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Combating Money Laundering and Other Forms of Illicit Finance: Opportunities to Reform and Strengthen BSA Enforcement

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Chairman Crapo, Ranking Member Brown, and members of the Committee, my name is Greg Baer and I am the President of the Clearing House Association and General Counsel of the Clearing House Payments Company. Established in 1853 and owned by 25 large commercial banks, we are the oldest banking payments company in the United States, and our Association is a nonpartisan advocacy organization dedicated to contributing quality research, analysis and data to the public policy debate.

The Clearing House is grateful that the Senate Banking Committee is holding this hearing to review our nation's anti-money laundering and countering the financing of terrorism (AML/CFT) regime.

Introduction

Our AML/CFT system is broken. It is extraordinarily inefficient, outdated and driven by perverse incentives. A core problem is that today's regime is geared towards compliance expectations that bear little relationship to the actual goal of preventing or detecting financial crime, and fail to consider collateral consequences for national security, global development and financial inclusion. Fundamental change is required to make this system an effective law enforcement and national security tool, and reduce its collateral damage.

The U.S. AML/CFT regulatory regime, circa 2017, is a system in which banks have been deputized to act as quasi law-enforcement agencies and where the largest firms collectively spend billions of dollars each year, amounting to an annual budget somewhere between that of the ATF and the FBI.[1] One large bank may employ more individuals dedicated to BSA/AML/OFAC compliance than the combined staffs of Treasury's Office of Terrorism and Financial Intelligence, OFAC, and FinCEN. However, in talking to senior executives at banks large and small, their primary concern is not how much they *spend*, but how much they *waste*. And that waste derives from a series of perverse incentives embedded in the current system.

As an analogy, think of the collective resources of the banks as a law enforcement agency where officers are evaluated solely based on the number of tickets they write and arrests they make, with no consideration of the seriousness of the underlying crimes or whether those arrests lead to convictions. Imagine further that suspension or firing is most likely in the event that a ticket is not written or an arrest not made, or if a resulting report is not filed in a timely manner.

To appreciate how misdirected the system has become, it's helpful to first consider what kind of incentives *should* be at its heart. From a public policy perspective, any rational approach to AML/CFT would be risk-based, devoting the greatest majority of resources to the most dangerous financial crimes and illicit activity. For example, law enforcement and national security officials would prefer that banks allocate significant resources to so-called financial intelligence units (FIUs) — basically, in-house think tanks devoted to finding innovative ways to

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[1] *See* PwC Global Anti-Money Laundering *available at* http://www.pwc.com/gx/en/services/advisory/consulting/forensics/economic-crime-survey/anti-money-laundering.html ("According to new figures from WealthInsight, global spending on AML compliance is set to grow to more than $8 billion by 2017"); FBI FY 2017 Budget Request at a Glance *available at* https://www.justice.gov/jmd/file/822286/download; ATF FY 2017 Budget Request at a Glance *available at* https://www.justice.gov/jmd/file/822101/download.

detect and prevent serious criminal misconduct or terrorist financing — or to following up on high-value suspicious activity reports; or SARs.

Unfortunately, our AML/CFT regulatory system is focused elsewhere. Large banks have been pushed away from risk-based approaches, because their performance is not graded by law enforcement or national security officials, but rather by bank examiners, who do not know of or consider their successes.[2] Instead, those examiners focus on what they know and control: policies, procedures, and quantifiable metrics — for example, the number of computer alerts generated, the number of SARs filed, and the number of compliance employees hired. This means that a firm can have a program that is technically compliant, but is not effective at identifying suspicious activity, or is producing adverse collateral consequences. The converse is also true (and frequently true in practice).

As a result, we have banks filing SARs that are in less than 10% of cases followed up on in any way. For certain categories of SARs, the yield is close to 0% percent. Meanwhile, given the draconian consequences of missteps and prohibitively high cost of compliance, banks are exiting regions or businesses categorized by regulators as high risk.

Specific Problems with the Status Quo

Background. The BSA/AML regime is primarily codified in the Bank Secrecy Act (BSA), enacted in 1970 and amended periodically since then. The Act requires financial institutions to keep certain records and make certain reports to the government, including reports on cash transactions greater than $10,000. In the 1990s, the law was amended to require financial institutions to detect and report their customers' "suspicious" transactions. Finally, in 2001, the USA PATRIOT Act amended the BSA and imposed additional requirements on financial institutions to, among other things, verify and record information relating to the identity of their customers; and conduct enhanced due diligence on correspondent banks, private banking clients and foreign senior political figures.

