

Curbing Corruption Through Corporate Transparency and Collaboration: The British Model



MAY 29, 2019

**Briefing of the
Commission on Security and Cooperation in Europe**

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ABOUT THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE

The Helsinki process, formally titled the Conference on Security and Cooperation in Europe, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. As of January 1, 1995, the Helsinki process was renamed the Organization for Security and Cooperation in Europe (OSCE). The membership of the OSCE has expanded to 56 participating States, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia.

The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <www.osce.org>.

ABOUT THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The Commission on Security and Cooperation in Europe, also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance by the participating States with their OSCE commitments, with a particular emphasis on human rights.

The Commission consists of nine members from the United States Senate, nine members from the House of Representatives, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair rotate between the Senate and House every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

In fulfilling its mandate, the Commission gathers and disseminates relevant information to the U.S. Congress and the public by convening hearings, issuing reports that reflect the views of Members of the Commission and/or its staff, and providing details about the activities of the Helsinki process and developments in OSCE participating States.

The Commission also contributes to the formulation and execution of U.S. policy regarding the OSCE, including through Member and staff participation on U.S. Delegations to OSCE meetings. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from participating States. The website of the Commission is: <www.csce.gov>.

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Commission on Security and Cooperation in Europe Washington, DC

The briefing was held at 9:00 a.m. in Room 2128, Rayburn House Office Building, Washington, DC, Paul Massaro, Policy Advisor, Commission on Security and Cooperation in Europe, presiding.

Panelists present: Paul Massaro, Policy Advisor, Commission on Security and Cooperation in Europe; John Penrose, M.P., U.K. Prime Minister's Anti-Corruption Champion; Edward Kitt, Serious and Organized Crime Network Illicit Finance Policy Lead, British Embassy, Washington; Mark Hays, Anti-Money Laundering Campaign Leader, Global Witness; and Nate Sibley, Research Fellow, Kleptocracy Initiative, Hudson Institute.

Mr. MASSARO. All right, let's get this show on the road. So welcome, on behalf of our bipartisan and bicameral leadership, to this briefing of the Helsinki Commission.

The Helsinki Commission is mandated to monitor compliance with international norms and standards in Europe. This includes norms in the military affairs, economic and environmental affairs, and human rights. I cover that second category. I do a lot of work in anticorruption in economics. And I am so honored and pleased to have with us today Minister John Penrose, the prime minister's anticorruption champion, all the way from the United Kingdom.

I'd like to make a quick administrative announcement that we'll be ending at 10:15. Even if we have remaining questions, even if there are other burning concerns, we are ending sharp at 10:15. So just the briefest of opening remarks.

Globalized corruption is one of the greatest threats facing the United States today. Authoritarian kleptocrats exploit the global financial system to hide their ill-gotten gains on our shores and those of our allies, providing protection for their stolen assets and a vector of influence into our political systems. Once established, these kleptocrats set about hollowing out the rule of law and our institutions to better serve their preferences.

Much remains to be done to close these loopholes that enable this malign activity, but Congress is taking action and the United Kingdom is taking action. We're very excited to hear about what the United Kingdom is doing today.

So with that I'll very shortly introduce Minister Penrose. As discussed, Minister Penrose is the U.K. prime minister's anticorruption champion. He's in charge of coordinating the U.K. response to corruption and implementing the U.K. anticorruption strategy. He's in charge of leading the U.K.'s push to strengthen the international response to corruption, which is what he's doing here and what he'll be doing in Canada right after this. And he's in charge of engaging with external stakeholders. So I guess that's us, right?

So with that, please, Minister Penrose, take us away.

P.M. PENROSE. Thank you very much.

Am I okay to stand up? Can everybody hear me if I stand up? Okay, I will do that, and that way I present a moving target.

Mr. MASSARO. Sorry, actually, I hate to—

P.M. PENROSE. No?

Mr. MASSARO. Yes, I hate to—I hate to interrupt. I think it's just for C-SPAN, I think we've got to speak in the mic, right?

P.M. PENROSE. Got to speak in the mic?

Mr. MASSARO. Yes. So can you turn it on and maybe stand up? Would that work?

P.M. PENROSE. Let's try that.

Mr. MASSARO. Talk.

P.M. PENROSE. Does that work? Are you getting enough sound on that? Should I keep talking and seeing? Is that enough?

STAFF. That's fine.

P.M. PENROSE. All right. We got it. Right, marvelous. So I can't present a moving target because I have to stand roughly here, but beyond that we're all set.

Look, first, thank you very much for inviting me here this morning. Paul put it beautifully in his introduction just now. We share a common threat. And I'm here because I believe that we can also share a common response to that threat if we get our acts together and if we work together in yet another example of, you know, one of the oldest alliances on the planet, trying to make this work together.

And the reason why we share the threat is very simply that we both, both our countries, play host to two of the largest financial centers on the planet. So whether it's the city of London, whether it's New York, whether or not it's incorporated companies in the State of Delaware, both of our countries are right up there in terms of the leadership and the market share which both countries command.

What does that mean? Well, it means that, as Paul rightly said, there's an enormous amount of money—billions, trillions of dollars—every single day sloshing through the city of London, sloshing through New York. And it only takes a tiny fraction of 1 percent of all that money, every day, to be dirty, to be the proceeds of crime, to be put there by organized criminals of one kind or another, whether they are drug kingpins, whether they are gun runners, whether they are foreign state actors trying to undermine our countries' democracies—a tiny amount of that and it creates an enormous reputational risk for our

countries. Because be under no illusion, ladies and gentlemen: There is a reputational risk because these people want to create it for us. They want to do it to us.

An awful lot of the criticism that you will hear from populist political movements around the globe, but also from people who want to undermine our rules-based system, is to say you cannot trust these guys. You cannot trust these men and women in Washington, you can't trust them in Westminster, in London, because the entire system is corrupt. The entire system is stacked against ordinary people. And if we let them, they will say, and therefore you don't have to abide by their rules, because their rules are skewed. Their rules are trying to hold down regular folk in the interests of an elite, and therefore the entire system needs to be changed and brought crashing down.

