



June 30, 2020

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The Honorable Michael Crapo
Chairman
Senate Banking, Housing and
Urban Affairs Committee
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Senate Banking, Housing and
Urban Affairs Committee
Washington, DC 20510

**Re: Support for S. 2563, the Improving Laundering Laws and
Increasing Comprehensive Information Tracking of Criminal Activity in
Shell Holdings (ILLICIT CASH) Act**

Dear Chairman Crapo and Ranking Member Brown:

We write to express our support for S. 2563, the Improving Laundering Laws and Increasing Comprehensive Information Tracking of Criminal Activity in Shell Holdings (ILLICIT CASH) Act. As our States' chief legal officers, we are concerned about the use of American financial institutions for money laundering by terrorist groups and other criminal enterprises. We believe the ILLICIT CASH Act, in particular its provisions mandating disclosure of entities' beneficial ownership information, will greatly reduce criminals' and terrorists' abuse of our institutions.

Corporations and other legal entities are generally creatures of state—not federal—law. But most States do not collect information that identifies who actually owns or benefits from an entity. Without information about the people behind an entity, States cannot know whether the entity is a shell concealing illegal activities. Shell companies, which often have no physical presence and generate little to no activity, allow criminals of all kinds—like drug traffickers, terrorist financiers, tax evaders, and corrupt government officials—to anonymously shelter and transfer the proceeds of their crimes. Through shell companies, criminals can use American banks and other financial institutions.

To combat criminal abuses of shell companies, some States have enacted reforms. Oregon, for example, recently enacted legislation that required entities to register a natural person and banned the use of virtual offices as registered agents, among other reforms. *See* H.B. 2191, 79th Ore. Leg. Assembly, 2017 Reg. Sess. (Aug. 15, 2017). Although these reforms have effectively reduced the use of Oregon as a home for shell companies, the unscrupulous can dodge such reforms by establishing an entity in a State with lax reporting requirements and using it to cloak their activities in other States. Because the States lack uniform disclosure requirements, money laundering and terrorism financing persist.

The ILLICIT CASH Act's beneficial ownership disclosure provisions fix this uniformity problem. Under the Act, a "beneficial owner" of an entity is a

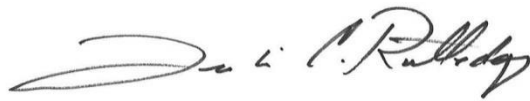
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“natural person” who controls the entity, owns at least 25% of it, or receives economic benefits from it. The Act will combat money laundering and terrorism financing by requiring uniform, nationwide disclosure of beneficial owners by many small corporations and limited liability companies. The Financial Crimes Enforcement Network of the U.S. Department of Treasury (FinCEN) will then keep all the disclosed beneficial ownership information in a federal registry. And entities that must disclose this information must also update FinCEN within 90 days of any change in their beneficial owners.

If all the ILLICIT CASH Act did were require entities to disclose their beneficial owners to FinCEN, we think the Act would be an important weapon to fight criminal abuse of American financial institutions. But the Act does more. It also requires that FinCEN release beneficial ownership information to local, tribal, state, or federal law enforcement, national security, or intelligence agencies. Storing beneficial ownership information in a centralized location is good. Sharing it with law enforcement is even better. With access to comprehensive beneficial ownership information, law enforcement can put an end to unlawful use of our financial institutions by criminals and terrorists.

We thank you for your attention to this important matter and look forward to working with you as you move this legislation forward.

Sincerely,



Leslie Rutledge
Arkansas Attorney General



Ellen F. Rosenblum
Oregon Attorney General



Steve Marshall
Alabama Attorney General



Kevin G. Clarkson
Alaska Attorney General



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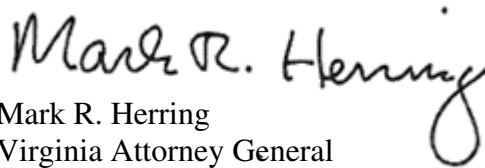
Alan Wilson
South Carolina Attorney General



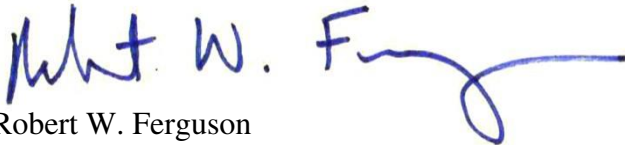
Jason R. Ravensborg
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Utah Attorney General



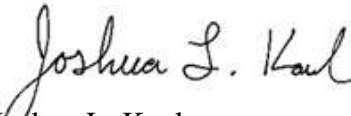
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cc: Members of the Senate Banking, Housing and Urban Affairs Committee