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Comment of Citizens for Responsibility and Ethics in Washington in response to Interim Final Rule “Beneficial Ownership Information Reporting Requirement Revision and Deadline Extension.”

For Submission to Docket Number FINCEN-2025-0001, OMB control number 1506-0076 and RIN 1506-AB49

Citizens for Responsibility and Ethics in Washington (“CREW”) is a nonpartisan nonprofit organization committed to fighting corruption, protecting democracy and building an ethical and accountable government. We respectfully submit this comment to express our strong concerns with the interim final rule RIN 1506-AB49 entitled “Beneficial Ownership Information Reporting Requirement Revision and Deadline Extension.” The interim final rule as published in the Federal Register on March 26, 2025 weakens U.S. law enforcement and undermines a nearly two-decades long effort¹ to create and implement important and transformative anti-corruption and national security protections in the United States, which are mandated by Congress in the Corporate Transparency Act (CTA).²

The Interim Final Rule attempts to justify the decision to exempt “domestic reporting companies and U.S. persons who are beneficial owners of foreign reporting companies... from the beneficial ownership information (BOI) reporting requirements,” citing a “reassessment of the Reporting Rule” as a result of the “change in presidential administrations.”³ However, this exemption subverts Congress’ explicit intent in directing the Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) to engage in this rulemaking to facilitate the reporting of BOI. Congress designed the CTA as an

¹ “Historic Anti-Corruption Measures Become Law,” *Transparency International U.S.*, January 1, 2021, <https://us.transparency.org/news/historic-anti-corruption-measures-become-law/>.

² “Title LXIV – Establishing Beneficial Ownership Information Reporting Requirements,” H.R.6395, William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, https://www.fincen.gov/sites/default/files/shared/Corporate_Transparency_Act.pdf.

³ *Beneficial Ownership Information Reporting Requirement Revision and Deadline Extension*, Financial Crimes Enforcement Network, Department of the Treasury, Mar. 26, 2025, https://www.federalregister.gov/documents/2025/03/26/2025-05199/beneficial-ownership-information-reporting-requirement-revision-and-deadline-extension?utm_campaign=subscription+mailing+list&utm_medium=email&utm_source=federalregister.gov.

important tool to combat terrorism, human trafficking, money laundering, tax fraud and other financial crime. As clearly explained by Congress in the CTA:

It is the sense of Congress that...money launderers and others involved in commercial activity intentionally conduct transactions through corporate structures in order to evade detection, and may layer such structures, much like Russian nesting “Matryoshka” dolls, across various secretive jurisdictions such that each time an investigator obtains ownership records for a **domestic** or foreign entity, the newly identified entity is yet another corporate entity, necessitating a repeat of the same process...the collection of beneficial ownership information for corporations, limited liability companies, or other similar entities **formed under the laws of the States** is needed to— (A) set a clear, Federal standard for incorporation practices; (B) protect vital United States national security interests; (C) protect interstate and foreign commerce; (D) better enable critical national security, intelligence, and law enforcement efforts to counter money laundering, the financing of terrorism, and other illicit activity; and (E) bring the United States into compliance with international anti-money laundering and countering the financing of terrorism standards.⁴ (emphasis added)

Congress could not have been clearer regarding its intent in legislating the requirement that FinCEN collect BOI, including from domestic reporting companies and U.S. persons. A broad exemption of domestic entities and individuals from such requirements provides a clear avenue for nefarious individuals, criminals and foreign actors to disguise or conceal their ownership interests, evade the CTA's requirements and thwart the intent of the law. How can authorities actually know that domestic reporting companies aren't shells for foreign interest without collecting BOI? They cannot. That is the very point of the requirement.

Exempting domestic reporting companies from this rule may encourage foreign criminal actors to simply choose to set up shop inside the United States through a domestic shell company. The Interim Final Rule effectively restricts the United States' ability to combat illicit finance and track cash flows through webs of shell companies.⁵ In the process, it will weaken our democracy and its ability to protect Americans from the threats that are posed by these actions. In fact, Department of Justice attorneys litigating on behalf of FinCEN have said that “the absence of company-ownership information in the United States undermines the federal government's longstanding diplomatic efforts to combat cross-border financial crime.”⁶ FinCEN itself has previously said that the “current lack of a

⁴ Public Law 116-283 (Jan. 1, 2021).

