

Testimony of Patrick P. O'Carroll

Good morning Chairman Wicker, Co-Chairman Smith and members of the Commission.

I am the Executive Director of the Federal Law Enforcement Officers Association, or FLEOA, which is a not-for-profit, non-partisan, professional association which represents more than 26,000 Federal Law Enforcement officers and agents from 65 federal agencies.

FLEOA applauds your Commission's focus on incorporation transparency, the prevention of money laundering, the financing of criminal enterprises, and terrorism.

FLEOA agrees with the report of the Financial Fraud Task Force and its findings that the United States has many laudable anti-money laundering efforts – but also has serious gaps in law enforcement's ability to identify the owners of companies, leaving our financial system vulnerable to dirty money.

Recently, one of our New York Secret Service agent members began a routine check forgery investigation into a stolen check being deposited into a bank account.

The agent examined the available bank information and found that the account was for a Florida business with a single owner, NO business plan filed and NO apparent product or service.

Further investigation utilizing court orders and subpoenas revealed multi-national wires and transfers involving millions of dollars passing through this account.

The agent enlisted the assistance of the Treasury Department and identified 80 sub-companies and accounts transferring about \$1 billion dollars between them.

This is a classic example of money laundering with ties to financial crime, narcotics trafficking and terrorism. Yet because of the insidious protections afforded by shell corporations, only one person was arrested and the proceeds of one account seized.

The Financial Crimes Enforcement Network or FINCEN is a US Treasury Bureau whose mission is to safeguard the financial system from illicit use, combat money laundering, and promote national security.

FINCEN has found that shell companies – which are business entities without active business or significant assets – are an attractive vehicle for those seeking to launder money or conduct illicit activities, both domestically and internationally.

FINCEN also believes that these shell companies have been used domestically as vehicles for financial crimes with credit cards, purchasing fraud and fraudulent loans.

In addition, FINCEN cautions that international wire transfers allow for the movement of billions of dollars by unknown owners, which can facilitate money laundering and terrorist activities.

New York Representatives Carolyn Maloney and Peter King, along with 9 co-sponsors, have introduced House Bill 3089, "The Corporate Transparency Act of 2017." In introducing the bill, Congresswoman Maloney stated, "Anonymous and shell companies have become the preferred vehicle for money launderers, criminal organizations, and terrorist groups, because they can't be

traced back to their real owners and the U.S. Is one of the easiest places in the world to set up anonymous shell companies.”

Congressman King also said, “The Act targets this problem by requiring a company that has the characteristics of a shell corporation to disclose who benefits from the company’s operations and makes that information available to law enforcement.”

The Corporate Transparency Act of 2017 has subsequently been introduced in the Senate by Senators Wyden and Rubio. FLEOA strongly endorses this bill.

We are also supportive of the TITLE Act, introduced by Senators Whitehouse, Grassley, and Feinstein. FLEOA strongly believes that legislation requiring companies to disclose their purpose, actual ownership, and appropriate contact information would assist law enforcement in identifying the criminal and terrorist organizations that are exploiting this weakness.

Only with full transparency can we prevent the scourge of illicit funding provided by the anonymity of shell corporations.

Thank you for this opportunity to testify today and I will be happy to answer any of your questions.