump Administration itself published several documents showing that Chinese money laundering networks use shell and front companies to launder drug proceeds and other illicit funds for drug cartels. In just one case, "'law enforcement identified more than 100 shell companies . . . used to launder at least $77 million in narcotics proceeds.' These companies were allegedly connected to the network of a Chinese national 'seen as a key link between Mexican cartels and Chinese chemical companies in sourcing the precursor chemicals for fentanyl' and 'vital in converting drug funds into cryptocurrency.'"

Iran sanctions evasion

- Treasury published an analysis criticizing three foreign jurisdictions for having "opaque corporate registries" that Iran exploits—while simultaneously gutting corporate transparency here in the United States, where Iranian sanctions evaders have been known to operate.

Fraud

- GAO published a report indicating that providing beneficial ownership information—the purpose of the now-gutted CTA—would have helped fight fraud in federal government programs, including procurement-, grant-, and eligibility-related fraud.

- Secretary Bessent touted FinCEN's Alert on fraud in Minnesota without highlighting his own department's finding that criminals in Minnesota relied on shell companies to commit fraud in government programs and without noting that his CTA rollback makes such fraud easier on a nationwide scale.

Sex trafficking

- New reports indicate that Jeffrey Epstein, already known to have used dozens of shell companies, exploited U.S. Virgin Islands-registered shell companies to facilitate sex trafficking after bank officials raised concerns about his constant cash withdrawals. Secretary Bessent's decision to roll back enforcement of the CTA means shell companies based in the U.S. Virgin Islands can stay anonymous.

Organized and transnational crime

- The Financial Action Task Force issued a new warning that shell companies provide criminals with a "getaway car" to evade law enforcement.

- Law enforcement groups came out against Treasury's decision, with the National Narcotic Officers' Associations' Coalition stressing, "It is the criminal enterprises—drug traffickers, money launderers, and their financial enablers—who stand to gain if this law is weakened."

- DOJ charged a Venezuelan national for laundering $2.8 billion using U.S. shell companies and Tether cryptocurrency, uncovering the crime through the use of confidential informants who heard the suspect bragging that, if the

> FBI were to visit one of his companies, they would find only "A Twinkie and a bag of popcorn."

The CTA didn't require onerous paperwork. It instead required basic identifying information about true owners—name, address, birthdate, a government identification number, and a picture of the corresponding physical ID. The American people support commonsense steps to address significant risks to their security.

Indeed, surveys of the American people show "overwhelming" support for the CTA, with 81 percent of respondents agreeing that "[a]sking some small businesses to do 20 minutes of paperwork identifying their true owner is a small price to pay for keeping our communities safe from drug trafficking, terrorist financing, and other financial crimes."

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