



FACTCOALITION
Financial Accountability & Corporate Transparency

Beneficial Ownership Transparency Efforts in the US

Disclosure is Curbing Dirty Money in Real Estate and
Full Transparency Legislation is Progressing

December 5, 2018

Clark Gascoigne

Deputy Director

Financial Accountability and Corporate Transparency (FACT) Coalition

Anonymous Shell Companies in the US

- When companies are formed in the US, there's no requirement that the true owners (beneficial owners) be disclosed.
- The US is the easiest country to set up an anonymous company to launder money.
- Legislative progress on beneficial ownership transparency is likely in the next Congress (2019-2020).



Image: TED/Global Witness

“[Y]our stated purpose could well be a front for funding terrorism. ... I wouldn't even consider doing that for less [than] 5k a month... If you are working with less than serious money, don't waste anybody's time here.”

— Florida Corporate Service Provider

Real Estate a Growing Concern

- No Due Diligence Requirements for Real Estate Sector (Despite 2001 Law)
- Increasing reports of real estate as a “safety deposit box” for criminals and the corrupt.
- Hollowing Out Neighborhoods
- Growing National Security Concerns



The US Government Accountability Office “...was unable to identify ownership information for about one-third of [the US federal government’s] 1,406 high-security leases as of March 2016...”

— GAO, January 2017

US Real Estate Transparency Pilot Program: 2016–Present

- **March 2016:** US Treasury implements pilot project involving “Geographic Targeting Orders” (GTOs). The GTOs asked title companies in NYC and Miami to collect beneficial ownership information for high-end, all-cash-financed real estate transactions.
- **August 2016:** US expands GTOs to San Antonio (TX), Fort Lauderdale & Palm Beach (FL), San Diego (CA), Los Angeles (CA), & San Francisco Bay Area (CA).
- **Feb. 2017:** New US administration renews GTOs.
- **August 2017:** US renews and expands to include Honolulu (HI).
- **Nov. 2018:** US Renews and expands GTOs again to 5 new metro areas: Boston (MA), Chicago (IL), Dallas (TX), Las Vegas (NV), and Seattle (WA).
- Bipartisan proposals would make the initiative nationwide and permanent.



30% of the beneficial owners identified in the program have been found to be suspicious.

