

Opening Statement of Senator Brown

“Combating Illicit Financing by Anonymous Shell Companies through the Collection of Beneficial Ownership Information”

May 21, 2019

Thank you, Mr. Chairman, for calling this important hearing as a follow-up to previous hearings in the Committee on Bank Secrecy Act and anti- money laundering reform efforts.

This weekend we got a reminder of how important these issues are, courtesy of reporting by *The New York Times* that money laundering specialists working for Deutsche Bank had repeatedly recommended the filing of suspicious activity reports on transactions by President Trump’s and Jared Kushner’s organizations, including transactions with actors overseas.

But those experts were over-ruled by senior Private Wealth Division officials. Even state regulators or House Financial Services Committee subpoenas to Deutsche Bank can’t get at suspicious activity reports that are never filed – that are effectively quashed within the bank and never conveyed to the experts at FinCEN in the Treasury Department and the financial watchdogs that are supposed to assess these transactions.

And compliance officials described a pattern at Deutsche of efforts like that to reject SAR filings for lucrative clients. We need to get to the bottom of what happened here. Everyone has to follow anti-money laundering laws and rules – you don't get an exemption if you have a rich and powerful client. And we have to hold financial institutions accountable if they break the rules. I've written to Deutsche Bank's CEO making that clear, and demanding answers.

While banks obviously have a key monitoring role, it's also important that we require companies to provide basic information on their ownership when they're formed. In today's hearing, the first of two, we'll focus on the transparency, anti-corruption and anti-illicit financing benefits of requiring U.S. firms to provide this basic beneficial ownership information.

This information would help address a longstanding problem for US law enforcement in investigations of cases involving counter-terrorism, drug trafficking, money laundering, Medicare and Medicaid fraud, human trafficking, and other crimes.

Criminals, terrorists and even rogue nations use layer upon layer of shell companies to disguise and launder illicit funds that are the proceeds of crimes. That makes it harder to hold bad actors accountable.

Under current law, by the time law enforcement is able to actually go through the grand jury and subpoena process, and pierce the corporate veil to discover who is behind these shell companies, the criminals – and the proceeds of their crimes – are long gone, often overseas and out of reach of U.S. law enforcement.

I am pleased that today we will hear Administration views, including from key officials from the FBI and FinCEN, on the importance of finally – after decades of criticism that the US is a haven for anonymous shell companies – changing our laws to address this issue.

Chairman Crapo and I agree – we must move forward to require complete ownership information – not front men, not those forming companies on behalf of those who will pull the strings from behind the curtain – but the actual owners of companies who law enforcement can go to if the entity becomes involved in criminal activity.

We can do this simply, efficiently and effectively, without unduly burdening small businesses or others, by requiring that ownership information be provided by all companies when they're formed, and then creating a database within FinCEN, controlled under tight privacy laws, that would be accessible to law enforcement.

None of the crimes we'll discuss today – drug trafficking, human trafficking, Medicare fraud, money laundering – are victimless crimes.

For example, money laundering for drug cartels has a direct line to the opioid crisis in Ohio, where Sinaloa cartel actors have been destroying thousands of families.

Human traffickers who exploit the misery of runaways in truckstops at the intersections of major interstate highways in Ohio and across the country, use the financial system to launder their profits.

Medicare fraudsters cost the US Government and private parties over \$2.6 billion in 2017, according to the HHS Inspector General, and have generated about \$3.3 billion in recovered funds so far this year.

That's why anti- money laundering and beneficial ownership laws are so critical: they protect the integrity of our financial system, and provide critical intelligence to law enforcement to combat crime.

Updating and strengthening our AML and beneficial ownership laws will give us a 21st century system to combat these crimes. I guarantee you criminals have long been revising, adjusting and amending their tactics to circumvent them.

I know today's witnesses have thought about these issues for years, and have been pressing for such reform for much of their careers. I welcome you all back to the committee, and look forward to your perspectives.