And if, like me, you care about a rules-based system because you care about democracy, and you care about a capitalist democracy in particular, then that rules-based system really matters. And the argument to say this does not fly and it undermines—it is stacked against the ordinary man and woman in the street—that argument is incredibly corrosive. It is powerful and it is dangerous for all of us in both our countries.

And that's why I'm here, is because I believe that if we work together as two of the leading countries with two of the leading financial centers on the planet, then we can fight against this. And with any luck, we can win.

So what can we do? How can we fight against this?

Well, there are lots of different things that need to be done, everything from better and stronger responses from law enforcement officials through to better exchange of financial information and sharing of intelligence between both investigative agencies here in the States and in the U.K., but across the Atlantic as well.

All of those things matter. But they aren't enough on their own, because if you talk to law enforcement inspectors and investigators, they will say we—that all works for us up to a point, but sooner or later these drug kingpins, these gun runners, these organized criminals, they've got smart lawyers. They've got smart accountants. And they move money all the way around the world. They bounce money from one jurisdiction to another to another. And they have nested companies and trusts and foundations right the way around the world.

And when we try to follow the money, we're fine until we get to a secrecy jurisdiction. And when we get to a secrecy jurisdiction, or at least one that just doesn't have the information in a convenient or accessible fashion, then we hit a brick wall, they say, and it's incredibly frustrating. We can get no further, and that means that we cannot bring the people to justice who richly deserve it. And it isn't just a question of putting people behind bars, although that's great, of course; it's also a question of going after the assets which have been bought with the dirty money.

In my country, if you go to parts of London—equally in this country I'm told anecdotally—you go to some American cities and you find people who are swanning around living incredibly bling lifestyles, living in multi-zillion-dollar apartments which they have bought with dirty money. Sooner or later, people who are trying to do the right thing—people who are trying to live honest lives, people who are trying to follow the rules-based system which we have all created in order to ensure order and a sensible capitalist economy—sooner or later they're going to turn around and they're going to say, Do you know what? We're following these rules and these guys aren't, and who's doing better? Who is the one driving the Ferrari? Who's the one living in the marvelous, multi-zillion-

dollar duplex apartment? Well, it's not me. It's that kleptocrat over there. It's that organized criminal over there. It's that gang boss over there. And we are going to start to lose credibility and we're going to start to lose legitimacy.

And so, therefore, yes, put these people behind bars, but also go after their money. Go after their assets. Hit them where it hurts, in the pocketbook, because that matters enormously. And it shows people that we care and it shows people that we are serious.

How do we do it? Well, as I said, all sorts of things we can do with better enforcement, better sharing of data and information. But ultimately, the way to ensure that you can follow the money is to make sure that the audit trail works. And the way you can do that—and one of the reasons why I'm here and why I'm off to the open-government conference in Ottawa very shortly, later on today—is to talk about something called beneficial ownership registers.

I was saying last night at a very good event, it's a lousy piece of branding. We have to find a sexier name for this thing. But ultimately, it may be lousy branding, but it does something very, very important indeed. It establishes that audit trail in whichever country the drug kingpins try to move their money to. And it says, look, we don't need to know everybody who owns every single share in every single company in every single country. That's a level of intrusion into privacy that we don't need to have. But what we do need to know is who controls shell companies. For whose benefit are shell companies being run? And that means you need to know who the main directors are and who the controlling economic actors are. Who owns the majority shares in it? Don't need to know everybody else, but you do need to know who controls the shares in these companies, because if you have a shell company and it's moving money around on behalf of drug kingpins and everybody else, you need to be able to follow that cash. Otherwise you will never get to those assets, you will never be able to sequester them, you will never be able to get them back, and you will never be able to show the man and the woman in the street that the system is on their side and not on the side of the kleptocrats and the organized criminals.

So what the U.K. is doing—and we would love it, ladies and gentlemen—the reason why I'm here is we would love it if you guys in the States would be part of this at some level. It would be transformational if the USA, with all its heft and its might and its global leadership, could be part of this.

What we are trying to do in the U.K. is, we are trying to set up something which will effectively create a global norm to say let's all have some kind of a register about who owns and controls these companies. We're not asking for the moon. As I said, we don't need to know everybody who owns a piece of every company. We just need to know who the controlling minds and the controlling interests are.

And if, at that point, that is available around the world, and certainly in major centers like the U.K. and in the USA, then we can start to make sure that that audit trail works and there will be no place to hide. We will be shining a spotlight into some of the murkiest corners of our planet's financial system, and they will not be able to go anywhere at all and hide their money anywhere. Sunlight is the best disinfectant, as the saying goes.

And so that's what we're trying to do in the U.K. We would—we aren't perfect, incidentally. Nowhere on the planet is perfect yet. This is a fairly new political movement. It is something which has been developing over the last few years and has further to go.

So the U.K., I'm not overclaiming for what we can do. We are perhaps in the vanguard here, but we are the tallest pygmy. That's all. There is an enormous amount more which we as a nation and we as a planet need to do in order to deal with what is effectively a global problem, as we all know.

But we would love it if you guys could come with us and be part of this, because the people who will hate us if we do this will be the drug lords, will be the gun runners, will be the kleptocrats and the organized criminals. But the people who will love us, the people who will say this is a great thing—you are starting to drain the swamp, they will say—the people who will love all that will be the victims of corruption, the powerless, the people who are always on the receiving end of, be it grand corruption, be it petty corruption—it doesn't matter if someone is just asking for a small bribe, which may be utterly unaffordable for someone on a low wage, or someone who's the victim of a much larger institutionalized piece of dishonesty.

But ultimately, they are the people who we will be serving. They are the people who will benefit from this kind of measure. And they are the people who won't just thank us in their thousands and thank us in their hundreds of thousands and thank us in their millions; the marvelous thing, ladies and gentlemen, is they will vote for us as well. And I don't care which side of the aisle you are on. That matters. It counts. And in any democracy, it is the route to having a political legacy which anybody can be proud of. So they may not quite erect statues in your name just yet, but it matters, and we can do well by doing good.

So thank you very much for inviting me here. I hope we can persuade the USA and the U.K. to work together on this. This is something which is on the right side of history. It's on the right side of justice. And it is on the right side of everything which everybody who votes in the USA elections will surely, surely want.

Thank you very much. [Applause.]