Congress granted authority to implement the BSA to the Secretary of the Treasury, thereby designating an agency with both financial and law enforcement expertise as its administrator.[3] The Secretary in turn delegated most of these functions to FinCEN. The Secretary was also given authority to examine financial institutions for BSA compliance, which Treasury then delegated to various regulators according to institution type.[4] This has resulted in a regime where banking agency examiners, with their safety-and-soundness focus, evaluate the BSA/AML policies, procedures and processes at the institutions they supervise,

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2 *See* article by Bob Werner and Sabreen Dogar, "Strengthening the Risk-Based Approach," in TCH Q3 2016 *Banking Perspectives* issue; *available at*: https://www.theclearinghouse.org/research/banking-perspectives/2016/2016-q3-banking-perspectives/strengthening-the-rba.

3 *See* 31 U.S.C. 5318(a)(2) and (h)(2). As recently as 2014, the Secretary delegated that authority to FinCEN. *See* Treasury Order 108-01 (July 1, 2014).

4 *See* 31 CFR § 1010.810(b).

while Treasury and law enforcement officials use the information supplied by financial institutions to mitigate domestic and international illicit finance threats.[5]

SAR Filings. A key obligation of banks under the current BSA reporting regime — and the key area of focus by bank examiners — is the filing of SARs. The current SAR reporting regime went into effect in April 1996 as a way for banks to provide leads to law enforcement. The process typically begins with an alert generated by a bank's monitoring system, with a SAR filed in the event that investigation determines that the activity is suspicious. For example, negative media reports on an existing bank customer could trigger an alert, prompt an investigation by a bank compliance department, and result in a SAR filing.

In the current regulatory and enforcement climate, bank compliance officers have powerful incentives to trigger as many alerts and file as many SARs as possible, because those metrics demonstrate a quantifiable culture of compliance. (There appears to be no case of a bank being sanctioned for filing spurious SARs.) And even where no grounds for a SAR filing are found, financial institutions can also spend a significant amount of time documenting, for review by their examiners, why they closed an alert without filing a SAR.

What gets measured gets done, and providing valuable intelligence to law enforcement or national security agencies does *not* get measured; writing policies and procedures and filing SARs does. So, almost two million SARs are filed per year.[6] Worse yet, SAR filing rules and metrics fail to consider the relative severity of the offense. SAR dollar thresholds have not changed in 21 years, and there is no dollar threshold for so-called insider abuse (say, a teller stealing a small amount of money).[7] No federal law enforcement agency would ever prosecute the large and growing majority of offenses to which SAR filings relate, and this is one reason the "yield" on SARs is generally reported to be well under 10%, and close to 0% for many types of SARs.

In practice, almost all banks hire one of a handful of vendors who construct rules for generating alerts: for example, three cash deposits between $5,000 and $10,000 in a three-week period, or a wire transfer over $1,000 to a high-risk country (Mexico, for example). These crude rules generate numerous alerts, and bank investigators must then clear the alert or file a SAR. And examiners will be critical if the thresholds for a given bank are set at a level that does not generate a large number of alerts; so, in the event that a $1,000 threshold is not generating many alerts, the bank may be told to lower the threshold to $250, or even $0. Of course, it is widely

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[5] As in other areas, regulators have imposed requirements through guidance or manuals that are not published for comment, and can conflict with valid FinCEN rules. *See* TCH letter to the federal banking agencies, "Appropriate Implementation of FinCEN's Customer Due Diligence Rule," (December 14, 2017); *available at* https://www.theclearinghouse.org/~/media/TCH/Documents/TCH%20WEEKLY/2017/%2020171214_TCH_Letter_CDD_Rule_Implementation.pdf. *See also* The Clearing House Letter to FinCEN, Re: RIN 1506-AB15 —Advance Notice of Proposed Rulemaking on Customer Due Diligence Requirements for Financial Institutions (June 11, 2012); *available at* https://www.theclearinghouse.org/-/media/files/association%20documents%202/20120611%20tch%20comments%20on%20customer%20due%20diligence.pdf.

[6] *See* "SAR Stats," *available at* https://www.fincen.gov/fcn/Reports/SARStats. The total number of SARs filed in 2017 was 1,867,269.

