

United States House of Representatives  
Committee on Small Business

Hearing on  
“A Small Part in A Big Company: Examining the Power of Franchising in the American Economy”  
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Testimony of

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Chairman Williams, Ranking Member Velázquez, and Members of the Committee,

Thank you for inviting me to testify today. On behalf of Transparency International U.S. (TI US), I appreciate the opportunity to discuss the critical role of the Corporate Transparency Act (CTA) in providing law enforcement with fundamental and necessary tools to do their jobs and keep us safe. I also hope to share how this law benefits small business and to help dispel some of the misconceptions that have surfaced, which have generated unwarranted and unfortunate concern.

TI US is part of the world's largest and oldest coalition dedicated to fighting corruption. In collaboration with national chapters in more than 100 countries, we work with governments, businesses, and citizens to stop the abuse of entrusted power. Through a combination of research, advocacy, and policy, we engage with stakeholders to increase public understanding of corruption and hold institutions and individuals accountable.<sup>1</sup>

### **The historic role of the U.S. in combatting transnational crime and corruption**

Dating back to the 1970s, following the bipartisan passage of the Bank Secrecy Act<sup>2</sup> and the Foreign Corrupt Practices Act<sup>3</sup>, both the first of their kind in the world, the U.S. has been at the vanguard in combatting cross-border financial crime and corruption. This makes sense since we are the world's largest economy and holder of the world's reserve currency. More than half of all cross-border financial transactions use the U.S. dollar.<sup>4</sup> Banks across the globe have correspondent relationships with our financial institutions giving our laws and enforcement practices global resonance. The American people have much at stake in the stability of the global economy.

As a result of this unique interest, the U.S. has also been more consistent and better resourced in the enforcement of its transnational anti-corruption laws. Consider that a 2022 Transparency International study, *Exporting Corruption*<sup>5</sup>, found that of the 47 largest exporting countries – those with the most or largest multinational corporations – only the U.S. and Switzerland were actively enforcing their foreign anti bribery laws. Of the remaining 45 countries, the median number of new cases started in the four-year period reviewed from 2018 to 2021 was zero. And when, in 2023, the U.S. Congress passed the

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<sup>1</sup> Transparency International U.S., "About Us," <https://us.transparency.org/>

<sup>2</sup> Financial Crimes Enforcement Network (FinCEN), "Bank Secrecy Act," FinCEN.gov, <https://www.fincen.gov/resources/statutes-and-regulations/bank-secrecy-act>.

<sup>3</sup> U.S. Department of Justice, "Foreign Corrupt Practices Act," Justice.gov, <https://www.justice.gov/criminal/criminal-fraud/foreign-corrupt-practices-act>.

<sup>4</sup> Carter Johnson, "US Dollar's Use in Global Transactions Tops 50%, Swift Says," Bloomberg.org, February 19, 2025, <https://www.bloomberg.com/news/articles/2025-02-20/us-dollar-s-use-in-global-transactions-tops-50-swift-says?embedded-checkout=true>

<sup>5</sup> Gillian Dell and Andrew McDevitt, "Exporting Corruption 2022: Assessing Enforcement of the OECD Anti-Bribery Convention," Transparency International, October 2022, <https://files.transparencycdn.org/images/2022-Report-Slim-version-Exporting-Corruption-English.pdf>.

Foreign Extortion Prevention Act<sup>6</sup> extending our foreign anti-bribery framework beyond covering just those who offer bribes to those who ask for them, the world took notice. Suddenly, corrupt foreign officials who enjoyed local impunity were faced with possibility of prosecution by the U.S. Department of Justice.