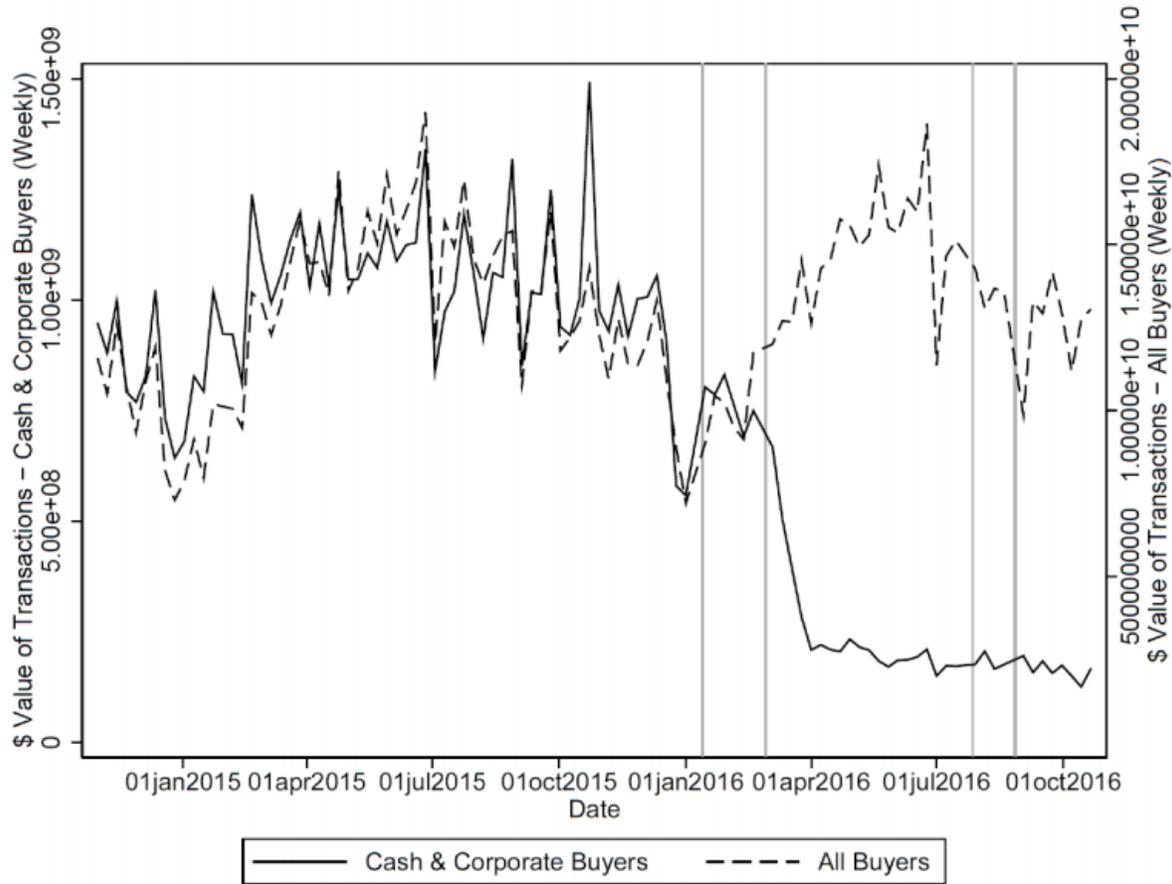
— *FinCEN*

US Real Estate: Data Suggests Transparency is Working

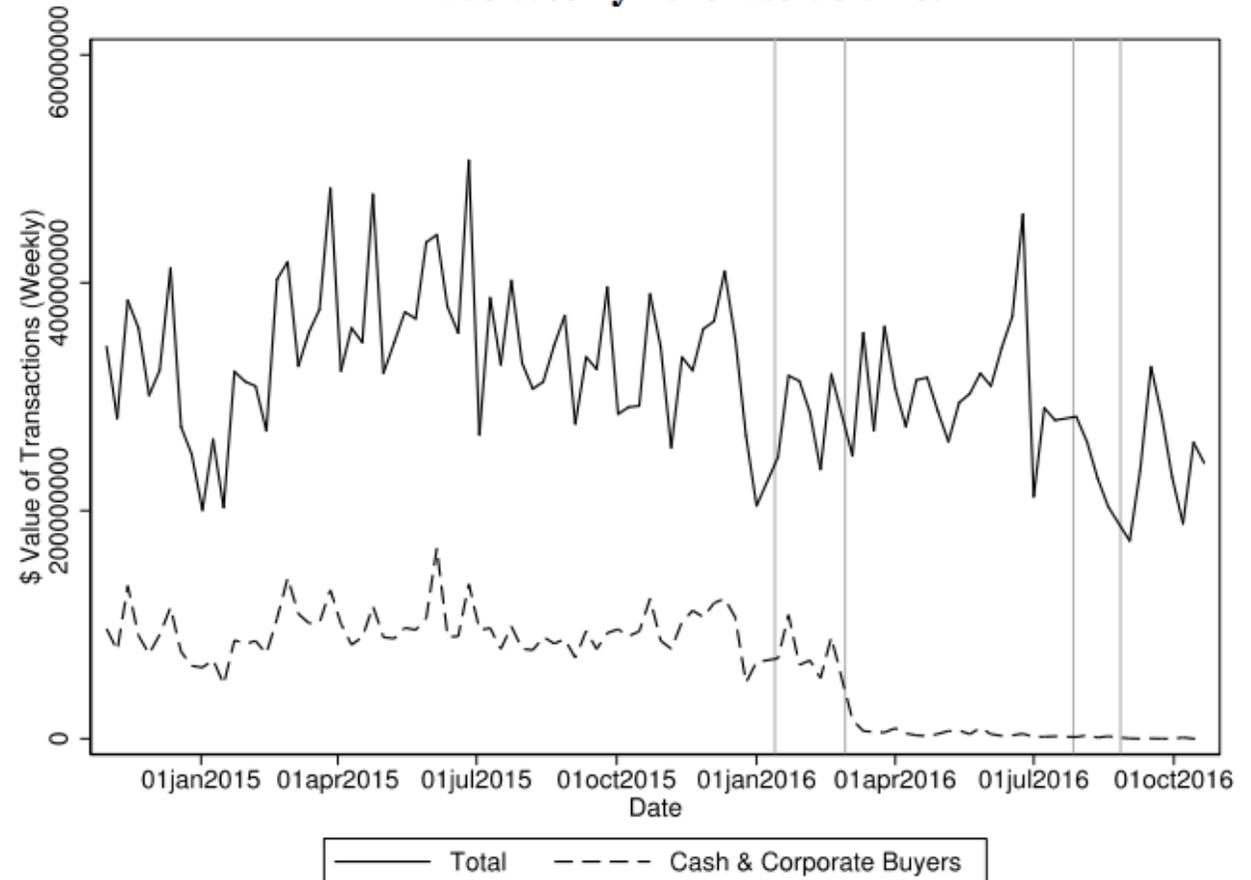
Nationally, cash-financed transactions through shell companies fell 70%

