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February 8, 2021

Janet Yellen, Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Treasury Secretary Yellen,

Greetings from the Manhattan District Attorney's Office and congratulations on your historic, bipartisan confirmation. Thank you for your service to our nation during this especially challenging time.

Following passage of the Corporate Transparency Act, I am writing to recommend that the Treasury Department promulgate additional measures to increase incorporation transparency and help prosecutors across the United States further combat money laundering, financial fraud, and terrorism finance. While I celebrate this new, bipartisan law, which is a significant step toward ending the pervasive spread of anonymous shell companies in America, this problem calls for bold regulatory actions by your agency that, thankfully, are already authorized under existing law.

Anonymous shell companies undermine our shared concept of equal justice, warp our housing markets, and threaten our security. As head of one of the nation's leading white-collar crimefighting agencies,ⁱ I have spoken out for the cause of incorporation transparency on Capitol Hill and op-ed pages since becoming Manhattan District Attorney in 2010, and in 2015, I proposed a federal law requiring beneficial owners to be identified on state incorporation forms.ⁱⁱ

Now, thanks to the Corporate Transparency Act, a beneficial owner must file paperwork with the Financial Crimes Enforcement Network (FinCEN), even if their state doesn't require such information. This means that in an office like mine, prosecutors and investigators can use subpoenas to get timely access to the names and birthdates of the true owners of the shell companies – simple facts that can be hard to ascertain and are of great significance when attempting to “follow the money” hidden behind these secretive systems. They won't have to worry that in the time it takes to identify a beneficial owner, critical evidence and statutes of limitation will expire. That is why, for prosecutors, this new legislation represents a major victory in the fight against white-collar criminals, oligarchs, drug cartels and terrorist groups, who for far too long utilized anonymous shell companies

to engage in hard-to-track money laundering, financial and tax fraud, and terrorism finance, with relative impunity.

In addition to greater accountability for white-collar crimes, rules cracking down on anonymous shell companies would also help to restore America's standing in the world as a fair and just marketplace. Just last week, Transparency International's newest Corruption Perceptions Index revealed the U.S. achieved its worst score in eight years. ⁱⁱⁱ As the Biden administration pursues an ambitious agenda to "build back better," our economic recovery must come with stronger rules to address the kinds of financial crimes that do great harm to our nation's economic and democratic well-being. We cannot afford – literally or figuratively – to be complacent.

This is why, I urge the Biden administration and Treasury Department to seize the momentum provided by the Corporate Transparency Act's passage, and take the following actions now:

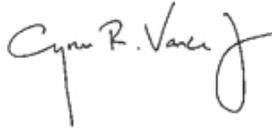
- First, promulgate due diligence rules for all gatekeepers to the financial system. As you know, Section 312 of the Patriot Act ^{iv} provides the Treasury Department with the authority to make these rules, but so far the Department has only applied this authority to banks. And under the Obama Administration, the Department drafted "Know Your Customer" rules for private equity firms, but they were never finalized. These rules should, I believe, not only apply to private equity, but also the real estate industry and lawyers involved in large financial transactions.
- Second, make Geographic Targeting Orders (GTOs) permanent and nationwide. Since 2016, GTOs have proven effective tools for rooting out money laundering schemes in a dozen metropolitan areas, including New York City, by identifying individuals behind shell companies used in all-cash purchases of residential real estate.^v Meanwhile, concerns that GTOs would decrease business in those markets have not materialized.

Implementing these measures would signal a new era of anti-corruption, equal justice, and accountability for white-collar criminals in America. And with the U.N. General Assembly's first-ever special session on corruption set to occur in New York City later this year, it would also send a powerful message to our global allies that we are ready to join – if not lead – this vital charge.

My Office will vigorously support efforts by you and the administration to increase incorporation transparency, and our prosecutors and investigators stand ready to assist in developing policy and regulations.

Thank you for your consideration on this issue of vital economic, criminal justice, and national security significance. If you have any questions, please call me any time at 212-335-9000.

Sincerely,



Cyrus R. Vance, Jr.
District Attorney, New York County

ⁱ Upon taking office, I created a Major Economic Crimes Bureau dedicated to the competent and vigorous prosecution of these complex cases. Over the past decade, my Office has secured more than \$13 billion in settlements from foreign banks, and successfully prosecuted pay-to-play corruption schemes, multi-million money laundering offenses, and sanctions violations involving illegal transactions on behalf of a nuclear weapons proliferator.

ⁱⁱ Manhattan District Attorney’s Office. June 24, 2015. “District Attorney Vance Testifies Before Congress Regarding Terror Financing.” <https://www.manhattanda.org/district-attorney-vance-testifies-congress-regarding-terror-financing/>

ⁱⁱⁱ Transparency International. January 28, 2021. “2020 CORRUPTION PERCEPTIONS INDEX REVEALS WIDESPREAD CORRUPTION IS WEAKENING COVID-19 RESPONSE, THREATENING GLOBAL RECOVERY.” <https://www.transparency.org/en/press/2020-corruption-perceptions-index-reveals-widespread-corruption-is-weakening-covid-19-response-threatening-global-recovery>

^{iv} Financial Crimes Enforcement Network. December 2005. “FACT SHEET for Section 312 of the USA PATRIOT Act Final Regulation and Notice of Proposed Rulemaking.” <https://www.fincen.gov/fact-sheet-section-312-usa-patriot-act-final-regulation-and-notice-proposed-rulemaking>

^v Financial Crimes Enforcement Network. May 8, 2020. “FinCEN Reissues Real Estate Geographic Targeting Orders for 12 Metropolitan Areas.” <https://www.fincen.gov/news/news-releases/fincen-reissues-real-estate-geographic-targeting-orders-12-metropolitan-areas-1>