Thankfully, ally engagement on these issues is improving. As the US has continued, through both Republican and Democratic administrations, to modernize our response to transnational crime and corruption through the adoption of transparency and accountability laws, the rest of the world has been pushed to follow suit. The U.S. was the first country to create a distinct, targeted sanctions program for foreign officials who engage in significant acts of corruption with the adoption of the Magnitsky Act in 2012<sup>7</sup> and the Global Magnitsky Act in 2016<sup>8</sup>. Since then, the United Kingdom<sup>9</sup>, Canada<sup>10</sup> and the European Union<sup>11</sup> have all adopted similar laws. Additionally, more than 100 countries have now committed to update their anti-money laundering laws to require the collection of beneficial ownership information.<sup>12</sup>

The current Administration has made clear its prioritization of disrupting – even “eliminating” – drug cartels and transnational criminal organizations. Any suspension of enforcement or weakening of our anti-money laundering and cross-border anti-corruption rules undermines their ability to deliver on that promise.

### **The Importance of the CTA**

When I testified before this Committee in the spring of last year<sup>13</sup>, I offered more than a dozen examples in my written testimony in which anonymous companies were used to cover up the laundering of proceeds of drug trafficking, human trafficking, sanctions evasion, counterfeiting operations, and scams that harm small businesses, including stolen contracts and disruptions to supply chains. For example:

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<sup>6</sup> Mengqi Sun, “U.S. Prosecutors Can Charge Foreign Officials With Bribery Under New Provision,” The Wall Street Journal, January 2, 2024, <https://www.wsj.com/articles/u-s-prosecutors-can-charge-foreign-officials-with-bribery-under-new-provision-ec3a4dfc>

<sup>7</sup> Michael A. Weber, “Human Rights and Anti-Corruption Sanctions: The Global Magnitsky Human Rights Accountability Act,” Congressional Research Service: In Focus, November 7, 2024, <https://crsreports.congress.gov/product/pdf/IF/IF10576/12>.

<sup>8</sup> Ibid

<sup>9</sup> Nicola Newson, “Magnitsky Sanctions,” House of Lords Library, June 18, 2021, <https://lordslibrary.parliament.uk/magnitsky-sanctions/>.

<sup>10</sup> Government of Canada, “Justice for Victims of Corrupt Foreign Officials Act (Sergei Magnitsky Law),” S.C. 2017, c. 21, October 18, 2017, <https://laws-lois.justice.gc.ca/eng/acts/j-2.3/FullText.html>.

<sup>11</sup> European Parliament, “A European Magnitsky Act,” Legislative Train Schedule, April 20, 2025, <https://www.europarl.europa.eu/legislative-train/theme-a-stronger-europe-in-the-world/file-a-european-magnitsky-act>.

<sup>12</sup> Open Ownership, “Open Ownership Map: Worldwide Action on Beneficial Ownership Transparency,” Website, <https://www.openownership.org/en/map/>.

<sup>13</sup> Gary Kalman, “Testimony before the U.S. House Committee on Small Business: ‘Under the Microscope: Examining FinCEN’s Implementation of the Corporate Transparency Act,’” Transparency International U.S., April 30, 2024, <https://us.transparency.org/app/uploads/2024/05/Testimony-for-Kalman-4-30-2024-Final.pdf>.

1. The Zheng drug trafficking organization—run by Chinese synthetic opioid trafficker Fujing Zheng— manufactured and shipped deadly fentanyl analogues and 250 other drugs to some 37 U.S. states, with drugs sold by the group directly tied to the fatal overdoses of two people in Ohio. The traffickers used shell companies formed in Massachusetts as they mailed, repackaged, and redistributed the drugs across the country.<sup>14</sup>
2. In February 2022, a New York man pled guilty to helping launder over \$650 million worth of illegal narcotics proceeds through bank accounts associated with shell companies in multiple U.S. states before wiring funds back to entities in China.<sup>15</sup>

To be clear, the type of data that the CTA would provide law enforcement has a long record<sup>16</sup> of being instrumental in detecting, preventing, and prosecuting crime across the United States. In particular, we ask you to consider the following examples of how data collected by the Financial Crimes Enforcement Network (FinCEN) has assisted law enforcement in the past.

FinCEN data has been instrumental in the investigation of fentanyl trafficking operations. Just last month, FinCEN released a report<sup>17</sup> analyzing financial data tied to fentanyl-related crimes; according to the report, in 2024, banks flagged over \$1.4 billion in suspicious transactions linked to fentanyl trafficking, chemical purchases, and money laundering.

