

Treasury's Narrowed Enforcement of Corporate Transparency Act Risks Making U.S. a Magnet for Dirty Money

A statement from Transparency International U.S.
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Yesterday, the Treasury Department announced the suspension of enforcement of the Corporate Transparency Act ("CTA") with regard to domestic reporting companies, in addition to pausing all enforcement of the CTA under existing regulatory deadlines. The Treasury Department also announced that a proposed rulemaking would be issued to narrow the scope of the rule to foreign reporting companies only.

Scott Greytak, Director of Advocacy for Transparency International U.S. ("TI US"), issued the following statement:

This decision threatens to make the United States a magnet for foreign criminals, from drug cartels to fraudsters to terrorist organizations. Inexplicably, it tells foreign criminals—fentanyl traffickers, illegal arms dealers, corrupt foreign officials—that they can evade the most powerful anti-money laundering law passed since the PATRIOT Act by choosing to set up their criminal operations inside the United States.

The U.S.'s national security, intelligence, and law enforcement communities strongly supported the bipartisan Corporate Transparency Act because it stopped criminals from hiding behind anonymous shell companies, regardless of where those companies happened to be formed. Now, criminals can evade this national security law by simply starting and running those front companies inside the United States. A notorious Chinese drug trafficking organization, for example, used front companies formed in Massachusetts to distribute deadly fentanyl analogues and 250 other drugs to some 37 U.S. states. Anonymous companies in the U.S. have also been used by Iran to evade sanctions and by terrorist-affiliated groups to gain access to U.S. defense contracts.

Narrowing the scope of the Corporate Transparency Act to exclude U.S.-based companies creates a clear loophole for criminals to exploit, and risks making the U.S. a haven for illicit financial activity. It also ensures that the United States will be found noncompliant with baseline, globally accepted

anti-money laundering and counter-financing of terrorism standards. We emphatically urge the U.S. Treasury Department to reverse this decision with expediency.

Transparency International U.S. is part of the world's largest coalition against corruption. In collaboration with national chapters in more than 100 countries, we are leading the fight to turn our vision of a world free from corruption into reality.

Related Resources

- [Read](#) Treasury's press release on the suspension of enforcement;
- [Read](#) a TI US amicus brief in support of the Corporate Transparency Act;
- [Read](#) a TI US factsheet on the involvement of domestic anonymous companies in fentanyl and other drug trafficking.

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