Mr. MASSARO. Well, thank you so very much, Minister Penrose, for those deeply meaningful remarks.

I'd like now to invite up our panel. I'm very excited today to welcome this very distinguished panel. Their full bios are in the folders that you picked up at the entrance. So I'll give some short intros here.

We'll first hear from Ed Kitt, to my right.

[As an aside.] Move that if you like.

Ed is the illicit finance lead at the British Embassy in Washington and the U.S. representative of the United Kingdom's new Serious and Organized Crime Network Initiative. He has held many different posts in the United Kingdom's National Crime Agency, and we're extremely grateful to have him with us here today.

Mark Hays will then provide us his insights into the United Kingdom's policies. Mark is a senior advisor at Global Witness, a nonprofit that has done extraordinary work fighting globalized corruption around the world. Mark himself is an anti-money laundering guru who is an invaluable member of D.C.'s anticorruption community.

And then, finally, we'll hear from Nate Sibley, a research fellow at Hudson Institute's Kleptocracy Initiative and himself a Brit, though not part of the U.K. Government. Nate has been published widely, and he and his organization have been a constant voice for curbing authoritarian capital.

On a personal note, I'd like to mention that Nate was also one of the first conversations I had when I started this job in this city, and I will forever be grateful for his early insights.

So, Ed, please, the floor is yours.

Mr. KITT. Thank you, Paul. I just want to start by saying good morning, everyone. I'd like to express our sincere thanks to the Helsinki Commission for hosting this important event today.

Part of my segment of talking will very much touch on collaboration and dialog as crucial tools to tackling illicit finance and anticorruption issues. And it's really events like these that are useful in driving this issue forward, so thank you very much for hosting us.

So I'm going to talk briefly and pick up on some of the comments made by the minister on beneficial ownership in the U.K. and what we've done so far. And then I'd like to talk a little bit more around the U.K.'s Joint Money Laundering Intelligence Task Force, or the JMLIT, which has been a really great initiative in the U.K. for enhancing engagement with public- and private-sector partners. The intelligence exchange which the JMLIT has facilitated has been replicated globally and it's a model that we're very proud of. So I'd like to talk a little bit further around that.

The two issues of beneficial ownership and JMLIT are intertwined, and I will touch on why so. But it's fascinating, the interaction with law enforcement and the banking community as being pivotal to anticorruption. And both those issues facilitate such measures.

So let me talk briefly about beneficial ownership in the U.K. The U.K. was the first G-20 country to adopt a public beneficial ownership register in January 2016. The U.K.'s beneficial ownership register has been absolutely fundamental—and I can't emphasize this point enough—it's been fundamental in increasing collaboration between law enforcement and private-sector bodies. It's evident by reports from the Global Witness report that Mark will, I'm sure, touch on later. The suspicious-activity reporting has increased significantly by Companies House from 426 reports—I'm quoting directly from Mark's brilliant report—but 426 reports in 2016 to 2,264 reports in 2017. So that just shows the real increase in reporting that we're getting because of this system. Indeed, requests to Companies House, the centralized company that—or body that administers the register, has received—it went from 11 requests per month to 125 requests per month from law enforcement. So we're seeing a marked increase in the engagement between law enforcement in their investigations and how they're looking to find out who is behind these companies that were previously anonymous shell companies responsible for laundering significant proceeds of crime.

I would just say that, speaking purely in a U.K. context now, we have an open register in the U.K. And I'm not going to sit here before you this morning—and the minister alluded to this in his remarks—I'm not going to sit here and pretend that our register is the finished article. It's not. It's not perfect, but it's a significant step. It's a significant step in identifying the individuals behind companies who are laundering significant proceeds of criminality. We've still got a long ways to go in addressing issues such as data verification and compliance. But again, speaking in a purely U.K. context, the fact that it's a public register allows us to be open to levels of scrutiny, for people to have a look and see what data our register has, what we hold, and mark ways for improvement. And

that's something that we're really proud of, to be able to have that register, an open register, and be able to be open to those levels of scrutiny.

And what I would say—and I really want to emphasize this point—is that what we've done is a start. We're on a journey, a corporate transparency journey. The data-verification issues and compliance issues that we have, and which I'm sure Mark will touch on in his remarks, they are issues that we recognize. But I posit this theory, which is that the law enforcement have a selector. But I'm not for a moment excusing inaccurate data in our register, but it gives—regardless of the accuracy of data, it gives law enforcement a start. It gives them a selector to work off, be that a name, be that an address. It gives them something, as opposed to nothing. And that's got to be worth something. So providing law enforcement with that initial piece of data, initial selector, that's something that our register works upon.

There are a number of measures in place for us to address our data verification and compliance issues. It will be a legal requirement for businesses to report inaccuracies by January 2020. We're also looking to see how we can actually improve the system itself, the Companies House system itself, making it easier for people to search on different companies. And we're also embarking on a work stream that will allow us to screen the data on our beneficial ownership register against our sanctions list. So that cross match of data is going to be absolutely fundamental in advancing our capabilities around beneficial ownership. And it's, you know, really important to emphasize that we recognize the challenges we face and we're on a journey to address them.

So that's sort of the remarks I wanted to make specifically around beneficial ownership, and I'm sure Nate and Mark will have more to add.

What I did want to touch on, and what I know that Paul's very keen on looking at, is the Joint Money Laundering Intelligence Task Force, or the JMLIT, which is a U.K. model. It was developed in 2015 and it has evolved since then. But considerable progress has been made in bringing financial institutions together with law enforcement to share data and to advance investigations. And it's a theme throughout my segment, hopefully, but the genuine partnership and collaboration are really at the heart of the JMLIT, and that's what makes it so successful.

So there are in excess of 30 financial institutions in the U.K. who are signed up to the JMLIT, and I guess it's easiest to think about it in two segments. So you've got the operations group and you've got the expert working group.

I'll address the operations group first, which is involved in the sharing of tactical financial intelligence. So groups are divided into different areas. We have groups for organized immigration crime, bribery and corruption, trade-based money laundering, terrorist financing, future threats, and money laundering through markets. And these groups convene on a weekly basis. And how that structure looks in practice is banks sat round the table, and each week at the operations group an officer will come and bring their investigation, and the banks will either in the room or in slower time go away and search their data bases to see what selectors they have that could assist the investigations of the officer. That information is then provided back to the case officer via the National Crime Agency, the NCA.

