

October 22, 2013

The Honorable Jeb Hensarling  
United States House of Representatives  
2228 Rayburn House Office Building  
Washington, DC 20515

The Honorable Maxine Waters  
United States House of Representatives  
2221 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters,

We, the undersigned organizations, are writing to express our strong support for the **Holding Individuals Accountable and Deterring Money Laundering Act** and the **Incorporation Transparency and Law Enforcement Assistance Act**. These two pieces of legislation would strengthen U.S. anti-money laundering laws, provide regulators with improved enforcement tools and end the ability to incorporate anonymously in the U.S. These bills are crucial to stem the flow of dirty money laundered through American banks.

We support these bills because increased corporate transparency and improved anti-money laundering laws would curb corruption, fraud and tax evasion; 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.

The **Holding Individuals Accountable and Deterring Money Laundering Act** would close loopholes in U.S. money laundering laws and better enable regulators to enforce those laws, sending a signal to banks and bankers that nothing and no one is “too big to jail.”

Case after case of chronic money laundering through banks like HSBC, Standard Chartered, and Wachovia, demonstrate that the current system is broken. We need a clear, strong and comprehensive approach to fixing it.

To stop banks and bankers from accepting suspect funds, we need to change the incentive structure. Senior bankers must be held liable for getting it wrong and banks should risk substantial fines that are more than the “cost of doing business” when they break the law. The legislation will strengthen the legal and regulatory framework for holding executives and other bank employees individually liable for money laundering schemes.

The bill also strengthens the U.S. AML regime by designating all felonies—including tax offenses—as potential crimes that can lead to a money laundering charge (known as “predicate offenses”). Currently, U.S. law follows a haphazard piecemeal approach under which only certain crimes can lead to money laundering charges—for instance, “securities fraud” is on the list of predicate offenses but “insider trading” is not.

The **Incorporation Transparency and Law Enforcement Assistance Act** 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 respectfully request that you co-sponsor the Holding Individuals Accountable and Detering Money Laundering Act and the Incorporation Transparency and Law Enforcement Assistance Act. We encourage you to take these common sense steps to hold our financial services industry accountable for the facilitation of crime, make our corporate formation process transparent, and reform the current system that makes the United States 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)

EarthRights International

EG Justice

Financial Accountability and Corporate Transparency (FACT) Coalition

Financial Transparency Coalition

Friends of the Earth - United States

Global Financial Integrity

The Global Initiative for Economic, Social and Cultural Rights

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

Oxfam America

Project On Government Oversight

Public Citizen

Publish What You Pay – United States

Service Employees International Union

Tax Justice Network-USA

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