

Crapo Statement at Hearing on Beneficial Ownership
May 21, 2019

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled: “Combating Illicit Financing by Anonymous Shell Companies Through the Collection of Beneficial Ownership Information.”

The text of Chairman Crapo’s remarks, as prepared, is below.

“The hearing will come to order. Welcome back to our panel of witnesses from our last hearing in November.

“The committee will hear from today’s witnesses about the need to deter money laundering and the financing of terrorism through the use of front companies, shell companies, shelf companies, opaque nominees, and other means to conceal and disguise the true beneficial owners of property and other assets.

“The purpose of today’s hearing is to examine the difficult issues surrounding the need for and manner of collecting what is known as ‘beneficial ownership’ information from such anonymous corporate utilities.

“This hearing, from the perspective of law enforcement and a regulator, will be the first of two on the subject, with a second hearing focusing on various industry perspectives.

“Clearly, the vast majority of anonymous corporate vehicles used today serve legitimate purposes and are formed with no criminal intent whatsoever.

“Therefore, we must bear in mind the amount of burden which may befall an overwhelming majority of small business owners.

“Yet, over the years, law enforcement, the GAO, congressional committees in both chambers, and U.S.-led international bodies, like the Financial Action Task Force, have identified not only a high potential for their abuse, but have also identified far too many open investigations involving anonymous shells connected to money laundering, terrorist financing, corruption, weapons proliferation, sanctions evasion and a host of other threats.

“High profile leaks of serious tax abuses, such as found by investigative journalists in the Panama Papers and Paradise Papers, have further identified

the use of anonymous corporate vehicles to accomplish illicit global financial activities.

“I applaud the work of FinCEN in developing its Customer Due Diligence, or ‘CDD’ Rule, that went into effect a year ago this month.

“FinCEN engaged for years with industry and other stakeholders to issue a rule that requires certain covered financial institutions to collect information on identifiable people who actually own, control and profit from their corporations.

“The rule is an achievement in terms of obtaining some transparency into corporate ownership to protect the U.S. financial system from those who seek to abuse it.

“But, the rule’s strengths and weaknesses are a product of its design to focus collection requirements for beneficial ownership information only on certain financial institutions.

“The rule mainly helps financial institutions to mitigate risk, and the information received can provide some help to assist law enforcement in identifying criminal assets, accounts and national security threats from those who use the financial system.

“The rule, however, does not reach all of the general population of millions of new corporate vehicles formed each year to operate in this country, nor especially those new corporations which are exported overseas that will never see an American financial institution, but still benefit from an American address.

“Working in partnership with our government’s law enforcement and regulatory agencies, for the nearly 50 years since enactment of the Bank Secrecy Act, the U.S. financial industry is on the front lines of preserving the integrity of the U.S. and international financial system, and I see no changing that anytime soon.

“The fine efforts of our financial institutions should not be in vain to the extent that they can address only part of the larger beneficial ownership problem.

“We will hear today some legitimate needs of law enforcement for a wider collection of more useful beneficial ownership information, and for a place to store it all.

“From our regulator, we will learn about how that information should be stored, by whom and under what conditions the privacy of that information is protected.

“I am confident that there are a number of solutions to this problem if Congress can work together, in the manner of FinCEN, to identify the parameters of the problem and take into account the consequences of such a daunting collection of information would have on all stakeholders.”

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