⁵ “Treasury Reopens the Floodgates to Dirty Money in the U.S,” *The FACT Coalition*, Mar. 3, 2025 <https://thefactcoalition.org/treasury-reopens-the-floodgates-to-dirty-money-cta/>.

⁶ Tristan, Navera, *Trump Administration Renews Fight for Corporate Transparency Act*, Bloomberg Tax (Feb. 7, 2025),

federal BOI reporting requirement and centralized BOI database makes the United States a jurisdiction of choice for those wishing to create shell companies that hide their ultimate beneficiaries” and a “weak link in the integrity of the global financial system.”⁷ These shell companies “often operate in multiple layers to hide their true owners and violations of key sanctions, money-laundering and tax laws,” harming United States “national security, foreign affairs, foreign and interstate commerce, and tax interests.”⁸

In 2006, the Financial Action Task Force (FATF)—the internationally recognized global money laundering and terrorist financing watchdog through which member countries conduct routine mutual peer evaluations “analysing the implementation and effectiveness of measures to combat money laundering, terrorist and proliferation financing”⁹ “with the help of nine FATF Associate Member organisations and other global partners, the IMF and World Bank”¹⁰—cited the United States as deficient in its anti-corruption infrastructure for failing to comply with the FATF standards relating to the collection of BOI. As explained in its June 2006 evaluation report, the U.S. “appears to fall short.”¹¹ Over the next 15 years, numerous bills were introduced to correct this deficiency with the bipartisan support of members of Congress,¹² including then-Sen. Marco Rubio along with Sens. Chuck Grassley, Sheldon Whitehouse and Ron Wyden as well as Representatives Carolyn Maloney, Peter King and Edward Royce, among others.¹³ These efforts ultimately culminated in the enactment of the CTA in January 2021, with the legislation taking effect three years later on January 1, 2024.

<https://news.bloombergtax.com/daily-tax-report/trump-administration-renews-fight-for-corporate-transparency-act>.

⁷ *Beneficial Ownership Information Reporting*, Financial Crimes Enforcement Network, Department of the Treasury, September 30, 2022.

<https://www.federalregister.gov/documents/2022/09/30/2022-21020/beneficial-ownership-information-reporting-requirements>.

⁸ “Waters, Whitehouse, Wyden, Warren, Reed, File Amicus Brief Defending Constitutionality of Corporate Transparency Act,” *U.S. House Committee on Financial Services Democrats*, April 23, 2024.

<https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=411391>.

⁹ *Mutual Evaluations*, Financial Action Task Force, <https://www.fatf-gafi.org/en/topics/mutual-evaluations.html>.

¹⁰ *What we do*, Financial Action Task Force, <https://www.fatf-gafi.org/en/the-fatf/what-we-do.html>.

¹¹ Financial Action Task Force, *Third Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism* (June, 23 2006),

<https://www.fatf-gafi.org/content/dam/fatf-gafi/mer/MER%20US%20full.pdf.coredownload.pdf> at 120.

¹² Robert Wilson Downes, Scott E Ludwig, Thomas E. Rutledge, and Lorraine A Smiley, *The Corporate Transparency Act – Preparing for the Federal Database of Beneficial Ownership Information*, American Bar Association (Apr. 16, 2021).

https://www.americanbar.org/groups/business_law/resources/business-law-today/2021-may/the-corporate-transparency-act/.

