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# Anonymous Companies Imperil U.S. National Security

## A TI-US FACTSHEET

### What is an Anonymous Company?

- When a person sets up a U.S. company, they aren't required to disclose the people who actually profit from the company's existence or control its activities (known as its "beneficial owners").
- As a result, these "anonymous companies" have become attractive vehicles for those hoping to obscure their identities and facilitate their illicit activities, including terrorist groups, criminal organizations, arms dealers, drug cartels, and rogue regimes.

A 2014 academic study found that the U.S. is the easiest country in the world for terrorists and criminals to open anonymous shell companies to launder their money with impunity.

### How Do Anonymous Companies Undermine U.S. Security?

- A 2019 report by Transparency International's Defense and Security Program concluded that "Anonymous shell companies are a well-established means of diverting contract funds to political cronies and those tied to insurgents, terrorists, warlords, criminal networks, and other malign actors."<sup>1</sup>
- Anonymous companies are routinely used to circumvent U.S. sanctions, including those relating to Iran, North Korea, Russia, and Venezuela. For example, General Vladimir Padrino Lopez, Venezuela's military leader, established a web of anonymous U.S. companies that listed relatives as owners so that he could continue operating his illicit businesses after U.S. sanctions had been imposed.<sup>2</sup>

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***Over 100 civilian and military national security and foreign policy experts have said this is a national security imperative***

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<sup>1</sup> Colby Goodman, "Holes In The Net: U.S. Arms Export Control Gaps In Combatting Corruption," Transparency International Defense and Security Program, Jan. 14, 2020, available at [ti-defence.org/publications/united-states-arms-export-sales-corruption-fraud-risk/](https://ti-defence.org/publications/united-states-arms-export-sales-corruption-fraud-risk/).

<sup>2</sup> See Organized Crime and Corruption Reporting Project, "The General and His Corporate Labyrinth," April 10, 2020, available at <https://www.occrp.org/en/revolution-to-riches/the-general-and-his-corporate-labyrinth>.

- In the 2017 *Terror Finance Briefing Book*, experts describe how Hezbollah supporters were running a network of commercial and illicit businesses, using anonymous shell companies to evade U.S. sanctions.<sup>3</sup>
- In a 2020 report, the Center for a New American Security found that requiring beneficial ownership information “will limit the ability of China to set up anonymous front companies in the United States to purchase U.S. assets or technology and otherwise threaten critical sectors, data, or infrastructure.”<sup>4</sup>

### A Bipartisan, Tailored Solution

- The bipartisan **Anti-Money Laundering Act of 2020** would require companies to disclose their beneficial ownership information to a secure directory housed in the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN). This information would be made available to law enforcement and relevant financial institutions.
- Over 100 national security and foreign policy experts recently spoke with one voice by calling on Congress to end anonymous ownership of companies.<sup>5</sup>
- This long-overdue reform will provide U.S. national security and law enforcement agencies across the country with a powerful new tool for uncovering and preventing threats to our nation's safety and security.

“Anonymous companies have become the vehicle of choice for terrorists and other criminals to hide corrupt cash.”

- Michael Chertoff, former Secretary of the Department of Homeland Security

**For more information, please contact Scott Greytak, Advocacy Director for TI-US, at [sgreytak@transparency.org](mailto:sgreytak@transparency.org).**

<sup>3</sup> See Yaya J. Fanusie, “Terror Finance Briefing Book,” Foundation for Defense of Democracies, Dec. 7, 2017, available at <https://www.fdd.org/analysis/2017/12/07/terror-finance-briefing-book/>.

<sup>4</sup> Ely Ratner et al., “Rising to the China Challenge,” Center for a New American Security, Jan. 28, 2020, available at <https://www.cnas.org/publications/reports/rising-to-the-china-challenge>.

<sup>5</sup> See FACT Coalition, “More than 100 National Security and Foreign Policy Experts Call on Congress to Tackle Anonymous Shell Companies,” Nov. 13, 2019, available at <https://thefactcoalition.org/more-than-100-national-security-and-foreign-policy-experts-call-on-senators-to-tackle-anonymous-shell-companies/>.