It's important to sort of recognize the legislation under which the JMLIT operates. It operates under a piece of legislation in the U.K. called the Crime and Courts Act, specifically Section 7 of the Crime and Courts Act, and the information provided is for

intelligence purposes only. It cannot be used evidentially. So should useful data come back, the case officer would then have to either parallel that information or apply for more formal proceedings via a production order. But it's a gateway to be able to identify the extent of an illicit finance network, and it's really effective in seeing where funds are being moved through. So that's a really sort of key part of the JMLIT model.

The second strand which I referred to operates more on a strategic level, and it comes under the expert working group. And this is, again, a similar format. The banks are sat round the table and also law enforcement agencies, the National Crime Agency predominantly, and strategic threats and trends identified, emerging threats and trends which are being seen by the banks, emerging threats and trends which are being seen by law enforcement. All these sort of emerging threats are discussed and often formulate into industry-wide alerts which go out to the banking sector and will allow them to look across their data bases and identify any patterns or trends which replicate what is being seen in that forum.

I think I certainly speak for the U.K. when I say that one challenge we have is feedback to financial institutions on suspicious activity reports [SARs]. Often, financial institutions will submit suspicious activity reports and they don't hear any feedback as to actually what was the utility of that, how useful was that. The expert working group for the JMLIT really sort of assists that process because it allows the financial institutions to be able to get a sense of what law enforcement are seeing, what trends they're seeing and what will be most useful. So, again, it comes back to dialog being—dialog and collaboration being at the absolute center of how we operate in terms of addressing illicit finance issues and anticorruption issues.

A couple of results. It's all very well sort of sitting here listing to you what the JMLIT does, but what does it deliver? I think that's probably what we all want to know. So it's generated 400 live tactical cases. It's generated in excess of 1,600 suspicious activity reports. Often, as I was mentioning, when an individual has an investigation and they bring it to the JMLIT, they will not necessarily be aware of the extent of the financial footprint of the people they're investigating. The JMLIT's identified 3,000 accounts that were previously unknown to law enforcement. So if that's not value add, then I'm not sure what is. And 97 arrests have been assisted by JMLIT inquiries. So it's not just a talking shop; it delivers. And the results are tangible. And finally, it's been—it's assisted in identifying and restraining in excess of £39 million. So the results are palpable.

So what I'll conclude with is saying that public-private partnerships and international engagement are at the heart of how the U.K. wishes to proceed in tackling illicit finances and anticorruption issues. Both beneficial ownership cultivates a system of feedback and it cultivates a system of assisting law enforcement with our investigations. And equally, the JMLIT also assists in private-sector and law enforcement collaboration. And it's only from learning from each other, from the U.K. learning from the U.S. and vice versa—it's only from learning from each other that we can look to tackle the illicit finance flows that fuel organized crime groups and undermine both of our economies.

Thank you. [Applause.]

Mr. MASSARO. Well, thank you so much, Ed. And I really appreciate the deep dive into JMLIT. You know, in sort of this high-tech age when we can't stop talking about blockchain and AI and big data and stuff like that, it's nice to think that, you know, in the U.K., which has got kind of the banks and the agents just sort of sitting in the same

room, face to face, talking about the issues they're seeing, which is just this incredibly simple yet highly effective and highly efficient response to the issues we're seeing today.

So, with that, turning back to corporate transparency, let me hand it off to Mark Hays of Global Witness.

Mr. HAYS. Sure. Thank you, Paul. And I wanted to thank the members and the staff of the Helsinki Commission for convening this briefing today. I'm very glad to have the chance to join Minister Penrose, Mr. Kitt, my colleague Nate Sibley to share some thoughts on these critical issues.

For those who don't know me and Global Witness, my name is Mark Hays and I direct our anti-money laundering advocacy efforts, which have focused primarily on a range of financial transparency measures to be adopted in the U.K., the EU, and the U.S., given these countries' outsized role in shaping and influence global—shaping and influencing global finance, including illicit finance.

And Global Witness, we are an international investigative advocacy organization, and for 25 years we've sought to expose and break the links between corruption, natural resources, and conflict. And we use the findings from our investigations to advocate for transparency and accountability measures that seek to hold corrupt actors accountable, and also provide tools for governments and civil society to ensure such resources are managed equitably and sustainably for future generations.

Now, our investigations have exposed grand corruption cases in dozens of countries around the world, from Myanmar to Cambodia, Angola to Nigeria, Eastern Europe and Eurasia, and more. These investigations have demonstrated that corruption is far from a challenge that countries outside of Europe and the U.S. face alone. Indeed, rather, it shows corruption as a global phenomenon involving players and that works throughout the Global North and the Global South, which means the scope of our response must be global as well.

Our anti-money laundering campaign work was established on the basis that in nearly all of our investigations across a wide range of sectors the role that the global financial system played in facilitating those cases was quite evident. And our work is really focused on three pillars of inquiry: one, looking at the role that financial institutions themselves play in enabling this kind of activity, wittingly or unwittingly; the role that financial intermediaries play in doing the same; and the role that anonymous companies or other opaque corporate structures play in facilitating the movement of suspicious proceeds with ease, speed, and secrecy.

I will assume that a number of folks here already have heard from our colleagues about the importance of dealing with anonymous companies and not explain that, but I should say simply that we're not alone in considering this a problem. In nearly all of our cases, legal entities whose ownership is hidden have played a role in our cases. This is borne out in the larger world. But I'm happy to speak more to that if people would like more data.

My comments today are largely going to focus on the U.K.'s role in establishing the world's first open public registry of beneficial ownership data for corporate entities, and that's for really one simple reason. The U.S. and the U.K. both have areas where they have demonstrated leadership on anti-money laundering policies and protocols, as well as areas where they have or are falling short. But since we're here in the U.S., it's important understanding the U.S. context. The U.S. has gotten high marks in a variety of areas

dealing with anti-money laundering but has been criticized in two separate evaluations, in 2006 and 2016, for failing to address critical gaps in our infrastructure, including beneficial ownership reporting. And this gap takes on an outside significance not only because of our role in combating anti-money laundering, but because we are actually one of the largest incorporators of legal entities in the world. By one count, according to the World Bank, we create 10 times more legal entities than all 41 tax-haven jurisdictions combined. So simply put, if the U.S. wants to continue to show this leadership we need to match the U.K.'s efforts in establishing some modicum of disclosure for beneficial ownership transparency for companies. If we don't, not only will we be failing to live up to this leadership test, but we will put ourselves at greater risk for becoming a haven for bad actors and their ill-gotten gains.