1. A multi-year investigation<sup>18</sup> targeting a global money laundering network tied to the Sinaloa and Jalisco New Generation cartels used over 100 Bank Secrecy Act (BSA) records to dismantle the organization, leading to 162 arrests and the seizure of 562 kilos of narcotics—including the largest volume of fentanyl in U.S. history—and \$165 million in illicit proceeds. The probe uncovered complex financial schemes across multiple countries, including laundering narcotics

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<sup>14</sup> U.S. Department of Justice, “Two Chinese Nationals Charged with Operating Global Opioid and Drug Manufacturing Conspiracy Resulting in Deaths,” Press Release, August 22, 2018, <https://www.justice.gov/archives/opa/pr/two-chinese-nationals-charged-operating-global-opioid-and-drug-manufacturing-conspiracy>.

<sup>15</sup> U.S. Department of Justice, “Queens Man Admits Orchestrating \$653 Million Money Laundering Conspiracy, Operating Unlicensed Money Transmitting Business, and Bribing Bank Employees,” Press Release, February 22, 2022, <https://www.justice.gov/usao-nj/pr/queens-man-admits-orchestrating-653-million-money-laundering-conspiracy-operating>.

<sup>16</sup> FinCEN, “Investigations Assisted by FinCEN Data”, Website, <https://www.fincen.gov/investigations-assisted-fincen-data>

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<sup>17</sup> FinCEN, “Fentanyl–Related Illicit Finance: 2024 Threat Pattern and Trend Information,” Financial Trend Analysis, April 2025, <https://www.fincen.gov/sites/default/files/shared/FinCEN-FTA-Fentanyl.pdf>

<sup>18</sup> FinCEN, “FinCEN Recognizes Law Enforcement Cases Significantly Impacted by Bank Secrecy Act Filings,” Press Release, May 19, 2020, <https://www.fincen.gov/news/news-releases/fincen-recognizes-law-enforcement-cases-significantly-impacted-bank-secrecy-act>

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profits through U.S. real estate and investment accounts, resulting in the seizure of nearly \$85 million in assets and exposing how cartels use financial systems to legitimize and repatriate drug money.

2. The FBI uncovered a proliferation financing scheme<sup>19</sup> involving a telecommunications company that concealed its operations in Iran, including over \$100 million in U.S. dollar transactions. FinCEN's BSA data was instrumental in identifying illicit financial flows and individuals facilitating the scheme, which included \$7.5 million in payments to Iran-based contractors. The case resulted in charges under the International Emergency Economic Powers Act (IEEPA), highlighting how financial deception can mask transactions that may contribute to the proliferation of weapons or related technologies.
3. The New York State Police Financial Crimes Unit identified suspicious transaction patterns in the Hudson Valley Region through Suspicious Activity Report (SAR) reviews, which led to the discovery of a large criminal enterprise<sup>20</sup> engaged in extensive money laundering. Further investigation revealed the organization was responsible for trafficking large quantities of narcotics, weapons smuggling, bulk cash movement, and widespread gang activity, including murder. The operation culminated in the seizure of drugs, firearms, vehicles, and cash, and resulted in the arrest and indictment of 55 individuals in the Northern and Southern Districts of New York.

The CTA builds upon this record of success by making available to law enforcement an additional, highly valuable type of data: information about the true owners of anonymous shell companies.

I also cited several studies by leading researchers in the field to explain that, beyond anecdotes, anonymous companies are an all-too-common feature of criminal and corrupt enterprises.

Since then, studies and investigations with new or previously underreported evidence continue to surface.