[7] See 12 CFR 208.62, 211.5(k), 211.24(f), and 225.4(f) (Board of Governors of the Federal Reserve System) (Federal Reserve) 12 CFR 353 (Federal Deposit Insurance Corporation)(FDIC) 12 CFR 748 (National Credit Union Administration)(NCUA) 12 CFR 21.11 and 12 CFR 163.180 (Office of the Comptroller of the Currency)(OCC) and 31 CFR 1020.320 (FinCEN) for federal SAR regulations. The SAR requirement became effective April 1, 1996 and dollar thresholds have not been raised since.

understood that sophisticated criminals know these rules, as the software is for sale and widely distributed, and its rules do not change much over time.

Consider the potential for revolutionary change that artificial intelligence therefore presents. AI does not search for typologies but rather mines data to detect anomalies. It gets progressively smarter; it would not be easily evaded; and different banks with different profiles would end up producing different outcomes. The current system is not progressing from typology to anomaly, however, because there has been no signal whatsoever from the regulatory agencies that dollars can be shifted from the existing, rules-based system to a better one.

To be clear, this is not a criticism of bank examiners, but rather of the role the current system forces them to play. From a political and personal risk perspective, they are in a no-win situation. On the one hand, they are excluded when the bank they examine is pursuing real cases with law enforcement, national security or intelligence community officials, and therefore receive no credit when those cases are successful. But if something goes wrong — if a corrupt official or organization turns out to be a client of the bank they examine — the examiner faces blame. Thus, from an examiner and banking agency perspective, the only possible safe harbor is to demand more policies and procedures, ensure that a lot of alerts are generated and SARs filed, and encourage the bank to investigate exhaustively any client deemed high risk. While all other aspects of banking — for example, credit risk management — have risk appetites and tolerances, for AML/CFT, there is none. And because banks know that the easiest way to get in trouble is to fail to file a SAR when examiners subsequently determine they should have, they probably spend more time documenting decisions *not* to file SARs — papering the file — than they do following up on SARs they do file. In other words, they are incentivized to follow the noise, not the signal.

Enforcement trends have only served to exacerbate the impact of the perverse incentives underlying our system; AML/CFT-related fines on U.S. banks have increased exponentially over the past five years. Certainly, there have been some egregious cases where enforcement action was warranted, but many enforcement actions taken involve *no actual money laundering*. Rather, they are based on a banking agency finding that an insufficient number of alerts were being generated by bank systems or that not enough SARs were filed. But the primary problem with this enforcement history is not the size and number of fines that are imposed periodically, but rather how those fines and accompanying consent orders incentivize financial firms to allocate their AML/CFT resources. Such orders uniformly result in the hiring of more compliance personnel, the retention of consultants, the drafting of more policies and procedures, and the direct involvement of the board of directors, with resources reallocated to those functions, and away from more proactive ones.

De-risking. Nowhere is this set of perverse incentives more clear than in the push for banks to eliminate clients in countries or industries that could end up creating political risk to examining agencies. A recent set of articles in *The Economist* details the unfortunate consequences that the misalignment in AML/CFT expectations and standards has created as financial institutions have worked to balance fear of enforcement and supervisory expectations with the AML compliance costs of maintaining a global business. As the writers note, "[d]erisking chokes off financial flows that parts of the global economy depend on. It undermines development goals such as boosting financial inclusion and strengthening fragile

states. And it drives some transactions into informal channels, meaning that regulators become less able to spot suspicious deals. The blame for the damage that de-risking causes lies mainly with policymakers and regulators, who overreacted to past money-laundering scandals."[8]

The causes of de-risking are clear: the systems, processes and people required to manage examiner expectations for clients deemed to be of "higher risk", are extremely costly. For example, a bank may prepare a lengthy report on a customer only to be criticized for not further documenting the grounds on which it decided to retain the customer. Institutions are therefore required to make difficult decisions, because it is often times too expensive to build out this infrastructure to support higher risk accounts. And this does not even include the risk of massive fines and reputational damage in the event a customer designated high-risk actually commits a criminal act.

Similarly, domestically, banks of all sizes report that customer due diligence (CDD) requirements have dramatically increased the cost of opening new accounts, and now represent a majority of those costs. Of course, disproportionate and heightened account opening requirements make low-dollar accounts for low- to moderate-income people much more difficult to offer and price. While the connection is not immediately apparent, AML/CFT expense now is clearly an obstacle to banking the unbanked, and a reason that check cashers and other forms of high-cost, unregulated finance continue to prosper. The problem, of course, is that bank examiners and federal prosecutors seeking record fines do not internalize those costs. And those in the government who do internalize those costs play no role in examining the performance of financial institutions.

