



FACTCOALITION
Financial Accountability & Corporate Transparency

Anonymous U.S. “Shell” Corporations: A National Security Code Red

The problem: American and foreign terrorists, narco-traffickers, arms dealers, corrupt foreign officials, tax evaders and other criminals easily and regularly set up U.S. shell companies, without providing any information about who owns or controls such companies, to launder their criminal money in the United States. These anonymous shell companies are legal in most U.S. states. 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.

The use of anonymous shell corporations is threatening American security on several fronts, but there is a solution – ensure that each time a company is created within the U.S., information on the true owners and controllers of the company is also collected.

States are responsible for creating companies. They have been aware of the problems caused by anonymous corporations for several years but have made little effort to collect the information needed to eradicate the problem. Some are 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.

Terrorism, drug-related violence, corruption and other serious crimes that threaten our national security are on the rise. Anonymous corporations are a significant part of this problem and states are not acting to address the situation. Congress must insist that states collect information about who owns and controls the corporations that we allow to operate in this country.

The solution: Congress must pass legislation requiring states to collect information about the real people who own or control companies (often called the “beneficial owners”) at the time they are created.

It is critical Congress pass legislation that:

- (1) defines “beneficial owner” as a real human being, not another company; and
- (2) ensures that law enforcement has access to the beneficial ownership information being held by the states.

Are Anonymous “Shell” Corporations Really a Problem?

The Iranian Skyscraper in Manhattan

Iranian ownership of a skyscraper in the middle of Manhattan was hidden by the use of anonymous companies and partnerships, in violation of U.S. economic sanctions. The building was owned by a partnership, the 650 Fifth Avenue Company, formed between the Alavi Foundation and Assa Corporation. Assa Corporation is an anonymous company that was incorporated in New York, but wholly owned by another anonymous company, Assa Company Limited, which is an entity incorporated in Jersey, an offshore secrecy jurisdiction. After a lengthy and expensive investigation, it was uncovered that Assa Company Limited is owned by Iranian citizens that represent the interests of Bank Melli, which is a bank wholly owned and controlled by the Government of Iran. Anonymous companies enabled Iranian ownership of a building in New York and through that ownership, the use of the U.S. financial system to illegally funnel U.S. dollars to Iran, evading U.S. sanctions.

U.S. Department of Treasury, Terrorist Financing

“Years of research and law enforcement investigations have conclusively demonstrated the link between the abuse of legal entities, on the one hand, and, on the other hand, WMD proliferation, terrorist financing, sanctions evasion, tax evasion, corruption and money laundering for virtually all forms of serious criminal activity. As these reports and investigations indicate, this abuse is particularly prevalent with respect to legal entities created in the United States. We know how easy it is for illicit actors around the world to create a legal entity in the United States. And we know that these actors then use the presumed legitimacy of a US-based entity to gain access to the international financial system and disguise the source of their funds or the purpose of their financial transactions.”

David S. Cohen, Assistant Secretary for Terrorist Financing, U.S. Department of Treasury, Testimony before the Committee on Homeland Security and Government Affairs, November 5, 2009.

The al Qaeda Supporter

Khalid Ouazzani of Kansas City, Missouri, used a business incorporated as Hafssa LLC but doing business as Truman Used Auto Parts to hide his fundraising activity for al Qaeda. The FBI reported in May 2010 that Ouazzani used Hafssa LLC to “borrow” \$175,000 in a bank fraud scheme, and used some of the funds to purchase an apartment in the United Arab Emirates. He later sold the apartment and remitted the \$17,000 in profits to al Qaeda. Ouazzani also transferred \$6,500 from the sale of Hafssa LLC to the bank account of a co-conspirator in the United Arab Emirates who made a \$6,500 payment to al Qaeda on Ouazzani’s behalf.

The Department of Justice

“The audience — including investigators from nine federal law enforcement agencies and prosecutors from a variety of districts and offices — was attending a financial investigation seminar designed to teach them how to investigate the financial aspects of international criminal organizations. The instructor, who was lecturing on U.S. shell companies, asked the members of the audience to raise their hand if they had ever reached a dead end in one of their investigations because of a U.S. shell company. Nearly every person in the room raised his or her hand. Departmental instructors report that such a response is common in money laundering courses delivered both domestically and abroad.”

Jennifer Shasky, Senior Counsel to the Deputy Attorney General, U.S. Department of Justice, Testimony before the Committee on Homeland Security and Government Affairs, November 5, 2009.

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