In Miami, cash-financed real estate transactions through shell companies fell 95%

Weekly Total Purchases and All-cash Corporate Purchases, Nationwide



Miami-Dade Weekly Purchase Volumes



Crimes Facilitated by Anonymous Companies are Numerous

- Corruption
- Tax Evasion
- Drug Trafficking
- Human Trafficking
- Defrauding US & Foreign Militaries
- Illegal Weapons Dealing

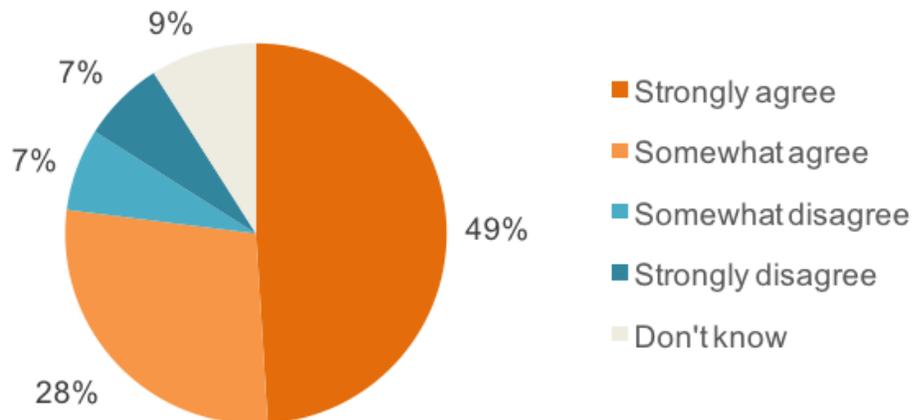


Businesses Increasingly Want Transparency

Counterfeit Goods and Piracy



77% of US small business owners support legislation requiring disclosure of business owners (see below)



Anonymous Companies Undermine Business Supply Chains



...of senior executives believe it is important to know the ultimate owner of the entities with which you do business.

“When the true owners of companies put their own name on corporate formation papers, it increases integrity in the system and provides a higher level of confidence when managing risk, developing supply chains and allocating capital.”

— CEOs of Allianz, Virgin, Salesforce, Dow Chemical, Kering, & Unilever

Bipartisan Bills Gaining Support

Large banks, small banks, and credit unions would benefit from access to this information — streamlining the time and expense they spend on anti-money laundering activities.

They are all supporting the bills.



Bipartisan Bills Gaining Support

Bipartisan bills in Congress also have support from small business groups, large businesses, realtors, accountants, investors.



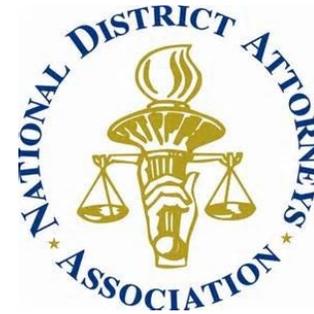
Bipartisan Bills Gaining Support

In June 2016, the Delaware Secretary of State reversed its longtime opposition to reform, and Delaware convinced the National Association of Secretaries of State to go neutral.

Police and prosecutors, former national security officials, and veterans have voiced support.

Bipartisan group of 2 dozen state Attorneys General called for transparency in August.

Conservative, centrist, and liberal scholars are speaking up.



Bipartisan Bills Gaining Support

- Democratic and Republican leaders on the House Financial Services Committee have called beneficial ownership transparency a priority for the next Congress and indicate they intend to move bipartisan bills.
- The Chair and Ranking Member of the Senate Banking Committee have also called the issue a priority indicated that they intend to move legislation early in the next Congress.
- Officials from the Departments of Treasury, Justice, and Homeland Security have all testified in support of beneficial ownership transparency.



“We do need to be able to have access to beneficial ownership information for law enforcement and for combating terrorist financing...”

“We’ve got to figure out this beneficial ownership [issue] in the next six months... I don’t want to be coming back here [to Congress] next year and we don’t have this solved.”

**— US Treasury Secretary Steven Mnuchin
July 2018**



FACTCOALITION

Financial Accountability & Corporate Transparency

For more information, contact:

Clark Gascoigne

Deputy Director

Financial Accountability and Corporate Transparency (FACT) Coalition

+1 202 810 1334

cgascoigne@thefactcoalition.org