And so, in our view, the best lesson we could take from today is to explore some of the lessons learned from the U.K.'s experience on this journey of corporate transparency that my colleagues have alluded to—in terms of the value of the data, some pitfalls to avoid in terms of setting up registers; and what it actually means to do this in the real world, what is the experience of the companies attempting to comply with these new rules and regulations. And as Mr. Kitt alluded to, the U.K.'s register is public and open. And that means not only can register users access individual data records, but one can take the aggregate data itself and conduct greater analysis. And this is one of the fundamental promises of open data, that a variety of stakeholders can conduct data analysis that drive both innovation and impact.

So, 2 years after the onset of the registry, Global Witness decided to put that promise to the test. So we worked with a key collaborator, an organization called DataKind, and explored 10 million corporate records from Companies House. It was the largest-ever data analysis of that register. We used cloud computing to analyze and combine the data with other datasets and ran scripts to identify mistakes and suspicious filings. And we published our initial results in July 2018 and repeated that analysis in an abbreviated fashion earlier this year.

That report, entitled “The Companies We Keep,” is available online.¹ Be happy to share that with folks attending here today. I want to hit a few highlights. And I think if—there's just a few lessons to take away from that analysis, as I attempt not to lose you in a bunch of numbers and figures. The few takeaways that we found are really compelling in terms of how manageable and reasonable this process actually could or can be for companies in the U.S.

So the first point is that 2 or 3 years on it appears that, with some notable exceptions, compliance appears to be easily managed by the large majority of companies complying with the new U.K. register. The majority of companies report little difficulty in complying with the U.K. register's reporting requirements. And the data suggests and gives life to something understood by many but rarely quantified, that the overwhelming majority of U.K. companies have ownership structures that involve very few people, which means it appears that most businesses know who their owners are.

Second, there is demand for this data. Mr. Kitt alluded to this in terms of the increase in law enforcement requests for information and reporting on suspicious activity reports. But the use of the U.K.'s existing company register, when coupled with beneficial

¹ <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/>

ownership reporting, has increased dramatically. Use by law enforcement has been a key part of this demand, but the data suggest that other actors, including the private sector, appear to have been part of this increase. Which suggests that there are other use cases for beneficial ownership data beyond law enforcement, that businesses might actually benefit from this disclosure.

Third, it appears that disclosure may help, at least in part, with deterrence. Even though as Mr. Kitt alluded to there are important improvements to make in terms of validating the data in the register and verifying it, already the reporting requirements alone appear to have had some measurable impact on the degree to which certain U.K. legal entities may or may not be being used exploiting secrecy for nefarious purposes.

And then, last, disclosure appears to help drive data quality. So public disclosure of the data, while not in consideration at the moment in the U.S., nonetheless provides some critical insights into the quality and value of the beneficial ownership data itself. And just that alone has allowed NGOs like Global Witness, dialoguing with U.K. agencies like Companies House and others, to drive important improvements in the register's collection, management, and analysis of that data in just three short years, even in spite of modest resources on our end and on the government's end.

So I'll touch on a few really interesting data points that give a little bit of meat on the bones to what I just described. First, in the area of compliance, there are—there are nearly 4.9 million legal entities that have filed a PSC [Person of Significant Control] report or statement since the onset of the register. Of those, a smaller subset—around 3.3 to 3.5 million—have actually reported they have an owner. The U.K. reporting requirements have thresholds where if you have ownership stakes that are less than a certain threshold or don't qualify certain criteria, you do not have to report an owner. And there are issues with that, but that is—that is the way this is sort of structured.

Given the number of reporting entities, the average number of company owners reported for companies in the U.K. was 1.16. That is the average number. So again, most companies are reporting a small number of owners.

It gets deeper. The mode, or most common number of owners, was one.

And last, the distribution of ownership is also quite telling. Of the several million companies reporting their owners to the register, 99 percent of them declared that they had six owners or less, with well over half of that number reporting two owners or fewer.

So the number of companies reporting ownership structures with more than six owners under the current reporting regime is so few we are unable to chart it on a graph. And in the U.S. context, this is critical because one of the key policy points is a discussion around whether or not providing a few small pieces of information about yourself, your company, and your identity will be onerous for most companies. Here we have the first public register online that exists dealing with a large dataset of companies that operate under similar conditions to the U.S.; it appears that most of those companies do not have a problem complying with those requirements.

So in terms of demand, Mr. Kitt has already spoken and discussed some of the really promising data around law enforcement access. I want to touch on overall access. The U.K. company register was accessed more than 2 billion times in 2017, and that's a huge increase from when paywalls which restricted access were in place several years back—6 million requests a few years before the register came online. There are an average of half-a-million searches a month for beneficial ownership information alone in April 2018,

and overall that data base was accessed 5 million times in 2017. So we're not Companies House. They can probably tell you more about who's using that and why. But again, this suggests that when you make this data available, easily accessible, the value expands beyond law enforcement to helping promote a higher standard of doing business in many sectors.

Beneficial ownership disclosure deterring suspicious activity, this is probably one of the most interesting findings we found. In the U.K. there are legal entities entitled Scottish limited partnerships [SLPs]. They are a relatively recent legal creation, and for a number of reasons quickly became a legal entity that was known for, unfortunately, providing a degree of secrecy that in some cases facilitated nefarious activities. Folks may have heard about the various, quote, "laundromat scandals" coming out of Europe where billions of dollars are being moved through the European financial system via, in some cases, U.K.-based entities. There was a dramatic and concerning increase in incorporation of SLPs over the past decade until SLPs were required to disclose their owners in 2017. And shortly after that disclosure level, we saw incorporation levels of SLPs plummet by 80 percent in the last quarter of 2017 from their peak in 2015. And our most recent analysis confirms that these levels have remained historically low.

