

October 21, 2019

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
Washington, D.C. 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Chairwoman Waters and Ranking Member McHenry:

On behalf of the members of the American Bankers Association (ABA), I write to express our strong support for H.R. 2513, the Corporate Transparency Act of 2019 as amended. This legislation, scheduled for consideration before the House this week, will bring much needed improvements, clarity and transparency to the beneficial ownership and anti-money laundering/bank secrecy system.

ABA commends Representative Carolyn Maloney (D-NY), Chairwoman of the Subcommittee on Investor Protection, Entrepreneurship and Capital Markets, for her tenacity on the issue of beneficial ownership over the past several Congresses and Representative Emanuel Cleaver (D-MO), Chairman of the National Security, International Development, and Monetary Policy Subcommittee for his outstanding leadership on advancing bipartisan Anti-Money Laundering (AML)/Bank Secrecy Act (BSA) measures through the Financial Services Committee.

H.R. 2513 is a bipartisan piece of legislation that would require corporations and limited liability companies to self-report beneficial owners to the Financial Crime Enforcement Network (FinCEN) at the time of formation of the entity. Further, the bill would require all companies within two years to file such information with FinCEN. While financial institutions go to great lengths to know their customer and follow all requirements to know the beneficial owner, there is no formal system in place to ensure that shell companies are not hiding money to facilitate illegal activities. This legislation would allow for the collection of the information and ensure that ongoing updates are made on beneficial owners. While this legislation may be transformative for the United States, it would simply bring the United States in line with other developed countries.

As amended, H.R. 2513 will also make substantive changes in the AML/BSA structure and implement some important oversight of BSA. Having a robust BSA/AML compliance program in place is something that banks take very seriously. Banks have been and continue to be partners with law enforcement and want to ensure that anyone that attempts to use the banking system for illicit activities is caught. The resources devoted to compliance, especially BSA compliance, are significant for the banking industry, particularly community banks.

As noted, banks work in a cooperative manner with law enforcement on BSA/AML. One area of major concern for the banking industry is the lack of feedback from law enforcement on the value of information sharing on suspicious activity. Banks file literally thousands of suspicious activity

reports (SARs), but are unsure if this information is helpful to law enforcement. We are pleased that the bill enhances requirements for feedback from law enforcement and enhances the 314 information sharing process. Additionally, the legislation requires threat pattern information to be shared with the financial sector. These changes will assist the banking industry and could relieve some of the compliance burdens that hinder banks' ability to serve their customers. Equally important, knowing which threats are the greatest concern for law enforcement will help the industry focus resources in the most effective way to support the law enforcement community.

ABA and our member banks recognize the important role that we play in the fight against terrorist financing, money laundering, and other financial crimes. We support government efforts to track illegal financial transactions by terrorists and criminals effectively. However, we want to make sure that neither banks nor law enforcement are distracted by massive reporting of legitimate activity by law-abiding people.

This legislation is the most substantive measure to be considered on AML/BSA and Beneficial Ownership in many years. We applaud Chairwoman Waters for conducting substantive hearings on these proposals prior to consideration and we commend the members of the committee for moving these measures with strong bipartisan support.

ABA supports H.R. 2513 and urges members of the House to approve this measure that will improve the statutory and regulatory BSA regime to help protect the integrity of the financial system and the American public.

Sincerely,

A handwritten signature in black ink that reads "BOB NICHOLS". The letters are bold and slightly slanted, with a stylized flourish at the end of the last name.

cc: Members of the U.S. House of Representatives