To put some numbers to the issue, one AML director recently testified that his firm employs 800 individuals world-wide fully dedicated to AML/CFT compliance, detection and investigation work, as well as economic sanctions compliance.[9] Today, a little over half of these people are dedicated to finding customers or activity that is suspicious. The remainder — and the vast majority of employees dedicated to these efforts in the business and operations teams that support the firm's AML program — are devoted to perfecting policies and procedures; conducting quality assurance over data and processes; documenting, explaining and governing decisions taken relating to their compliance program; and managing the testing, auditing, and examinations of their program and systems.

The Great Opportunity Being Lost

This lack of focus on the goals of the system is especially disheartening in an age in which emerging technology has the potential to make the AML/CFT regime dramatically more

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[8] *See* The great unbanking: swingeing fines have made banks too risk-averse, *The Economist*, July 6, 2017, *available at* https://www.economist.com/news/leaders/21724813-it-time-rethink-anti-money-laundering-rules-swingeing-fines-have-made-banks-too-risk-averse. *See also* A crackdown on financial crime means global banks are derisking, *The Economist*, July 8, 2017, *available at* https://www.economist.com/news/international/21724803-charities-and-poor-migrants-are-among-hardest-hit-crackdown-financial-crime-means.

[9] This number does not include other employees dedicated to anti-money laundering or economic sanctions compliance in Bank of America's lines of businesses, operations or technology teams. The over 800 employees in Global Financial Crimes Compliance at Bank of America is greater than the combined authorized full-time employees in Treasury's Office of Terrorism and Financial Intelligence (TFI) and the Financial Crimes Enforcement Network (FinCEN).

effective and efficient. One of the most pressing needs in enhancing the U.S. regime is to enable financial institutions to innovate their anti-money laundering programs and coordinate that innovation with their peers. As noted above, artificial intelligence (AI) and machine learning could revolutionize this area, and banks continue to discuss various concepts for greater sharing of information. When the SAR requirement (and its predecessor the criminal referral form) was first implemented, relatively few reports were filed, and each SAR was read by someone in law enforcement. Now, with banks and other financial institutions employing tens of thousands of people and using computer monitoring to flag potentially suspicious activity, almost two million SARs are filed per year.[10] Law enforcement generally reads SARs only if they are specifically flagged by the institution, or if a word search identifies it as relevant to an existing investigation.

Thus, the role of a SAR in law enforcement has changed completely, which is not necessarily a bad development. Because so much more data is available, there is extraordinary potential for the use of AI and machine learning to improve the system, as previously described. But there are obstacles. AI strategies require feedback loops, which do not exist in the current system. In addition, there are barriers to cross-border information sharing of suspicious activity for global financial institutions.[11] As noted above, resources are trapped elsewhere and several AML executives have reported that efforts to construct novel approaches to detecting illegal behavior have resulted in examiner criticism. Examiners have now also begun applying to bank AML models the same model risk governance rules they adopted for capital measurement, even though models are much more dynamic and have no financial reporting consequence; as a result, it now takes months, as opposed to weeks, to change an AML model to capture new behaviors, which serves as a major disincentive to innovation.[12]

In sum, banks will be reluctant to invest in systems unless someone in the government can tell them that such systems will meet the banking examiners' expectations, and can replace old, outdated methods – in other words, that they will be rewarded, not punished, for innovation. Until then, we have a database created for one purpose and being used for another.

To get a sense of the potential for improvement, note that one bank has publicly reported that it receives follow-up requests from law enforcement on approximately 7% of the SARs it files, which is consistent with other reports we have received. More importantly, for some categories of SARs — structuring, insider abuse — that number is far lower, approaching 0%. But no one can afford to stop filing SARs in any category, because examination focuses on the SAR that was not filed, not the quality or importance of the SAR that was filed.

Furthermore, in resolving this issue, we also must deal with the "last piece of the puzzle" problem. Law enforcement will report anecdotally that it sometimes finds a low-dollar SAR of use as part of a larger investigation — not as a lead but as the last piece in a large puzzle. However, it is important to consider the opportunity cost of that SAR — the resources necessary

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[10] SAR Stats, *supra* note 6.

[11] *See* TCH and FSR letter to the Treasury on its "Review of Regulations," ("2017 Joint Trades Letter to Treasury on Review of Regulations") July 31, 2017 *available at* https://www.theclearinghouse.org/sitecore/content/tch/home/issues/articles/2017/07/20170731%20tch%20and%20fsr%20comment%20on%20fincen%20and%20ofac%20regulations.

