

American Economic Liberties Project • BetaNYC
Beyond Plastics • Churches United for Fair Housing
Common Cause NY • Fight Corporate Monopolies
Financial Accountability and Corporate Transparency Coalition
Good Jobs First • Housing Justice for All • Housing Rights Initiative
League of Women Voters of New York State • Legal Aid Society
New York City and Vicinity District Council of Carpenters
New York Public Interest Research Group
New York State Council of Churches
New York StateWide Senior Action Council
NY Coalition for Open Government
North Atlantic States Regional Council of Carpenters
OpenOwnership • Reinvent Albany
Stabilizing NYC Coalition • Strong Economy for All
Tenants PAC • Westchester for Change

September 22, 2023

Governor Kathy Hochul
New York State Capitol Building
Albany, NY 12224

Re: Approval of the LLC Transparency Act (A3484A/S995B)

Dear Governor Hochul,

We, the undersigned, write to request your unconditional approval of Assembly bill A3484A (Gallagher) / S995B (Hoylman-Sigal).

Approval of this legislation would make New York a national leader on the issue of corporate transparency by creating the first public beneficial ownership database in the country and setting a standard other states would follow.¹ Beneficial ownership databases have been created or are being implemented in 130 countries worldwide, and the majority are publicly-accessible, unlike the private database currently being implemented by the federal Treasury Department. Groups including Small Business Majority and The Clearing House, a consortium of lenders in New York City who process nearly \$2 trillion in transactions daily, have endorsed the enactment of beneficial ownership transparency measures.² The national Financial Accountability

¹ Michael Bologna, “New York State Poised to Unmask the Owners of Shell Companies,” *Bloomberg Tax*, July 7, 2023.

² John Arensmeyer, “Comments Submitted to Federal Register,” *Small Business Majority*, May 5, 2021 (“In two scientific, nationwide polls conducted by Small Business Majority and Main Street Alliance, most small business owners surveyed – 77 and 81 percent respectively backed legislative efforts to require businesses to list their true identity when forming. Respondents viewed transparency to prevent fraud and abuse, level the playing field, and protect small businesses”).

See also “A New Paradigm: Redesigning the U.S. AML/CFT Framework to Protect National Security and Aid Law Enforcement,” *The Clearing House*, Feb. 2017 (“Federal regulations require financial institutions to know their customers and conduct ongoing monitoring of account information. FinCEN’s new customer due diligence rule will soon require financial institutions to collect beneficial ownership information from

and Corporate Transparency (FACT) coalition, which includes organizations like the AFL-CIO, Oxfam, and Transparency International among many others, has offered its full support for the legislation.³ Within New York, a diverse array of groups including labor unions, housing activists, and transparency advocates support this bill unequivocally, and in the Assembly the legislation featured bipartisan co-sponsorship. The bill has already inspired copy-cat efforts, for example SB 594 (Durazo) in California.⁴

Beneficial ownership transparency offers unalloyed benefits for business, local government, civil society, law enforcement, tenants, homeowners, and organized labor. In Ernst and Young's 2016 global fraud survey, 91% of senior executives thought that knowing the beneficial owners of corporations they transacted with was very important.⁵ Lenders and title agents need this information to facilitate compliance with federal Know-Your-Customer (KYC) and Anti-Money-Laundering (AML) regulations.⁶ Public beneficial ownership information helps facilitate law enforcement investigations by allowing journalists and others to more easily identify and report suspicious activity and by allowing investigators more easily to "follow the money."⁷ For local government, it facilitates routine activities such as code enforcement by allowing officials to identify the true owners of problematic properties.⁸ For the bar, public beneficial ownership

certain legal entity customers. Yet there is currently no requirement that states record the beneficial ownership of the legal entities they incorporate. This makes it easier for money launderers and terrorist financiers to obscure their identities from both law enforcement and the financial institutions with which they deal").

³ "FACT Supports Corporate Transparency Legislation in Briefing for New York Legislature," *FACT Coalition*, May 3, 2022, accessible online here: <https://thefactcoalition.org/wp-content/uploads/2022/05/New-York-LLC-Transparency-Act-Testimony.docx>.

⁴ California State Senate, Int. SB 594, L. 2023 (Durazo), accessible online here: https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB594

⁵ "Corporate misconduct — individual consequences: 14th Global Fraud Survey," *Ernst and Young*, 2016, p. 4.

⁶ "Re: Request for Comments Regarding Beneficial Ownership Information Reports," *Bank Policy Institute*, Mar. 20, 2023 ("BPI has been and remains a strong supporter of ending the use of anonymous shell companies and continuing ongoing efforts to modernize the U.S. anti-money laundering/countering the financing of terrorism regime").

⁷ Steven M. D'Antuono, "Combating Illicit Financing by Anonymous Shell Companies: Statement Before the Senate Banking, Housing, and Urban Affairs Committee," *Federal Bureau of Investigation*, May 21, 2019 ("The FBI has countless investigations, spanning criminal and national security threats, in which illicit actors, operating both domestically and internationally, use shell and front companies to conceal their nefarious activities and true identities. The strategic use of these entities makes investigations exponentially more difficult and laborious. The burden of uncovering true beneficial owners can often handicap or delay investigations, frequently requiring duplicative, slow-moving legal process in several jurisdictions to gain the necessary information. This practice is both time consuming and costly. The ability to easily identify the beneficial owners of these shell companies would allow the FBI and other law enforcement agencies to quickly and efficiently mitigate the threats posed by the illicit movement of the succeeding funds").