#### Fraud that Hurts Small Business Competition and American Consumers

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<sup>19</sup> FinCEN, "Compilation of Award Recipient & Nominated Cases," Website, <https://www.fincen.gov/sites/default/files/shared/Compilation%20of%20Award%20Recipient%20and%20Nominated%20Cases%20FINAL%20508C.pdf>

<sup>20</sup> FinCEN, "FinCEN Awards Recognize Law Enforcement Success Stories Supported by Bank Secrecy Act Reporting", Press Release, May 9, 2017, <https://www.fincen.gov/news/news-releases/fincen-awards-recognize-law-enforcement-success-stories-supported-bank-secrecy>

Consider that a new, April 2025 GAO study, *Fraud in Federal Programs*,<sup>21</sup> found that fraud is a “significant and persistent problem” in federal procurement practices and that some of this “fraud is perpetrated by private companies obscuring beneficial ownership information when they compete for government contracts or apply for federal benefits.” The GAO detailed several illustrative examples including anonymous companies implicated in the diversion of contracts meant for small businesses and veteran-owned businesses to otherwise ineligible parties. They also noted the serious national security concerns including an example of a Department of Defense contract that, due to the sensitivity of the contract, was earmarked for a domestically owned company. Masking foreign ownership, a U.S. registered company took the contract, undermining national security and robbing U.S.-owned businesses of opportunity.

Focusing more domestically, TI US recently published a briefing paper<sup>22</sup> on the use of anonymous companies in perpetuating fraud against American consumers. We listed more than a dozen examples in which anonymous companies were used to complete the fraud scheme.

In the paper, we noted that:

Fraud reportedly cost American consumers at least \$12 billion in 2024: Medicare scams harm seniors, taxpayers, and legitimate healthcare providers; counterfeit medicines harm patients; small business scams rob entrepreneurs of scarce capital; and investment scams drain the retirement accounts of workers and retirees. The insidious ingenuity of these criminals preys upon the trust of Americans in our consumer marketplace. The criminals behind consumer scams often employ anonymous companies to execute their schemes and evade detection. What the getaway car is to a bank heist, the anonymous company often is to a fraud scheme.

#### China and the Enforcement of U.S. Tariffs

In 2020, the Center for a New American Security released a paper, *Rising to the China Challenge*<sup>23</sup>, that found that requiring the collection of 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.”

The effective implementation of the CTA is also integral to the President’s tariff plans. Whether one supports or opposes the tariffs, we should all be able to agree that additional uncertainties in supply chain integrity and price variability created by tariff dodging via anonymous companies is harmful to

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<sup>21</sup> U.S. General Accounting Office, “*Fraud in Federal Programs*,” Report to Congressional requesters, April, 2025, [https://files.gao.gov/reports/GAO-25-107143/index.html?\\_gl=1\\*1o0aqty\\*\\_ga\\*MTM4MTI2MzA1OC4xNzQ2NDY1MDY3\\*\\_ga\\_V393SNS3SR\\*MTc0NjQ2NTA2Ni4xLjAuMTc0NjQ2NTA2Ni4wLjAuMA..](https://files.gao.gov/reports/GAO-25-107143/index.html?_gl=1*1o0aqty*_ga*MTM4MTI2MzA1OC4xNzQ2NDY1MDY3*_ga_V393SNS3SR*MTc0NjQ2NTA2Ni4xLjAuMTc0NjQ2NTA2Ni4wLjAuMA..)

<sup>22</sup> Transparency International U.S., “*Exposing the Fraudsters: How Anonymous Companies Formed in the U.S. Have Been Used to Defraud Americans, and How the Corporate Transparency Act Can Stop Such Scams*,” Fact Sheet, March 27, 2025, <https://us.transparency.org/resource/exposing-the-fraudsters-how-anonymous-companies-formed-in-the-u-s-have-been-used-to-defraud-americans-and-how-the-corporate-transparency-act-can-stop-such-scams/>.

<sup>23</sup> Ely Ratner et al., “*Rising to the China Challenge: Renewing American Competitiveness in the Indo-Pacific*,” Center for a New American Security, January 2020, <https://www.cnas.org/publications/reports/rising-to-the-china-challenge.CNAS+7Ciao+7Ciao+7>

small businesses already trying to navigate the policy change. To further explain, I would note that The Financial Times recently reported that, “Chinese logistics managers told Nikkei Asia last month they were creating shell companies to evade tariffs.” The FT also reported that, “In a statement, the [Customs and Border Protection] said that “enforcement will include the most severe penalties permitted by law’.”<sup>24</sup> While the intention is, no doubt, genuine, you cannot prosecute what you cannot find.