¹³ Robert Wilson Downes, Scott E Ludwig, Thomas E. Rutledge, and Lorraine A Smiley, *The Corporate Transparency Act – Preparing for the Federal Database of Beneficial Ownership Information*, American Bar Association (Apr. 16, 2021).

https://www.americanbar.org/groups/business_law/resources/business-law-today/2021-may/the-corporate-transparency-act/; “Whitehouse, Grassley, Wyden, Rubio, Warren Push Fincen to Improve Implementation of Corporate Transparency Act,” March 16, 2023,

<https://www.whitehouse.senate.gov/news/release/whitehouse-grassley-wyden-rubio-warren-push-fincen-to-improve-implementation-of-corporate-transparency-act/>

By requiring companies to report BOI, disclosing details of the individuals who own or control a company, even if their ownership is indirect or through a complex structure of intermediaries, the CTA implements an important recommendation of the FATF. As a member of FATF,¹⁴ the United States has agreed to implement the FATF recommendations on transparency and beneficial ownership and to combat money laundering and terrorist financing. As explicitly stated in the CTA, one purpose for which Congress passed that statute was to “bring the United States into compliance with international anti-money laundering and countering the financing of terrorism standards.”¹⁵

Over the upcoming year, the United States is scheduled to undergo its fifth round FATF evaluation.¹⁶ The exemptions included in the Interim Final Rule weaken the implementation of the CTA such that the United States will likely be found in non-compliance with the international anti-money laundering standards overseen by the FATF. The Interim Final Rule should be revised to accomplish the intent of the law, and bring the United States into compliance with anti-money laundering standards.

The Secretary of the Treasury has suggested that reporting of BOI by domestic reporting companies and their beneficial owners “would not serve the public interest.”¹⁷ This decision appears largely based on the premise that enforcing reporting requirements imposes undue “burdensome regulations”¹⁸ on American small businesses. According to the Interim Final Rule, the Secretary of the Treasury has “reassessed the balance between the usefulness of collecting BOI and the regulatory burdens imposed by the scope of the Reporting Rule.”¹⁹ However, that reassessment does not appear to be supported by the facts, given that FinCEN’s own data has shown that for the 70% of businesses that only have one owner²⁰ and the many others that have simple ownership structures, compliance with the CTA takes only a single form at a one-time cost of \$85.²¹ Conversely, unchecked anonymous

¹⁴ “Financial Action Task Force,” United States Treasury, <https://home.treasury.gov/policy-issues/terrorism-and-illicit-finance/financial-action-task-force>.

¹⁵ Public Law 116-283 (Jan. 1, 2021)

¹⁶ *Fentanyl Traffickers, U.S. Adversaries Biggest Winners in New Treasury Proposal Benefitting Money Launderers*, FACT Coalition (Mar. 21, 2025),

<https://thefactcoalition.org/fentanyl-traffickers-u-s-adversaries-biggest-winners-in-new-treasury-proposal/>.
¹⁷ *Ibid.*

¹⁸ “Treasury Department Announces Suspension of Enforcement of Corporate Transparency Act for U.S. Citizens and Domestic Reporting Companies,” Mar. 2, 2025, <https://home.treasury.gov/news/press-releases/sb0038>.

¹⁹ “Beneficial Ownership Information Reporting Requirement Revision and Deadline Extension, *Financial Crimes Enforcement Network*, Mar. 25, 2025, <https://www.federalregister.gov/documents/2025/03/26/2025-05199/beneficial-ownership-information-reporting-requirement-revision-and-deadline-extension>.

²⁰ Gabe Lezra, *Testimony Submitted for the Record for the House Committee on Small Business hearing entitled “Under the Microscope: Examining FinCEN’s Implementation of the Corporate Transparency Act”* (Apr. 30, 2024), <https://www.citizensforethics.org/wp-content/uploads/2024/05/CREW-CTA-Statement-for-the-Record-Apr-30.pdf> (citing “Frequently Asked Questions,” U.S. Small Business Administration Office of Advocacy, March 2023, <https://advocacy.sba.gov/wp-content/uploads/2023/03/Frequently-Asked-Questions-About-Small-Business-March-2023-508c.pdf>).

