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17 March 2016

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

The Honorable Patrick J. Leahy
Ranking Member
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

I am writing on behalf of the members of the Fraternal Order of Police to advise you of our support for S. 2489, the “Incorporation Transparency and Law Enforcement Assistance Act,” which you introduced earlier this year.

The bill would help law enforcement combat the misuse of U.S. corporations by requiring States to obtain beneficial ownership information for corporations and limited liability companies formed under State laws. The bill would accomplish this by providing law enforcement access to this information upon receipt of a lawful request, such as a subpoena or summons.

For years corporations have been used as front organizations by criminals conducting illegal activity such as money laundering, fraud, and tax evasion. This legislation would act as a critical information gathering tool for law enforcement in combating these crimes by giving law enforcement access to the true identity of the owners behind certain corporations used to conceal criminal activity. The sharing of this information will also help speed the ability of law enforcement to investigate any possible connection between these corporations and terrorist funding.

For example, the case of Michel De Jesus Huarte who, according to Reuters, defrauded Medicare for more than \$4.5 million using a fake AIDS clinic in Miami and 29 other anonymous shell companies. Law enforcement had to conduct a lengthy and costly investigation to discover a web of fraudulent companies that all led back to Huarte. Huarte’s case is no isolated incident, as shell companies are a favorite tool of high-level fraudsters.

This bill is critical to our work because, all too often, investigations are stymied when we encounter a company with hidden ownership. “Follow the money” is a classic investigative strategy. We start at the street level—the drug dealer or low-level lackey—and follow the paper trail of money to the top, where a kingpin or mob boss eventually sits. Organized crime generates billions of dollars in revenue, creating a paper trail which inevitably leads to bank accounts. When we can follow the money all the way to individuals accessing bank accounts, we are able to track down those kingpins and bring them to justice.

— BUILDING ON A PROUD TRADITION —

Unfortunately, we are not always able to follow the trail all the way to the top. We arrest the low-level lackey, follow the money linked to them, and run into a bank account owned by an anonymous corporation. These nameless, faceless companies can do business just like any other but it is difficult if not impossible to identify the real person behind the business.


Jennifer Shasky Calvery, then Senior Counsel to the U.S. Department of Justice Deputy Attorney General and now the Director of the Financial Crimes Enforcement Network (FinCEN), underscored this point in her 2009 testimony before the Senate Committee on Homeland Security and Government Affairs when she stated:

The audience — including investigators from nine federal law enforcement agencies and prosecutors from a variety of districts and offices — was attending a financial investigation seminar designed to teach them how to investigate the financial aspects of international criminal organizations. The instructor, who was lecturing on U.S. shell companies, asked the members of the audience to raise their hand if they had ever reached a dead end in one of their investigations because of a U.S. shell company. Nearly every person in the room raised his or her hand. Departmental instructors report that such a response is common in money laundering courses delivered both domestically and abroad.

Adoption of S. 2489 and the sharing of beneficial ownership information with law enforcement will greatly assist our investigations. When we are able to expose the link between shell companies and drug trafficking, corruption, organized crime and terrorist finance, the law enforcement community is better able to keep America safe from these illegal activities and keep the proceeds of these crimes out of the U.S. financial system.

On behalf of the more than 330,000 members of the Fraternal Order of Police, I want to thank you again for your support of this legislation. If I can be of any further assistance, please do not hesitate to contact me or Executive Director Jim Pasco in my Washington Office.

Sincerely,


Chuck Canterbury
National President