Without the CTA, this tariff dodge creates gaps for law enforcement and raises questions for small businesses about their role in and any implications of undermining federal tax policy.

### **Broad support for the CTA across the political spectrum**

I think it is important to reiterate the strong, broad and bipartisan support behind the CTA. This includes cops, chiefs of police, sheriffs, prosecutors, national security experts, antihuman trafficking organizations, faith-based networks, business trade associations, banks, real estate associations, consumer and housing advocates, accountable governance organizations, and scholars at both conservative and liberal leaning think tanks, among many others.<sup>25</sup>

A typical and recent example of support comes from March of this year. Frank Russo from the Conservative Political Action Conference’s (CPAC) Center for Combating Human Trafficking was quoted in a Thomson Reuters article:

[T]here are “organizations, both domestic and international, that are intended to harm your community for [the] profit of others.” But when it comes to combating crimes perpetuated by these organizations — like human trafficking, fentanyl poisoning, and violent crimes — “there’s a missing link in the chain,” said Russo.

The CTA, as originally intended, would provide law enforcement with the tools to uncover who is funding these organizations, added Russo. He called the CTA “the financial equivalent of installing streetlights in a neighborhood.” Russo said that law enforcement groups like the National District Attorneys Association, the Fraternal Order of Police, the National Sheriffs Association, and the Federal Law Enforcement Officers Association all supported the beneficial ownership reporting requirements.

Russo called Treasury’s shift on the CTA’s reporting requirements “a huge step back.” He added that he hopes the Trump administration can “thread the needle back to where we began, which is giving this missing link to law enforcement.”<sup>26</sup>

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<sup>24</sup> Joe Miller, “Chinese Exporters Undervalue Cargo to Skirt Trump Tariffs,” Financial Times, May 6, 2025, <https://www.ft.com/content/960787b5-693a-47e9-b1df-661d315e4729>.

<sup>25</sup> FACT Coalition, “Endorsements for Beneficial Ownership Transparency,” Fact Sheet, November 18, 2020, <https://thefactcoalition.org/endorsements-beneficial-ownership-transparency/>

<sup>26</sup> Maureen Leddy, “Groups Sound Alarm After Treasury Backtracks on Beneficial Ownership Reporting,” Thomson Reuters, March 10, 2025, <https://tax.thomsonreuters.com/news/groups-sound-alarm-after-treasury-backtracks-on-beneficial-ownership-reporting/>

I would also add that, in the lead up to the vote on the legislation in the House, the first Trump Administration issued a supportive Statement of Administrative Policy<sup>27</sup> that included the following:

[This legislation will] help prevent malign actors from leveraging anonymity to exploit these entities for criminal gain. It would also assist law enforcement in detecting and preventing illicit activity such as terrorist financing and money laundering. Additionally, this bill would substantially update the Bank Secrecy Act (BSA) for the first time since 2001. These reforms will modernize financial institutions' compliance with anti-money laundering regulations, counter the financing of terrorism requirements, and close loopholes in existing law.

And:

For these reasons, the Administration believes this legislation represents important progress in strengthening national security, supporting law enforcement, and clarifying regulatory requirements.

### **The Interim Final Rule is inconsistent with the CTA and Congressional Intent**

On March 21, 2025, the Treasury Department issued an Interim Final Rule (IFR)<sup>28</sup> that narrows the scope of the Corporate Transparency Act (CTA) to apply only to certain foreign companies that register to do business in the United States. The IFR, which was effective immediately, exempts all domestic companies, as well as all beneficial owners of covered foreign companies who are U.S. persons.