[12] *Id.*

to produce it, and whether those resources, if allocated elsewhere, would produce the first piece in a more important puzzle. As an analogy, if law enforcement rigorously enforced jaywalking rules, it would occasionally capture a wanted fugitive, but no one would consider that a good use of finite law enforcement resources. Again, a core problem with the current regime is that there is an absence of leadership making choices like these.

The Beginning of a Solution

In early 2017, TCH issued a report offering recommendations on redesigning the U.S. AML/CFT regime to make it more effective and efficient. This report reflects input from a wide range of stakeholders, including foreign policy, development and technology experts.[13]

The most important recommendation in the report is for the Department of the Treasury to accept — or, better yet, claim — responsibility for the system. That includes convening on a regular basis the end users of SAR data – law enforcement, national security and others affected by the AML/CFT regime including the State Department — and setting goals and priorities for the system. Treasury is uniquely positioned to balance the sometimes conflicting interests relating to national security, the transparency and efficacy of the global financial system, the provision of highly valuable information to regulatory, tax and law enforcement authorities, financial privacy, financial inclusion, and international development.

Such a process has a clear precedent. The National Security Strategy (NSS) is a document prepared periodically by the National Security Council (NSC) for submission to Congress which outlines the major national security concerns of the United States and how the administration plans to deal with them. The strategy is developed by the NSC through an iterative, interagency process to help resolve internal differences in foreign policy/national security agendas and effectively communicate priorities to a number of different audiences. There's also the National Intelligence Priorities Framework (NIPF), which is used to establish national priorities for the intelligence community.[14] We believe that measurable outcomes or goals should be clearly and specifically defined for each component of our nation's AML/CFT regime (including the anti-money laundering programs in financial institutions), and then agreed upon ways to measure the achievement of those outcomes or goals should be set and reported. From these outcomes or goals, priorities should be set regularly for the AML/CFT regime and promptly revisited when new risks emerge. We believe this is the best way to build a regime that is ultimately effective in achieving the desired outcome of a robust and dynamic national AML/CFT regime that can efficiently and quickly adapt to address new and emerging risks. For financial institutions, we believe that such an exercise would change the focus from technical compliance with regulations or guidance, to building anti-money laundering programs that achieve the clearly articulated desired and measurable outcomes or goals of the regime. And we believe that setting measurable outcomes or goals, and then tracking progress to the achievement

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[13] *See* The Clearing House, A New Paradigm: Redesigning the U.S. AML/CFT Framework to Protect National Security and Aid Law Enforcement, ("TCH AML/CFT Report") (February 2017), *available at* https://www.theclearinghouse.org/~/media/TCH/Documents/TCH%20WEEKLY/2017/20170216_TCH_Report_AML_CFT_Framework_Redesign.pdf. *See also* TCH press release "The Clearing House Publishes New Anti-Money Laundering Report," (February 16, 2017), *available at* https://www.theclearinghouse.org/press-room/in-the-news/29170216%20tch%20aml%20cft%20report.

[14] *See* Intelligence Community Directive Number 204 – Roles and Responsibility for the National Intelligence Priorities Framework, (September 13, 2007); *available at* https://www.dni.gov/files/documents/ICD/ICD_204.pdf.

of these goals, is the best way to build anti-money laundering programs and a national AML/CFT regime that are both *effective* and *efficient*.

Reform must also recognize that of the roughly one million SARs filed annually by depository institutions (banks and credit unions), *approximately half are filed by only four banks*. Whereas a small to mid-sized bank might file a handful of SARs per year, the largest banks file roughly *one SAR per minute*. These are the same banks that are internationally active, and therefore present almost all of the most difficult policy questions with respect to de-risking. Certainly, reform is warranted for smaller firms, where the cost of filing that handful of SARs is wildly disproportionate to its benefit. But if the goal is to catch dangerous criminals, identify terrorist activity, and reduce collateral damage to U.S. interests abroad, FinCEN need focus its examination energy on only a very few firms. This creates an extraordinary opportunity.