Now, does that in and of itself suggest that overnight criminals can no longer launder money? That's not the case. But what it does suggest is even a modicum of sunlight has changed the cost-benefit ratio for those actors, encouraging to go elsewhere. And while at the end of the day we want to detect and catch these criminals, at the very least both here in the U.S. and in the U.K. we want to make sure that our systems are not complicit in facilitating those problems.

So there's a lot more to disclose here and I sense that my time is drawing short. I just want to speak to disclosure and then looking ahead.

I mentioned disclosure as helping drive data quality. There are a couple interesting facts there. There were over 50,000 reports from the public regarding likely mistakes in the register and discrepancies between July 2017 and 2018. Again, if one of the major concerns about implementing these registers is cost, there are plenty of people in the government and in the NGO sector and law firms who can tell you that the cost is both reasonable and has a massive benefit or a return on investment, as it were. But take this data point as one element of proof that suggests that if a register is constructed correctly the data form in itself will enable low-cost reporting to improve the quality itself. And that's true in a public context; it may also be true in a limited fashion in a private context, because in the U.S. you will have agencies dealing with this data. The better that data is structured, the easier it will be to manage it.

But additionally, as I mentioned, our analysis, done at a very low cost—just a few staff, a couple of smart computer geeks—found a number of discrepancies in the data quality that were easily fixable simply by changing the user interface of the register itself. So, for example, there were owners reporting incorrect or nonexistent nationalities like Cornish or "Briiddish" with three Ds. [Laughter.] There were owners reporting their ages of 2 years old or 899. Changing the date ranges and changing the fields can make that easily done. So this is an example of how structured data, appropriately organized, can help make improvements quickly and cheaply.

So I'll say two things and then wrap up and let my colleague Nate share his broader thoughts. There are areas of improvement for the register. Mr. Kidd mentioned verification. That's an incredibly important aspects of the register. Companies House

needs both the mandate and the resolve and the resources to increase compliance and enforcement. That involves enhanced capacity and resources.

There are a number of what I would describe as loopholes in the register's reporting that allow circular ownership structures, allow companies to claim owners in so-called secrecy jurisdictions. Some of this will help when some of the U.K.'s overseas territories begin establishing their own public registers. But until then, the onus is both on the agencies of the U.K. Government and us to ensure that we have all the tools we need to enforce the compliance of the register.

So there remains a great deal to be done. And in the U.K. policy arena, Global Witness has not shied away from criticizing the U.K. Government when we believe their efforts, however well-intentioned, have fallen short of what's needed to combat the harm posed by illicit finance with vigor and scale, given the scope of this problem. However, as I said, context matters. And in the U.K. the conversation has moved well beyond making the case for beneficial ownership registers and is now grappling with how to make them work and how to propagate those learnings to establish a global norm. Beneficial ownership transparency will not alone solve money laundering, but a stronger, more effective AML regime cannot be built without it.

In contrast, in the U.S., despite overwhelming support from a wide and diverse set of stakeholders, efforts to advance beneficial ownership transparency has failed to advance in Congress for nearly a decade. So we remain cautiously optimistic that 2019 will be the year when such legislation does advance. That will be even more true if leaders in Congress recognize today and capitalize on the leadership that the U.K. has shown in this space and can seek out their partnership to join them in this effort.

Thank you. [Applause.]

Mr. MASSARO. Well, thank you very much, Mark, for those fantastic data points and the incredible work of your organization, really mining this data and getting those conclusions out of it.

So let's move on to our final speaker, Nate Sibley of Hudson Institute's Kleptocracy Initiative.

Thank you.

Mr. SIBLEY. Hello. Well, first, thanks, Paul, for inviting me here today. It's a big honor to speak in Congress for the first time, but it's also great to be able to acknowledge the leadership the Helsinki Commission has shown on the issue that I work on, which is transnational corruption and kleptocracy. And Paul has been very much a leading voice on that in Congress, so thank you so much for that. And they've held many hearings and briefings on this in the past, so if you're interested it's worth going back and looking at some of those, I would say.

And second, just to clarify, yes, I am British, but I live and work here in Washington, D.C. and I'm not affiliated with the other Brits on the panel. I work at Hudson Institute, which is a think tank here in D.C., and I work on a project called the Kleptocracy Initiative. And what we look at is the way that authoritarian regimes abuse the global financial system and particularly the U.S. financial system to export crime and corruption around the world, and how they sort of use that process in furtherance of their geopolitical aims, and also to undermine sort of U.S. national security and that of our democratic allies, obviously first and foremost including the U.K.

So I just wanted to start on a slightly different tack. I know the primary focus today is on the public-private partnerships, the JMLIT and the corporate beneficial ownership data. But there's another really great facet to anticorruption work in the U.K., which is the scale and the scope of the anti-money laundering regime. So maybe I'm just going to spend a brief second on this.

So in the U.S. we have the Bank Secrecy Act, which is the legislation that governs anti-money laundering systems in the U.S., and it applies very specifically to financial institutions as the name suggests. In the U.K. and indeed now across the EU, in recognition of the fact that the financial sector is not the only sector at risk of money laundering problems, they have expanded the AML—the anti-money laundering regime—to include not only banks, but also lawyers, accountants, realtors. Real estate is, obviously, one of the favored places you want your dirty money to end up because it's very discreet and it's high value. So I think if you—I know predominantly these are—you're all staffers in here. I know lots of your bosses are interested in working this area. I think that's an area that you could well look into more if you're interested in doing something really different.

And so I just wanted to follow particularly what Ed was saying on the public-private partnership arrangements. So I'm going to talk primarily—rather strangely, again, because I'm British, but I live and work here—so I'm going to talk about what's going on in the U.S. and why it's so important perhaps even above and beyond the U.K. to take action on these issues.

So first, with the JMLIT public-private partnership, there is already an equivalent of the JMLIT in the U.S. It's called FinCEN Exchange, so it's administered by the Treasury's Financial Crimes Enforcement Network, which is the U.S.'s financial intelligence unit. The difference is it's—it was introduced, I imagine, in response and appreciation of the U.K.'s system about a year or two after it, I think. However, I'll be perfectly honest, I've had no personal interaction with this group, but from what I hear anecdotally it meets far, far, far less than the U.K. JMLIT does, and I've even heard it described offline as a—by someone working in the financial sector as a sort of glorified mailing list.