When issued, TI US said the rule "threatens to make the United States a magnet for foreign criminals across the world."<sup>29</sup> The rule allows criminals around the world to register a company in this country to move drug money, evade sanctions, and launder all manner of illicit funds with impunity thanks to secrecy. The CTA, and the U.S. AML framework writ large, has been tailored to address risk. The exemption of domestic companies from the CTA does not, in any way, comport with FinCEN's approach, over multiple administrations, to a risk-based approach.

In addition to TI US, numerous stakeholders raised similar concerns including the National District Attorneys Association and the National Narcotics Officers Association.<sup>30</sup> A headline in the *The Daily Caller*

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<sup>27</sup> Executive Office of the President, Office of Management and Budget, "Statement of Administration Policy: H.R. 2513 – Corporate Transparency Act of 2019, as amended by Manager's Amendment," Statement of Administrative Policy, October 22, 2019, [https://trumpwhitehouse.archives.gov/wp-content/uploads/2019/10/SAP\\_HR-2513.pdf](https://trumpwhitehouse.archives.gov/wp-content/uploads/2019/10/SAP_HR-2513.pdf).

<sup>28</sup> FinCEN, "FinCEN Removes Beneficial Ownership Reporting Requirements for U.S. Companies and U.S. Persons, Sets New Deadlines for Foreign Companies," Press Releases, March 21, 2025, <https://www.fincen.gov/news/news-releases/fincen-removes-beneficial-ownership-reporting-requirements-us-companies-and-us>.

<sup>29</sup> Transparency International U.S., "New Treasury Rule Opens U.S. Financial Borders, Provides Secrecy to Fentanyl Traffickers and Other Criminals," Press Release, March 21, 2025, <https://us.transparency.org/news/new-treasury-rule-opens-u-s-financial-borders-provides-secrecy-to-fentanyl-traffickers-and-other-criminals/>.

<sup>30</sup> The FACT Coalition, "Fentanyl Traffickers, U.S. Adversaries Biggest Winners in New Treasury Proposal Benefitting Money Launderers," Press Release, March 21, 2025, <https://thefactcoalition.org/fentanyl-traffickers-u-s-adversaries-biggest-winners-in-new-treasury-proposal/>.



may have captured it best: *Trump Admin may have Accidentally Empowered Cartels To Flood American With Fentanyl, Republican Legal Experts Warn*.<sup>31</sup>

The Treasury Department has invited comments on the IFR and will make final determinations on the scope of the CTA in the coming months. TI US strongly urges the Treasury Department to return the scope to the intent of Congress and provide law enforcement with the tools necessary to protect Americans from both foreign and domestic threats. The current rule does neither.

### **Dispelling misconceptions about the CTA**

During the decade-long negotiation to pass the CTA, members of Congress debated numerous provisions, and amendments were made to accommodate concerns that were raised by a diverse set of stakeholders. Since passage, the passage of time and changes in personnel have allowed some of the old concerns to resurface without familiarity with the history of the amendments included to address them. As such, incorrect information has fostered unwarranted concerns. The following are some of the most often repeated misconceptions that have emerged.

Misconception #1: Millions of honest business owners could go to jail for simply not knowing about the CTA.

I was present for many of the debates over the final compromise language in the CTA. To gain the support of certain CTA skeptics and to ensure that honest mistakes or inadvertent, easily fixable errors by business owners could be corrected with impunity, the text of the bill was amended from a “knowing” to a “willful” culpability standard. To my knowledge, there was never a version of the bill, through more than a decade of discussion and debate, that included a “negligence” or “reckless” standard.

Suggesting that the CTA makes instant criminals of millions of businesses that are unaware of the new law is, at best, a grossly uninformed misreading of the legislative text. Missing a filing because the business owner was unaware of the CTA’s requirements or deadlines is not punishable. A violation must be *willful*, with a knowing failure to follow the law.

In discussions with numerous lawyers, including both congressional and outside counsel, I am told that debates regarding the “willful standard” in criminal and civil law are more often focused on whether the standard is too narrow – that the bar is too high -- not whether it is vague or too encompassing.

“Willful” is a common and well litigated standard in U.S. law. Based on the robust debates and discussions in the lead up to passage of the CTA, if I were working with lawyers who claimed they could not advise me on my obligations and liabilities for compliance with the CTA, or any law, because they did not understand the “willful” standard, I would seek new counsel.