We estimate that an examination team of only 25-30 people at FinCEN could replicate the existing work of the federal banking agencies and the IRS (for the largest MSBs) at the largest, most internationally active institutions. More importantly, a dedicated FinCEN exam team for this small subset of large institutions could receive appropriate security clearances, meet regularly with end users and other affected parties, receive training in big data and work with other experts in government. They in turn would be supervised by Treasury officials with law enforcement, national security, and diplomatic perspectives on what is needed from an AML/CFT program — not bank examiners with no experience in any of those disciplines. And when FinCEN turned to writing rules in this area, it would do so informed by its experience in the field. It would see the whole battlefield, and promote innovative and imaginative conduct that advanced law enforcement and national security interests, rather than auditable processes and box checking.

Remarkably, *this arrangement is exactly what Congress intended and authorized.* In the Bank Secrecy Act, Congress granted FinCEN, *not* the banking agencies, authority to examine for compliance. However, over 20 years ago, FinCEN delegated its supervisory authority to the federal banking agencies, while retaining enforcement authority. At the time the delegation was made, FinCEN's decision was logical, even inevitable. The agency had few resources, and insufficient knowledge of the banking system. Furthermore, the nation had over 10,000 banks, and those banks were more alike than different.[15] Restrictions on interstate banking meant that there were no truly national banks, and U.S. banks generally were not internationally active. As a result, there was no real basis by which FinCEN could have distinguished among banks. Given the choice between supervising 10,000 banks or none, it logically chose none, effectively sub-contracting its statutory duties in this area to the banking agencies.[16]

Importantly, the benefits of a FinCEN examination function would extend well beyond the handful of banks it examined. Priorities set and knowledge learned could be transferred to

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15 *See* Commercial Banks in the U.S., Economic Research of the Federal Reserve Bank of St. Louis *available at* https://fred.stlouisfed.org/series/USNUM.

16 In addition, in 1986, Congress granted the federal banking agencies authority to prescribe regulations requiring banks to comply with the Bank Secrecy Act, and examine for such compliance. *See* 31 C.F.R. § 1010.810. As the rule notes "[o]verall authority for enforcement and compliance, including coordination and direction of procedures and activities of all other agencies exercising delegated authority under this chapter, is delegated to the Director, FinCEN." *Id.* § 1010.810(a). *See* also 12 U.S.C. § 1818(s).

regulators for the remaining financial institutions. And innovation started at the largest firms, with encouragement from FinCEN, would inevitably benefit smaller firms. The result of FinCEN assuming some supervisory authority would be a massive *cultural* change, as the focus shifted to the real-world effectiveness of each institution's AML/CFT program, rather than the number of SARs filed or number of policies written. That change would start with those banks under sole FinCEN supervision, but would eventually spread to all institutions.

(In that regard, I testified last year alongside a community banker who reported that his three-branch bank has four lending officers — and six AML compliance officers.[17] While my testimony has focused on challenges faced by the largest banks, the AML/CFT regime is no more rational when imposed on the smallest.)

Relatedly, TCH recommends that Treasury undertake a review of the BSA/AML reporting regime to ensure information of a high degree of utility is reported to law enforcement as well as encourage the exchange of AML/CFT information between the government and the private sector as well as between and among financial institutions. We applaud FinCEN's recently announced "Exchange" program which aims to strengthen public-private sector AML/CFT information sharing by convening regular briefings between FinCEN, law enforcement and institutions. Such sharing not only makes financial institutions' programs more effective and efficient, it assists in focusing their resources on important matters.

Finally, one important change to the current system that requires new legislation is ending the use of shell companies with anonymous ownership. Here, the United States trails the rest of the world, and has been criticized by the Financial Action Task Force for being a shelter for criminals or kleptocrats seeking to launder money by adopting the corporate form and cloaking their ownership.[18] There may be valid reasons why corporate owners would want to keep their ownership secret from the broader public; however, it is difficult to imagine a valid reason why corporate owners would want to keep their ownership secret from the state incorporating them, law enforcement, and a financial institution that is legally obligated to determine that ownership in the exercise of its BSA/AML obligations. The Clearing House strongly urges Congress to adopt such legislation promptly, and is pleased to see bicameral, bipartisan support for it.

In conclusion, I thank you for inviting me today and focusing Congressional attention on such an important topic. I look forward to your questions.

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17 *See* Testimony of Lloyd DeVaux before the House Financial Services Committee Subcommittee on Financial Institutions and Consumer Credit, June 28, 2017, *available at* https://financialservices.house.gov/uploadedfiles/hhrg-115-ba15-wstate-ldevaux-20170628.pdf.

18 *See* FATF Anti-money laundering and counter-terrorist financing measures, Mutual Evaluation of the United States (December 2016) at 18 *available at* http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-States-2016.