So I think, like, the framework is there, and I think it's a really good idea. I mean, it was a crucial idea, as Ed was outlining. And this is something that would be really easy to build on and beef up in the U.S. context, and it's something that you get a lot of feedback from financial institutions all the time: We're sending all these SARs. You know, the Treasury receives 55,000 suspicious activity reports a day, and the banks aren't really sure always what's useful, what could they improve on. So I think that's an absolutely critical area. And I think the lesson to draw from the U.K. experience was everything Ed was saying, frankly, like, about the outcomes they've had from that. There's clearly a force multiplier to working closer with the people who are the first line of defense when it comes to anti-money laundering, the banks.

This has come up, actually, in legislation that's in the House Financial Services Committee at the moment called the COUNTER Act. It would—all it really does, though, is to sort of formalize FinCEN Exchange. And it has a few other provisions, as well, not related to Exchange that would improve public-private partnerships. For example, establishing sort of innovation labs within FinCEN. Because one of the problems that banks have at the moment is they run a risk when they introduce new anti-money laundering systems that if it doesn't work and they accidentally let through, you know, a billion dollars that's being laundered through from Russia, the Treasury will come down hard on them and say, well, this was a failure; we're going to fine you. And so what the Treasury's

being very good about at the moment is saying we'll give you a little bit of leeway if you're experimenting in good faith with good system. We will, you know, we'll work with you on that.

And I think that—I don't support particular legislation. So, Hudson Institute, we never support specific legislation. But I think the ideas in this act are really like the first step in the right direction.

And just one final point on the JMLIT. It works—[inaudible]. I'm aware that the—and it's not my area of expertise, so please don't ask me in the questions—but the sort of privacy and data laws are a bit stricter about what you can share between institutions, between law enforcement in the U.S. So that is an issue that would have to be worked around or legislated forward, but I think the benefits that Ed was talking about just so clearly outweigh the—you know, the results of doing nothing more than exists at the moment. So those are my thoughts on the public-private partnership.

Moving on to the sort of bigger issue that's very much live on the Hill at the moment, is the sort of—is the corporate beneficial ownership issue. This is, obviously, like, a huge conversation. I know—recognize many familiar faces I've spoken to in briefings and things about this of ours. So there is also a legislative vehicle for that. It's called the Corporate—well, I know that many offices are working on this issue with potential legislation. At the House Financial Services Committee there's a bill at the moment called—introduced by Representative Carolyn Maloney called the Corporate Transparency Act, and what that would do would create a private beneficial ownership register. So not a public one like they have in the U.K., but one that was accessible only to law enforcement, under very strict and controlled circumstances, it has to be said. I was surprised at how strict they were when I—[laughs]—when I learned about them.

And it would also—I mean, the further complication you have in the U.S. is the Federal system. In the U.K. it's pretty easy; if Parliament wants to introduce a corporate beneficial ownership register, it just tells the relevant department to create one. But in the U.S., of course, you incorporate, you know, companies at the State level, so that adds a—so who should run the register, you know, these questions have been threshed out. I think there's a general agreement, you know, it would—it makes sense to locate it at FinCEN, at the financial intelligence unit. If this information is being gathered for use—for national security purposes, for law enforcement purposes, it makes sense to send that information straight to where it will be most helpful.

And there's a—you know, as Mark alluded to, there's a growing and absolutely huge coalition behind this now outside of Congress: all the big banks, national security community, many think—my own think tank—my project has supported this. We don't take institutional positions as a think tank, but my project has supported this for, you know—ever since we started as probably our major policy recommendation. Obviously, the entire law enforcement community is behind it, faith groups, all sorts. And I'll allude a bit more to why in a second.

But also, importantly, the administration has also signaled its interest in advancing this as well. Steven Mnuchin has indicated as such in this room. The Treasury, the DOJ, the FBI all testified—I think it was last week in the Senate they all spoke of the overwhelming need for their investigators to have access to corporate beneficial ownership information in order to keep Americans safe.

And so I think there is a real movement. Now there's a real moment where this could happen in the U.S. I'm very personally hopeful that it will.

But as we're looking at the comparisons with the U.K. today I think we need to bear in mind there's sometimes a bit of a tendency in the U.S. to—and other stuff to work through it as well, that we sort of start from scratch on this big idea. The U.K. has really done a lot of the legwork, the hard work of gathering the evidence of the benefits and the drawbacks of a corporate beneficial ownership register for us, right? Like, all—you know, the minister and Ed and Mark all described the—you know, the great benefits law enforcement has reaped from this. But also, like, whether there's room for improvement, some of the problems that you can encounter when you're setting one of these up—like, just stuff like the data entry fields, which you wouldn't necessarily think of.

So I do encourage if you're looking at this and you're a staffer, then please do reach out to them, reach out to me, or whatever, and there's a wealth of information already out there about how this can work, the benefits it can give.

But I think even more so than the U.K. there is a an overwhelming case. The U.S. has specific strengths and vulnerabilities, which means that it's just so much more important for it to be the next country to introduce a beneficial ownership register.

So first, I think just domestically—I mean, well, it's great if you're a money launderer if you can get your stolen renminbi, rials, whatever they are, if you want to get out of that into a safe, stable currency and so on, which, you know, observes the rule of law. Now, it's wonderful if you can get that into pounds; it's even better, to my mind, if you can get it into dollars, which is the global currency, right? So when you add that to the U.S.'s rule of law, you've got the world currency, the most stable economy in the world, you guys are becoming a magnet for dirty money.

And as the EU and the U.K. and other partners—Canada, for example, is now taking action on this—as they begin to tighten up their own systems, the bad guys are going to start looking for other places to launder their money into. And I think if I was a bad guy the U.S. would now be moving very, very swiftly up to the top of my list. I think the only reason it's not perhaps at the top of the list at the moment is the sheer aggression of U.S. law enforcement in pursuing criminals around the world. They're the only country which has—the only agencies which have the reach and the determination to hunt bad actors through the global financial system. But imagine how much more powerful they'd be if they did have access to this information.