Misconception #2: The reporting requirements for most businesses will take hours.

In the lead up to the passage of the CTA, members of Congress and the first Trump Administration were briefed on the compliance burden of a similar beneficial ownership collection law in the United Kingdom

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<sup>31</sup> Robert McGreevy, “Trump Admin May Have Accidentally Empowered Cartels To Flood America With Fentanyl, Republican Legal Experts Warn,” The Daily Caller, April 23, 2025, <https://dailycaller.com/2025/04/23/trump-cartels-fentanyl-traffickers-republican-biden-treasury-corporate-transparency-act-scott-bessent/>.

(UK). Companies House, the UK agency responsible for managing the beneficial ownership register, ran a post-implementation survey and analysis and found ongoing compliance costs for the equivalent law ran less than \$3 per year, with minimal time for compliance for small businesses.<sup>32</sup> Given similar profiles of small businesses in the two countries, there was little reason to assume U.S. business owners would be less capable than their overseas counterparts.

That assumption appears to be true. When the CTA was first implemented, the business group Small Business Majority surveyed members who were early registrants under the law. Sixty-eight percent of those surveyed said it was “easy” to file. Only six percent found it very difficult.<sup>33</sup> FinCEN has said that from feedback it received, filing takes small businesses, on average, less than 20 minutes to register.<sup>34</sup> Many of these small business owners will not change ownership information and, therefore, never have to spend any time on compliance ever again.

These numbers are as one would expect by looking at the makeup of CTA covered entities. The vast majority – more than 80 per cent – of U.S. firms are non-employer firms,<sup>35</sup> meaning they have no employees aside from the owner. The simple structure for these firms makes the filing of four pieces of readily known information, including one’s name, address, date of birth and government identification number (e.g., driver’s license or passport number), a straightforward exercise.

For those firms that do have more complex structures, I would suggest that it is impossible to have the resources to pay the lawyers and corporate service providers to create the complex structure but not have the resources or wherewithal to then name who sits on the top of the corporate food chain.

No one should conflate the simple filings of truly small businesses with those of more complex and better resourced firms.

### Misconception #3: The database is not secure.

The beneficial ownership directory is secure. Unlike many other countries, the database is only accessible to law enforcement and designated financial institutions with legally mandated anti-money laundering responsibilities. Any authorized persons seeking to access the data must first complete a training and certification process. They must attest that any searches part of an ongoing investigation – no fishing expeditions -- and gain approval for access from a court officer. All inquiries are tracked and

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<sup>32</sup> Global Witness, “*Getting the UK’s House in Order*”, Website, May 6, 2019, <https://globalwitness.org/en/campaigns/corruption-and-money-laundering/getting-the-uks-house-in-order/>

<sup>33</sup> Small Business Majority, “*2024 Beneficial Ownership Report: Small Business Owners Share Their Experiences with New Beneficial Ownership Information Reporting Requirements*,” Survey, February 15, 2024, <https://smallbusinessmajority.org/sites/default/files/research-reports/2024-Beneficial-Ownership-Report.pdf>.

<sup>34</sup> FinCEN, “*Beneficial Ownership Reporting Outreach and Education Toolkit*,” Website, <https://www.fincen.gov/boi/toolkit>

<sup>35</sup> Small Business Administration, “*Frequently Asked Questions About Small Business*,” Website, July 2024, [https://advocacy.sba.gov/wp-content/uploads/2024/12/Frequently-Asked-Questions-About-Small-Business\\_2024-508.pdf](https://advocacy.sba.gov/wp-content/uploads/2024/12/Frequently-Asked-Questions-About-Small-Business_2024-508.pdf)

logged to ensure accountability. And penalties of breaches of the protocols, including unauthorized sharing of the information, are criminal violations with potential punishment more severe than for willfully violating the registration requirement.

The CTA's beneficial ownership directory has strong and comprehensive security protections.

Misconception #4: This is a major concern for small businesses.