⁸ "Final Investigative Report: Code Enforcement in New York State," *New York State Senate Committee on Investigations and Government Operations*, Aug. 5, 2019, p. 69 ("The lack of accountability of LLCs allows violations to persist, contributing to the difficulties of enforcing the Uniform Code for the protection of

information allows attorneys to identify responsible parties more easily, potentially lowering insurance premia for defendants and preventing innocent parties from being unnecessarily named in complaints. For homeowners, public beneficial ownership information can help deter deed theft schemes, and for renters can help identify common ownership of neglected buildings. For agencies, beneficial ownership transparency allows conflicts of interest and fraudulent contractors to be identified before they can rig bids on public contracts.⁹ And for workers, especially in the building and construction trades, it allows malicious contractors to be identified and held to account.¹⁰

Anonymous shell companies have been used for far too long to break the law and harm New Yorkers. They are a favorite tool of narcotics traffickers, tax cheats, and oligarchs, including those responsible for supporting Russia's bloody invasion of Ukraine.¹¹ This legislation balances public and private interests by deterring these types of wrong-doing while allowing individuals with legitimate privacy interests to request waivers. Detractors seem to come from exactly one place: the real estate market for luxury condominiums in New York City, a market historically rife with money laundering facilitated by anonymous shell companies, exactly the type of illicit activity this legislation is designed to curb.¹² We cannot claim it is a panacea, but approving this bill is a much-needed step in the right direction with tangible benefits for an unusually

public health and safety. This loophole must be addressed on a State level to assist local governments in their code enforcement responsibilities”).

⁹ Aaron Katersky, Teddy Grant, “Construction fraud scheme faked ties to minority, women-owned businesses: Manhattan DA,” *ABC News*, May 2, 2023. *See also* “Defense Procurement: Ongoing DOD Fraud Risk Assessment Efforts Should Include Contractor Ownership,” *U.S. Government Accountability Office*, Nov. 2019 (finding that Department of Defense contractors used opaque shell companies to conceal relationships to sub-contractors to inflate prices, bill for work not performed, disguise conflicts of interest, artificially create the appearance of competition, and fraudulently take advantage of contracts set aside for small businesses owned by service-disabled veterans, women, minorities, or economically or socially disadvantaged individuals).

¹⁰ Maurizio Guerrero, “Wage Theft Scheme Tied to Brooklyn Address Where 2,000 LLCs are Registered,” *Documented*, June 6, 2022.

¹¹ Chris Glorioso, “Russian Oligarchs Hide Their Assets in NYC Real Estate and Intricate Shell Companies,” *NBC New York*, Mar. 3, 2022. *See also* Zack Kopplin and Basma Humadi, “How Oligarchs Stash Money in Foreign Real Estate,” *The American Prospect*, Apr. 6, 2022; “Queens Man Admits Orchestrating \$653 Million Money Laundering Conspiracy, Operating Unlicensed Money Transmitting Business, and Bribing Bank Employees,” *United States Attorney’s Office for the District of New Jersey*, Feb. 22, 2022; “Local Businessman and Associate Indicted on Fraud and Money Laundering Charges,” *United States Attorney’s Office for the Western District of New York*, Nov. 20, 2015. *See also* “Hidden in Plain Sight: How Corporate Secrecy Facilitates Human Trafficking in Illicit Massage Parlors,” *Polaris*, Apr. 1, 2018.

¹² Louise Story and Stephanie Saul, “Stream of Foreign Wealth Flows to Elite New York Real Estate,” *The New York Times*, Feb. 7, 2015. *See also* Matthew Collin, Florian M. Hollenbach, David Szakonyi, “The impact of beneficial ownership transparency on illicit purchases of US property,” *Brookings Institution*, Mar. 7, 2022 (“In recent years, shell companies have been a key conduit for corrupt politicians from countries such as the DRC, Malaysia, and Ukraine to buy luxury real estate in the U.S. and other advanced economies”); “Acres of Money Laundering: Why U.S. Real Estate is a Kleptocrat’s Dream,” *Global Financial Integrity*, Aug. 2, 2021.

broad swath of society.

When you first took office as Governor, you pledged to usher in a new era of transparency in New York. We ask that you please approve this bill unconditionally to demonstrate your unwavering and ongoing commitment to that pledge.

Sincerely,

American Economic Liberties Project
BetaNYC
Beyond Plastics
Churches United for Fair Housing
Common Cause NY
Fight Corporate Monopolies
Financial Accountability and Corporate Transparency Coalition
Good Jobs First
Housing Justice for All
Housing Rights Initiative
League of Women Voters of New York State
Legal Aid Society
New York City and Vicinity District Council of Carpenters
New York Public Interest Research Group
New York State Council of Churches
New York StateWide Senior Action Council
NY Coalition for Open Government
North Atlantic States Regional Council of Carpenters
OpenOwnership
Reinvent Albany
Stabilizing NYC Coalition
Strong Economy for All
Tenants PAC
Westchester for Change