

ALTA Advocacy: Federal Updates

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House Financial Services Subcommittee Discusses Beneficial Ownership Legislation at Hearing

On March 13, the Financial Services Subcommittee on National Security began its look at updating our financial crimes and anti-money-laundering (AML) laws. The hearing featured former law enforcement and technology experts on financial crimes.

The hearing focused on three pieces of proposed legislation. The one with the most momentum is Rep. Carolyn Maloney's (D-NY) Corporate Transparency Act. This legislation would require people forming LLCs and other shell entities to file their beneficial ownership information with FinCEN at the time of creating the LCC and within 60 days of any change in beneficial ownership.

ALTA has been working with a coalition of business and good government groups called the FACT Coalition to support the legislation. Beneficial ownership is the essential piece of information FinCEN is seeking through the GTOs. It is also the only piece of information that title companies report under the GTOs that they have no business need for and no tool to validate.

This bill would provide FinCEN with access to this information from the source best in a position to provide it and give title companies a tool to reduce their compliance risk when reporting transactions under the GTOs.

The hearing also focused on a discussion draft of broader Bank Secrecy Act (BSA)/AML reform and the bipartisan Kleptocracy Asset Recovery Rewards Act that would establish a rewards program for information on assets held in U.S. financial institutions linked to foreign bribes.

We expect the Corporate Transparency Act to be considered and passed by the full committee potentially at the end of this month or in April. The Senate Banking Committee is working on a broader AML reform package that could be considered this summer.

Real Estate GTOs Discussed During House Appropriations Subcommittee Hearing on Financial Crimes

On March 12, Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker appeared before the House Appropriations Subcommittee on Financial Services and General Government. The hearing is part of a series that the committee will hold as it develops its spending plan.

Mandelker reviewed the work of the Office of Terrorism and Financial Intelligence, including the re-imposition of nuclear sanctions on Iran, escalating sanctions on Russian oligarchs and "unprecedented action to hold human rights abusers' accountable."

During the hearing, Rep. Sanford Bishop (D-GA), asked about Treasury's efforts related to money laundering and real estate. He asked:

BISHOP: One of the preferred methods of money laundering is through real estate, which can offer stable values or appreciated values, and also anonymity if they are purchased through shell companies. Real estate is also functional in that a money launderer could use the property as a second home or rent it out earning income from the investment.

Those transactions are also less subject to scrutiny when they are compared with transactions related to banks, which have a legal requirement to report suspicious activities. What tools do you need to bring these transactions to the light of day?

MANDELKER: In terms of your question on real estate, that's also another area of focus. So you may be aware that we've issued a number of what we call Geographic Targeting Orders, which is an authority that we've gotten from Congress that requires in certain jurisdictions title insurance companies to provide information to us very specifically to address the problem that you've identified, which is the use of shell companies to buy property real estate using cash.

Those title insurance companies have to provide reports to us about who the beneficial owners are among other areas. We've also issued an advisory to the real estate sector to help them identify red flags that they need to be alert to, to make sure that they're not being used to funnel money. It's a big effort of ours, and it's going to continue to be.

Rep. Norma Torres (D-CA) then asked a follow-up question about the impact of money laundering on the housing market, affordability and rents. Mandelker responded that Treasury is not looking at that issue, only at helping law enforcement.

If you have any questions, please contact Rob Robilliard at rrobilliard@alta.org or Emily Tryon at etryon@alta.org.