

July 30, 2013

The Honorable Carl Levin  
United States Senate  
269 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Charles Grassley  
United States Senate  
135 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senators Levin and Grassley,

We, the undersigned organizations, are writing to express our strong support for the **Incorporation Transparency and Law Enforcement Assistance Act**. This bill would end the ability to incorporate anonymously in the U.S. which is crucial to stem the flow of dirty money laundered through American banks.

We support increased corporate transparency because it would curb corruption, fraud and tax evasion; promote sound corporate governance and financial stability; reduce the opacity of corporate campaign contributions; enable individuals and companies to know with whom they are doing business; help ensure a fair and level playing field for small- and medium-sized businesses; foster global development and enhance national security.

The bill 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 legislation 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 about the ultimate owners of companies.

Recent studies have revealed that the U.S. is a favored place for incorporating shell companies used to hide stolen assets, dodge taxes, defraud Medicare, evade sanctions, launder drug money and sell illegal weapons around the world. Many U.S. states rank among the easiest jurisdictions in the world to form a company without revealing the identity of who ultimately owns or controls it.

Approximately two million corporations are formed in the U.S. each year—which is more than the rest of the world combined. Most states collect less information from the people forming these companies than is required to obtain a driver’s license or register to vote. It is currently legal for a person to incorporate a company without disclosing who benefits from its existence or ultimately controls its activities. 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.

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.

The increased accountability made possible by the bill would make it much harder for criminals to hide behind American shell companies to perpetrate schemes to defraud investors and other innocent Americans or to steal millions of dollars from Medicare.

This bill would also 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.

We encourage you to take this common sense step to make our corporate formation process transparent, which would make it harder for criminals to misuse American companies to facilitate illegal activities and stop the United States from being a dumping ground for dirty money.

If you are interested in more information about these important pieces of legislation, please contact Stefanie Ostfeld ([sostfeld@globalwitness.org](mailto:sostfeld@globalwitness.org)) or Heather Lowe ([hlowe@gfintegrity.org](mailto:hlowe@gfintegrity.org)).

Thank you for your commitment to this important issue.

Sincerely,

ActionAid USA

AFL-CIO

Alliance for a Just Society

Citizens for Responsibility and Ethics in Washington (CREW)

EG Justice

Financial Accountability and Corporate Transparency (FACT) Coalition

Financial Transparency Coalition

Friends of the Earth - United States

Global Financial Integrity

Global Integrity

Global Witness

Government Accountability Project

Human Rights Watch

Jubilee USA Network

Main Street Alliance

MiningWatch Canada

New Rules for Global Finance

Open Society Policy Center

Project On Government Oversight

Public Citizen

Revenue Watch Institute

Service Employees International Union

Tax Justice Network-USA

The Global Initiative for Economic, Social and Cultural Rights

U.S. Public Interest Research Group (U.S. PIRG)