²¹ *Beneficial Ownership Information Reporting*, Financial Crimes Enforcement Network, Department of the Treasury, Sept. 30, 2022.

shell companies are regularly involved in corrupt schemes that allow them to unfairly compete with, or otherwise harm, legitimate American businesses.²² For example, one company, hiding behind a Connecticut-based shell company, reportedly received over 300 federally funded contracts worth \$136 million in Pennsylvania alone through a program designed for socially and economically disadvantaged small business owners.²³ In another example, the Justice Department entered into a plea agreement with another individual who “admitted to a fraud and money laundering scheme involving false invoices submitted to his employer on behalf of a shell company he created.”²⁴ His employer was a small²⁵ “HVAC contractor in the City of St. Louis.”²⁶ These are just a couple of examples that show how protecting and developing the country’s anti-money laundering and anti-corruption apparatus, in fact, supports and protects legitimate small businesses from nefarious actors.

In April, the Government Accountability Offices (GAO) issued a report calling for FinCEN to take action to improve law enforcement entities’ ability to determine the BOI of companies.²⁷ That report concluded:

Fraud in federal programs is a significant and persistent problem. Some of this fraud is perpetrated by private companies obscuring information on “beneficial ownership”...[GAO’s] prior work has highlighted examples where private companies obscured beneficial ownership information to fraudulently obtain access to the Small Business Administration’s (SBA) Paycheck

<https://www.federalregister.gov/documents/2022/09/30/2022-21020/beneficial-ownership-information-reporting-requirements>.

²² Gabe Lezra, *Testimony Submitted for the Record for the House Committee on Small Business* hearing entitled “Under the Microscope: Examining FinCEN’s Implementation of the Corporate Transparency Act” (Apr. 30, 2024), <https://www.citizensforethics.org/wp-content/uploads/2024/05/CREW-CTA-Statement-for-the-Record-Apr.-30.pdf>.

²³ *Hidden Menace: How Secret Company Owners are Putting Troops at Risk and Harming American Taxpayers*, Global Witness (July 2016), <https://gw.cdn.ngo/media/documents/Briefing-Hidden-Menace-12072016.pdf>; FACT Sheet: Small Businesses Are Harmed by Anonymous Companies, FACT Coalition, Sept. 17, 2019, <https://thefactcoalition.org/fact-sheet-small-businesses-are-harmed-by-anonymous-companies/>; Federal Bureau of Investigation, *Former Owners of Pennsylvania Business Indicted in \$136 Million DBE Fraud Said to be One of the Largest in USDOT History*, (Nov. 19, 2009), <https://archives.fbi.gov/archives/philadelphia/press-releases/2009/ph11909a.htm>; United States Department of Justice, *Former Chief Operating Officer And Co-owner Of Schuylkill Products Sentenced In Largest Disadvantaged Business Enterprise Fraud In Nation’s History* (July 14, 2014), <https://www.justice.gov/usao-mdpa/pr/former-chief-operating-officer-and-co-owner-schuylkill-products-sentenced-largest>.

²⁴ United States Department of Justice, “Illinois Man Pleads Guilty to Fraud and Money Laundering Charges,” July 27, 2016, <https://www.justice.gov/usao-edmo/pr/illinois-man-pleads-guilty-fraud-and-money-laundering-charges>.

²⁵ FACT Sheet: Small Businesses Are Harmed by Anonymous Companies, FACT Coalition, Sept. 17, 2019, available at <https://thefactcoalition.org/fact-sheet-small-businesses-are-harmed-by-anonymous-companies/>.

²⁶ United States Department of Justice, “Illinois Man Pleads Guilty to Fraud and Money Laundering Charges,” July 27, 2016, <https://www.justice.gov/usao-edmo/pr/illinois-man-pleads-guilty-fraud-and-money-laundering-charges>.

²⁷ *FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies*, Government Accountability Office, GAO-25-107143 (Apr 08, 2025), <https://www.gao.gov/products/gao-25-107143>.