When we spoke with small businesses and some small business trade associations all seemed to agree, that compliance is not a major concern for their members.

John Arensmeyer, Founder and CEO of Small Business Majority, wrote that:

Small businesses across America are grappling with the devastating impact of capricious draconian tariffs, cuts to vital government programs supporting entrepreneurial innovation, and threats to Medicaid and tax credits that help ensure healthcare coverage for small business owners and employees. The CTA is a law that is critically important for law enforcement to crack down on scammers and drug cartels and it requires a minimal compliance effort. Enforcement of this law is quite simply not close to a major concern for the Main Street small business owners with whom we are in contact every day.

Richard Trent, Executive Director of Main Street Alliance wrote:

Rather than delivering what small businesses actually need – sensible tax measures, proper resources and staffing for the Small Business Administration, a predictable business environment free of tariffs – Administration officials instead seem to be responding to pressure from well-funded lobbying groups working to gut this law, even though it was passed with bipartisan support during the first Trump administration. Let's be honest: these efforts don't reflect the needs or views of real small business owners. Weakening or failing to enforce the CTA would send a troubling message that corruption is tolerated, that those willing to cut corners will continue to get ahead, and that ethical small business owners will be left behind.

In fact, one of the most vocal opponents of the CTA, the National Federation of Independent Businesses, surveyed their members in 2024, after the CTA went into effect, on the most severe problems they faced. No laws, including the CTA, were mentioned specifically. "Federal paperwork" was fifteenth on the list and, even assuming the CTA is viewed by some as unreasonable, the category of "unreasonable government regulation" came in seventh, below the cost of health insurance, cost of supplies, and locating qualified employees, among other concerns.<sup>36</sup>

When deciding how best to support small business going forward, I would strongly urge Committee members to consider the apparent disconnect between K Street and Main Street on what are the top challenges facing America's entrepreneurs.

#### **CTA improvements that would help both small businesses and law enforcement**

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<sup>36</sup> National Federation of Independent Business (NFIB), *Small Business Problems and Priorities*, Website, July 2024, <https://www.nfib.com/small-business-problems-and-priorities/?tab=Executive%20Summary>

TI US has called upon the Treasury Department to restore full coverage of the CTA to both U.S.- and foreign-formed entities that register in the U.S. and thus close the loophole that allows bad actors to easily access and abuse the U.S. financial system. In so doing, there are also improvements to implementation that could help both small business and law enforcement work with the CTA.

- Simplify the reporting form. As noted above, more than 80 per cent of U.S. small businesses are nonemployer firms. These firms generally have one owner and simple structures. They do not need FinCEN identifiers, many may file themselves to save money on using a third party. These business owners could be provided with a shortened form that omits categories meant for entities with more complicated corporate structures. Eligible businesses could file more quickly by avoiding nonrelevant categories and avoid unnecessary confusion over what might apply to their filing.
- Instant verification. Currently, registration requires reporting companies to upload a copy of the government issued identification document to guard against fraud. With some additional resources, FinCEN could electronically verify the data itself, similar to the verification process used by credit card companies for online shopping. This would accomplish several goals, including removing the need for document upload. This would save businesses time and money and improve the data quality making it highly useful for law enforcement and financial institutions with AML responsibilities.
- Sufficient resources for outreach and implementation. To the extent that small businesses are not fully informed about the law, Congress should provide sufficient resources to do appropriate outreach, perhaps partnering with the Small Business Administration, to spread awareness. There continues to be bipartisan support for increased funding, and I would urge Congress to take advantage of that cross-partisan support and ensure that the financial police are appropriately funded.

Additionally, the President and the Attorney General have been clear that they want to focus resources on taking down drug cartels and transnational criminal organizations. The President has called for increasing funding for Customs and Border Protection to stop drugs at the border. That is only one part of the equation. Congress should ensure that the Trump Administration use all its tools to find and seize the money that funds criminals' illicit operations, targeting their Achilles' Heel.

Thank you for the opportunity to present this testimony and I look forward to your questions.