

United States Senate
Washington, DC 20510

[cc: Members of the U.S. Senate]

May 16, 2012

Dear Senator,

We, the 41 undersigned organizations, associations and investors are writing to express our strong support for the bipartisan Senate Bill 1483, the *Incorporation Transparency and Law Enforcement Assistance Act*, which would require companies to disclose information about the real people who own or control them (often called the “beneficial owners”) at the time they are created.

This is a critical piece of legislation that would enable law enforcement to more effectively and efficiently conduct investigations to combat terrorism and financial crime, as they would have access to important information regarding beneficial ownership. In addition, increased corporate transparency would curb corruption and tax evasion, promote an equitable market economy, reduce the opacity of corporate campaign contributions, help ensure a fair and level playing field for small- and medium-sized businesses, foster global development and enhance national security.

Approximately two million corporations are formed in the U.S. each year. Most states allow the anonymous incorporation of companies. Some states require the listing of shareholders, but these can be other companies or “nominees” who serve as front people or service providers for the actual shareholder. Typically, less information is provided to incorporate than is required to obtain a driver’s license or open a bank account. It is currently legal for a person to incorporate a company without disclosing who benefits from its existence or ultimately controls its activities.

Investigations continue to reveal that American and foreign terrorists, narco-traffickers, arms dealers, corrupt foreign officials, tax evaders, individuals targeted for financial sanctions and other criminals easily and regularly set up U.S. shell companies, without providing any information about who owns or controls such companies. Criminals often layer anonymous corporations, with one owning another and so on, to make it even harder for law enforcement to “trace the money” to figure out who is directing the company’s activity – i.e. the identity of the real criminal. This enables criminals to disguise their identities behind the anonymity provided to U.S. corporations and launder dirty money through the U.S. financial system.

State laws govern the creation of U.S. corporations, and states have been aware of the problems caused by anonymous corporations for several years but have made little effort to collect the information needed to adequately address this problem. Some states may be concerned that if they require such information they will lose customers to those states where ownership can still remain hidden from law

enforcement. A uniform, federal requirement that no corporation be anonymous is the only effective way to ensure a level playing field for states. To ensure this new requirement would not pose a fiscal burden on states, the U.S. Department of Justice and the U.S. Department of Treasury have offered \$30 million of forfeiture funds to offset the costs to states for implementing this change.

The ease with which criminals abuse U.S. shell companies to further their illicit activities is increasingly being highlighted by the media and global institutions. Reuters published a series of articles under the heading “Shell Games” over the past year that explores the extent and impact of corporate secrecy in the U.S., including how shell companies have been used to defraud Medicare. *The Economist* authored multiple articles this year about the scale of the problem and called for a change in the law to prevent the abuse of shell companies. CNBC recently produced *Filthy Rich*, a documentary that underscores how easy it is to hide assets behind anonymous American shell companies. In addition to the rise in media attention, a recent World Bank report found that the U.S. was the favorite destination of corrupt politicians trying to set up shell companies to access the financial system.

This bill will provide law enforcement with a critical tool in the fight against financial crime and the financing of terrorism. The U.S. Department of Justice, U.S. Immigration and Customs Enforcement, the former District Attorney of New York and the Federal Law Enforcement Officers Association have all testified at Congressional hearings that the ability of criminals to wash their dirty money through anonymous U.S. shell corporations significantly impedes their efforts to fight terrorism and other serious crime in the U.S. and internationally. This is why the Administration has prioritized transparency of legal entities in the Strategy to Combat Transnational Organized Crime and in the Open Government Partnership U.S. National Action Plan.

We respectfully request that you co-sponsor the bipartisan *Incorporation Transparency and Law Enforcement Assistance Act*. We encourage you to focus on providing law enforcement with the tools needed to effectively fight crime and the criminals that rely on the anonymity U.S. corporations provide to shield their identities so they can launder money in the U.S. If you are interested in more information about this important piece of legislation, please contact Stefanie Ostfeld (sostfeld@globalwitness.org) or Heather Lowe (hlowe@gfintegrity.org).

Thank you for your commitment to this important issue.

Sincerely,

Corinna Gilfillan
Head of U.S. Office
Global Witness

Raymond W. Baker
Director
Global Financial Integrity

Natalie Bridgeman Fields, Esq.
Executive Director
Accountability Counsel

Adam Kanzer
Managing Director and General Counsel
Domini Social Investments LLC

Neil Watkins
Director of Policy and Campaigns
ActionAid USA

Paul Donowitz
Campaigns Director
EarthRights International

David Levine
CEO
American Sustainable Business Council

Tutu Alicante
Executive Director
EG Justice

Krishen Mehta
Director
Asia Initiatives

Nicole Tichon
Founding Member
Financial Accountability and Corporate
Transparency (FACT) Coalition

Holly Sklar
Executive Director
Business for Shared Prosperity

Emira Woods
Co-Director
Foreign Policy in Focus

Bennett Freeman
Senior Vice President, Sustainability Research and
Policy
Calvert Investments

Michelle Chan
Director, Economic Policy Programs
Friends of the Earth – US

Roger Hickey
Co-Director
Campaign for America's Future

Conrad Martin
Executive Director
Fund for Constitutional Government

Melanie Sloan
Executive Director
Citizens for Responsibility and Ethics in
Washington (CREW)

Bea Edwards
Executive Director
Government Accountability Project

Robert S. McIntyre
Director
Citizens for Tax Justice

Arvind Ganesan
Director, Business and Human Rights Division
Human Rights Watch

Bill Patterson
Executive Director
CtW Investment Group

Amol Mehra
Coordinator
International Corporate Accountability Roundtable

Eric LeCompte
Executive Director
Jubilee USA Network

Robert Naiman
Policy Director
Just Foreign Policy

Sam Blair
Network Director
Main Street Alliance

Kathy McNeely
Director
Maryknoll Office for Global Concerns

Ellen Smith
Owner and Managing Editor
Mine Safety and Health News

Jo Marie Griesgraber
Executive Director
New Rules for Global Finance Coalition

Katherine McFate
President and CEO
OMB Watch

Chris Taggart
Co-Founder & CEO
OpenCorporates

Sarah Pray
Senior Policy Analyst
Open Society Policy Center

Ian Gary
Senior Policy Manager
Oxfam America

Piper Hendricks
Executive Director
p.h. balanced films

Danielle Brian
Executive Director
Project On Government Oversight

Karin Lissakers
President
Revenue Watch Institute

Ellen Miller
Executive Director
Sunlight Foundation

Jack Blum
Chair of Board
Tax Justice Network-USA

Francesca Grifo
Senior Scientist and Program Director, Scientific
Integrity Program
Union of Concerned Scientists

Bama Athreya
Executive Director
United to End Genocide

Gary Kalman
Director of Federal Legislative Office
U.S. PIRG

Chuck Collins
Co-Founder
Wealth for the Common Good