

STATEMENT OF GARY KALMAN, EXECUTIVE DIRECTOR OF THE FACT COALITION
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Good morning. As many of you know, in many parts of the world, one can set up a company without naming the natural person or persons who own and control the entity. Hiding behind a veil of corporate secrecy, bad actors launder the proceeds from any number of illicit activities including arms trafficking, human trafficking, drug trafficking, sanctions evasion, grand corruption, the sale of counterfeit and pirated goods, even terrorist financing.

Few rules and a large pool of comparatively stable assets make the real estate sector particularly vulnerable to abuse. Criminals, through anonymous companies, will buy and use property more as bank accounts than residences.

In the US, consider that:

- In New York City, property along eight streets near an exclusive Central Park neighborhood are largely owned but nearly 40 percent unoccupied.
- In San Francisco, the South Beach neighborhood is largely owned but one-fifth unoccupied.
- A 2016 newspaper story in Miami found: "Locals trying to buy homes with mortgages can't compete with foreign buyers flush with cash and willing to pay the list price or more."

In the UK:

- Over 75% of the properties under criminal investigation use offshore corporate secrecy.
- More than 36,000 London properties are held by offshore haven companies.

But let's talk about what's actually happening in the world – new reforms and global trends -- starting in the US. While many in the US are quick to point out corruption in other parts of the world, we are slower to acknowledge our own role in facilitating global corruption.

As it happens, the U.S. is a haven for illicit cash. According to the Tax Justice Network's 2018 Financial Secrecy Index, the United States ranks second in the world, behind Switzerland, among the world's secrecy jurisdictions.

However, I am happy to report that we are finally making progress on this issue. Let's look at some developments.

In the (US):

- The Treasury Department now requires the collection of beneficial ownership information for high end, cash financed real estate transactions involving companies in a dozen major cities as part of a pilot program involving what they call geographic targeting orders.
- Treasury also requires U.S. financial institutions to collect ownership information when companies open bank accounts.
- The Defense Department now collects beneficial ownership information when leasing high security office space.
- And, earlier this week, a comprehensive bill moved through an important congressional committee with bipartisan support for the first time.

In the United Kingdom (UK)

- In 2016, the UK became one of the first countries to establish a registry of beneficial owners of companies.
- In 2018, the UK voted to require its Overseas Territories to also create registers by 2020.
- The UK Parliament recently adopted Account Freezing Orders (AFO) to look into companies with questionable ownership.

In the European Union (EU)

- In 2015, the EU agreed that all 28-member states would establish beneficial ownership registries. In 2018, the EU voted to make those registers public.
- These requirements also include members of the European Economic Area — Norway, Iceland, and Liechtenstein.

In the rest of the world

Although differing in structure and scope, a number of other jurisdictions have enacted beneficial ownership registration laws including Brazil, Costa Rica, Curacao, Dominican Republic, Ghana, Guernsey, Isle of Man, Jersey, Ukraine, and Uruguay.

That said, only about 6 percent of the 235 jurisdictions in which companies can be incorporated have online registries in which some basic company information can be publicly-accessed, and less than 50 percent of these jurisdiction provide additional information, including specific data on directors and shareholders.

This is all to say that despite progress, there is more work to be done.

Let me close by saying that there is emerging evidence that transparency can be an effective deterrent.

- Early results from the US real estate rules show that 30% of the covered transactions were linked to individuals for whom there was a suspicious activity report filed.
- A second report found that the high risk real estate transactions in the covered geographies dropped, after the transparency measures were implemented, by an average of 70%.
- In the UK, post –transparency, the government reported a spike in Suspicious Activity Reports (SARs) of more than 500%.
- UK law enforcement found the data valuable as requests for information to aid investigations went from 11 per month to 125 per month.
- The use of entities called Scottish Limited Partnerships, notoriously known as fronts for criminal enterprises, dropped by 70% from their peak in 2015.

As criminal networks have become more sophisticated – using our own laws and rules to hide in plain sight -- corporate transparency is becoming an increasingly important tool. It is far from the only reform but it is a foundational reform upon which we can build.

Thanks you and I look forward to your questions and the conversation.