Protection Program, register aircraft with the Federal Aviation Administration (FAA), and obtain contracts with the U.S. Department of Defense (DOD).²⁸

GAO cited multiple examples where the BOI of domestic entities, which would be exempted by this Interim Final Rule, would be useful. For instance, GAO cited “a case that involved a transfer of military technology and sensitive data to individuals in a foreign country.”²⁹ As GAO explained:

Two shell companies misrepresented the location of their manufacturing facility as domestic when bidding for DOD contracts, contrary to eligibility requirements. As government contractors, the shell companies provided spare parts manufactured in a foreign facility. The companies transferred drawings of military technology and sensitive military data to an individual in a foreign country without the proper license or approval. Quality-control issues with the parts that were ultimately provided to DOD led to the grounding of 47 fighter aircraft, posing safety risks.³⁰

Similarly, GAO described a tragic case where a bus operator who was hiding from government enforcement actions behind a web of false companies was involved in a crash in Texas that killed 17 passengers and injured several others, even though the operators of that business has been ordered “out-of-service 2 months prior to the crash” by the Federal Motor Carrier Safety Administration.³¹ As GAO explained:

Public safety impacts can also arise from hidden ownership. For example, [GAO] reported in 2012 on public safety impacts associated with “chameleon carriers,” which refers to the practice whereby motor carriers register using a new identity to avoid enforcement actions from interstate commerce for safety reasons. Carriers may do this to disguise their former identity to evade enforcement actions issued by the...FMCSA..... By disguising beneficial ownership and prior safety violations through a new company identity, the

²⁸ *FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies*, Government Accountability Office, GAO-25-107143 (Apr 08, 2025), <https://www.gao.gov/products/gao-25-107143>.

²⁹ *FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies*, Government Accountability Office, GAO-25-107143 (Apr 08, 2025), <https://www.gao.gov/products/gao-25-107143>.

³⁰ *FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies*, Government Accountability Office, GAO-25-107143 (Apr 08, 2025), <https://www.gao.gov/products/gao-25-107143>.

³¹ *FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies*, Government Accountability Office, GAO-25-107143 (Apr 08, 2025), <https://www.gao.gov/products/gao-25-107143>.

chameleon carrier can continue its unsafe operations, exposing others to potential physical harm.³²

The Interim Final Rule, as it stands, would not help law enforcement authorities address issues like these, described in GAO's report, involving domestic entities or U.S. persons. In fact, the Interim Final Rule would make it harder for law enforcement to protect the public from these nefarious actors.

Members of Congress from both parties as well as legal experts have, rightly, expressed concern about the impacts of this Interim Final Rule. Sens. Whitehouse and Grassley sent a letter demanding an explanation for the decision and encouraging the Treasury Department to "fully implement the CTA" to ensure that law enforcement agencies have the information they need to prevent crimes like human trafficking and terrorist financing.³³ Legal experts have also warned that the FinCEN rule "waters down" the CTA, saying "plenty of shell companies are going to be exempt from reporting now."³⁴

For the reasons described above, we strongly urge you to reconsider the decision to exempt "domestic reporting companies and U.S. persons who are beneficial owners of foreign reporting companies... from the BOI reporting requirements," and fully implement the CTA as envisioned by Congress.³⁵

Sincerely,



Jason Powell
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³² *FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies*, Government Accountability Office, GAO-25-107143 (Apr 08, 2025), <https://www.gao.gov/products/gao-25-107143>.

³³ "Whitehouse, Grassley Demand Explanation of Treasury Department's Decision to Suspend Enforcement of Corporate Transparency Act," Mar. 10, 2025, <https://www.whitehouse.senate.gov/news/release/whitehouse-grassley-demand-explanation-of-treasury-departments-decision-to-suspend-enforcement-of-corporate-transparency-act/>.

³⁴ "Treasury Scraps Reporting Rule for U.S. Small Business Owners," CNBC, Mar. 25, 2025, <https://www.cnbc.com/2025/03/25/treasury-scraps-reporting-rule-for-us-small-business-owners.html>.

³⁵ *Beneficial Ownership Information Reporting Requirement Revision and Deadline Extension*, Financial Crimes Enforcement Network, Department of the Treasury, Mar. 26, 2025, https://www.federalregister.gov/documents/2025/03/26/2025-05199/beneficial-ownership-information-reporting-requirement-revision-and-deadline-extension?utm_campaign=subscription+mailing+list&utm_medium=email&utm_source=federalregister.gov.