

FOR IMMEDIATE RELEASE

Contact: David Carl

August 2, 2018

(505) 288-2465

AG Balderas Calls on Congress to Require Shell Company Transparency

Albuquerque, NM — Attorney General Hector Balderas today joined a bipartisan group of 24 attorneys general to urge leadership of the House Financial Services Committee to advance legislation improving transparency of shell corporations by requiring them to disclose who controls and profits from their activities. Too often, anonymous shell corporations allow criminals to launder money without accountability.

“These shell companies are a safety net for bad actors who don’t play by the rules,” said Attorney General Hector Balderas. “My office is leading efforts to protect New Mexicans by addressing the opioid epidemic, combating human trafficking and investigating and prosecuting other crimes. Unfortunately investigations can stall when these companies are used to hide the identity of the individual or individuals who control or profit from the company. I urge Congressional leaders to fight for transparency, and protect New Mexicans.”

According to a report released earlier this year by Polaris, an organization that works to eradicate human trafficking worldwide, current law in the U.S. allows trafficking operations like illicit massage parlors to hide their beneficial owners, and “flourish in secrecy, shielding traffickers from law enforcement and prosecution.” Polaris estimated more than 9,000 parlors operate nationwide, with nearly \$2.5 billion in earnings.

AG Balderas is joined in this letter by the attorneys general from California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Iowa, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia and Washington, as well as the District of Columbia, the Northern Mariana Islands and Puerto Rico.

A copy of the letter is attached

###

The Honorable Jeb Hensarling
Chairman, Financial Services Committee
United States House of Representatives
2129 Rayburn House Office Bldg.
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, Financial Services Committee
United States House of Representatives
4340 Thomas P. O'Neill Jr. Federal Office Bldg.
Washington, DC 20024

July 27, 2018

Dear Chairman Hensarling and Ranking Member Waters:

Thank you for your diligent work crafting legislation to improve corporate transparency by requiring companies to disclose the identities of individuals who control and profit from the company at the time of its incorporation. We write to express our support for this change, which would prevent these individuals from using anonymous shell companies to evade accountability, and to convey the importance of making this information available to state and local law enforcement.

As you know, state attorneys general are the top law enforcement officers in our respective states. We are leading efforts to protect residents of our states by addressing the opioid epidemic, combating human trafficking and investigating and prosecuting other crimes.

During a hearing before the Senate Judiciary Committee on February 6, 2018, M. Kendall Day, Acting Deputy Assistant Attorney General of the Criminal Division of the U.S. Department of Justice noted: “One of the most effective ways to deter criminals and to stem the harms that flow from their actions—including harm to American citizens and our financial system—is to follow the criminals’ money, expose their activity, and prevent their networks from benefiting from the enormous power of our economy and financial system. Identifying and disrupting illicit financial networks not only assists in the prosecution of criminal activity of all kinds, but also allows law enforcement to halt and dismantle criminal organizations and other bad actors before they harm our citizens or our financial system.”¹

The use of anonymous shell companies by those engaged in human trafficking, drug dealing, and other crimes, allows criminals to launder and spend money attained through criminal activity without accountability. Unfortunately, our investigations can stall when these companies are used to hide the identity of the individual or individuals who control or profit from the company.

We urge you to ensure that the legislation you adopt to address this important issue includes the following components:

- Information must be available to state and local law enforcement for their use in civil and criminal investigations and states’ authority to enact and enforce state laws to ensure corporate transparency and prevent wrongdoing must be maintained;

¹ Statement of M. Kendall Day, Acting Deputy Assistant Attorney General, Criminal Division, U.S. Department of Justice, Before the Senate Judiciary Committee, February 6, 2018, <https://www.judiciary.senate.gov/imo/media/doc/02-06-18%20Day%20Testimony.pdf>

- Law enforcement should be able to access the information throughout their investigation, either by using subpoenas or through officials trained in proper utilization of the Financial Crimes Enforcement Network (FinCEN) database; and
- The definition of beneficial ownership must not allow loopholes that criminals can exploit.

We appreciate your efforts to address this problem, and your recognition of the necessity of sharing this information with state and local law enforcement. If we can be of assistance, please do not hesitate to contact our offices.

Sincerely,



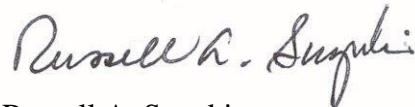
Cynthia H. Coffman
Colorado Attorney General



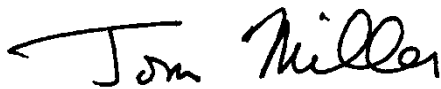
Xavier Becerra
California Attorney General



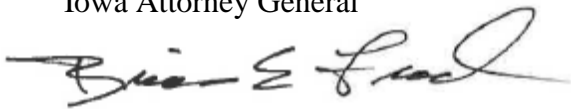
Matthew P. Denn
Delaware Attorney General



Russell A. Suzuki
Hawaii Attorney General



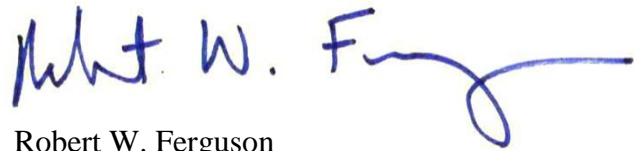
Tom Miller
Iowa Attorney General



Brian E. Frosh
Maryland Attorney General




Lori Swanson
Minnesota Attorney General



Robert W. Ferguson
Washington Attorney General



George Jepsen
Connecticut Attorney General



Karl A. Racine
District of Columbia Attorney General



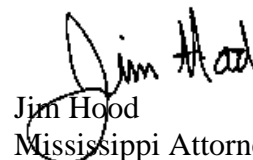
Lisa Madigan
Illinois Attorney General



Janet Mills
Maine Attorney General



Maura Healey
Massachusetts Attorney General



Jim Hood
Mississippi Attorney General



Gurbir S. Grewal
New Jersey Attorney General



Josh Stein
North Carolina Attorney General



Ellen F. Rosenblum
Oregon Attorney General



Wanda Vázquez Garced
Puerto Rico Attorney General



T.J. Donovan
Vermont Attorney General



Hector Balderas
New Mexico Attorney General



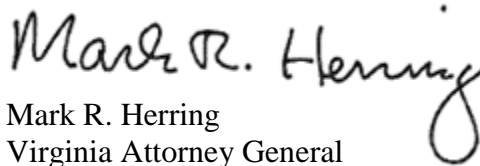
Edward Manibusan
Northern Mariana Islands Attorney General



Josh Shapiro
Pennsylvania Attorney General



Peter F. Kilmartin
Rhode Island Attorney General



Mark R. Herring
Virginia Attorney General