

## Opening Statement of Senator Brown

### “Outside Perspectives on the Collection of Beneficial Ownership Information”

June 20, 2019

Thank you, Mr. Chairman, for calling this important hearing. This is the latest in a series of hearings in the Committee on our Bank Secrecy Act and anti- money laundering reform efforts, and on critical changes to U.S. beneficial ownership laws to combat abuses by owners of anonymous shell companies, some of whom have been exploiting our system for criminal purposes for years.

Unlike in most areas of disclosure and transparency law, where the U.S. has lead the way, on this issue we have long lagged behind other jurisdictions, and failed to require uniform and clear ownership information for firms at the time of their incorporation.

This is critical to law enforcement. In the U.S. they have to spend precious time and resources issuing subpoenas and chasing down leads to secure even the most basic information about who actually owns a company. That makes no sense. And it must change.

Treasury's 2018 Money Laundering Risk Assessment estimates that about \$300 billion in illicit proceeds from domestic financial crime is generated annually, making these funds ripe for money laundering through the system.

Criminals abuse the financial system to launder funds gained through narcotics trafficking, organized crime, the sale of counterfeit goods, Medicare and Medicaid fraud, and other criminal activities. Much of this dirty money is funneled through anonymous shell corporations.

As I've observed before, none of the abuses we'll discuss today – drug trafficking, human trafficking, Medicare fraud, money laundering – are victimless crimes.

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 taxpayers \$2.6 billion in 2017, according to the HHS Inspector General, and tarnish the reputation of this lifeline for seniors.

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.

Under Treasury's recent customer due diligence rule, banks must already secure some of this information from accountholders when they open accounts.

And while banks must continue to play 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, we'll hear from the Financial Accountability and Corporate Transparency Coalition, and from the banks, on the many reasons to pursue these reforms, including the transparency, anti-corruption and anti-illicit financing benefits such reforms would offer. I ask consent to include a number of their reports into the hearing record.

And we'll hear from NFIB, some of whose members have expressed concern about the paperwork burden of providing even simple ownership information -- name, address, and a copy of a current passport or driver license.

Requiring companies' ownership information and storing it in a secure federal database like FinCEN's, alongside its bank secrecy information, would help address longstanding problems for U.S. law enforcement.

It would help them investigate cases involving counter-terrorism, drug trafficking, Medicare and Medicaid fraud, human trafficking, and other crimes. And it would provide ready access to this information under long-established and effective privacy rules.

Without these reforms, criminals, terrorists and even rogue nations will continue to use layer upon layer of shell companies to disguise and launder illicit funds. That makes it much harder to hold bad actors accountable.

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.

We can do this simply, efficiently and effectively, without unduly burdening small businesses or others.

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

I welcome today's witnesses to the Committee, and look forward to hearing your perspectives.