And so there's a couple of specific issues in the U.S. which the U.K. doesn't have, which I'm thinking particularly of the opioid crisis and sort of human trafficking that goes on down by the border. You know, that's all very well to try and stop those specific activities, but people don't do—criminals don't do those for fun; they do them for profit. And so one of the most important things we can do to disincentivize that is to remove the proceeds—their ability to launder the proceeds of crime from those activities. And that's why I think domestically speaking, at least, the need for a beneficial ownership register is so great.

But my—that's not my sort of specific area. What I look at is the sort of international aspect of this. And my great concern is that at the moment this is absolutely—this issue is, like, killing many aspects of the U.S.'s economic statecraft overseas. So if we take, for example, first, there's a—you know, over the past couple of years we've seen absolute blizzards of sanctions coming out of the Hill and coming out of the administration. The

inability to track and—like, who controls assets, frankly, like, makes a mockery of the U.S. sanctions regime. How can you expect the Treasury to sort of, you know, enforce sanctions when it can't—it doesn't know who owns what within its own territory? It's a no-brainer as far as improving—you know, making a sort of more powerful sanctions regime.

I mean, the most egregious example of sanctions evasion, to my mind, took place right here on U.S. soil. It was sanctioned U.S.—Iranian entities were able to maintain control of a—of a skyscraper in the—in the heart of Manhattan, a huge skyscraper, using an anonymous U.S. shell company. They went undetected for 20 years before U.S. law enforcement was able to seize—discover this and seize the building off of them.

I'm also interested at the moment in how the administration's attempts to take on China's sort of economic malpractices is being undermined by this. China is the sort of global hub for illicit trade. Counterfeit goods, you know, the opioids that are killing Americans, this stuff just floods out of China. And the profits for all this illicit trade are all too often laundered through anonymous shell companies. And you guessed it by now; it's getting to be a pretty tired script, right? And I think if—and naturally, that goes up to a higher level as well. Some of the big State-owned Chinese companies that were sort of—I won't name names because they're pretty powerful people—[laughs]—but you know, the Trump administration is trying to take on some of these people. We don't know who owns them. They conceal their ownership. And the reason they do that is to hide the fact that they're being controlled from Beijing by the CCP—by the Chinese Communist Party. They're being used as tools of economic warfare against us. And we—you know, if we were—it would put a real twig in their spokes if we were to suddenly say, hang on a minute, you can't actually even do business in the West unless you tell us who actually is owning you and controlling you.

So I think that sort of leads on to the final sort of point I just wanted to make, because I know you all have questions and stuff. Just really quickly—I think all the talk of law enforcement is really important. That's, obviously, the primary, absolute, and overwhelming need to introduce this register. But the other really important thing that it would do, it would also empower your diplomats. At the moment, whether it's the State Department or the Treasury, international meetings relating to economic stuff—anti-money laundering policy, sanctions policy—this issue of beneficial ownership is bogging them down and it keeps getting turned back at them, and it's distracting from what should be the great project of American economic statecraft at the moment, which is rolling back malign economic influence of strategic rivals like China, like Iran, like Russia, like Venezuela, regimes that use—see no distinction between politics and economics, and use the global financial system to advance their political aims at the expense of the U.S.

One of the most important things is one of the things that's been least talked about, which is the morning after the U.S. creates a beneficial ownership register there will probably be no immediate—you know, you're not going to see hundreds of people led off to jail or something like that. In the U.K. it's taken time for prosecutions and things that have—you know, arise from the information they get from this thing to churn through, right? What you will see is the U.S.'s diplomats, its anti-money laundering policy officials empowered to suddenly take the fight to the U.S.'s strategic rivals I was mentioning. At the moment they've got us on the back foot. They are using our economies to launder money, to project their interests, project their influence, to—and above all to shape—

reshape either—well, in the case of somebody like Russia, to completely undermine global norms and destroy them just to hurt us. In the case of somebody like China, to—more to remold those global norms and values so that they’re amenable to their way of doing things. It’s not a way of doing things with which we agree in the West. It doesn’t involve the rule of law, it’s very personalized, and it’s a conduit for corruption. As anyone who’s read about the way in which the Belt and Road project investment—development investment project, as they say it is, has spread across Eurasia, it has done so on the back of corrupt deals and bribes and so on. So I think this, you know, above all else, this will just—the day after this is passed, this will put America on a moral and operational platform, frankly, to just like reinvigorate the capitalism that made you great and that should continue to—for this to be an American century, frankly.

So thanks. I’ll probably hand it back over because we’re running out of time.
[Laughs.]

Mr. MASSARO. No, thank you, Nate. And the way you’re approaching that from the sort of foreign policy perspective, how this weakens U.S. foreign policy and jeopardizes national security, I mean, that perspective is so, so valuable. And I agree that it gets short shrift, especially from the sanctions perspective, at a time when sanctions are being used again and again and again. The number one thing we could do to strengthen U.S. sanctions is to get something like this in place. I mean, hands down, you know? So thank you very much, Nate.

And with that, let’s move on to the Q&A. As I had mentioned at the beginning, we’re going to have to end at 10:15 today, so I’m going to abstain from taking moderator’s prerogative. If you could raise your hand, I’ll call on you, and then we got a—you actually need to come up to the witness table, take a seat in the hot seat, turn the mic on, and ask a question. But do we have any questions from the audience? Don’t be shy about it. Okay, please.

QUESTIONER. Hi. My name’s Costanza [sp]. And I—

Mr. MASSARO. Can you turn the mic on? Yes, thanks. And yes, name and affiliation, please. Thank you.

QUESTIONER. It’s not working. I’ll just project.

Hi. My name’s Costanza [sp] and I work in Representative Elijah Cummings’ office.

And my question is about how can we on the Hill kind of help get this process moving forward to implement or pass legislation about transparency. And what kind of hurdles do you see currently in Congress?

Mr. MASSARO. I would say it’s a Mark or Nate question. Perhaps Mark would like to take that?

Mr. HAYS. Sure, I’ll give it a try. Thank you for your question, Costanza [sp].

I think probably offhand I would say the first thing is to ask your Members of Congress to speak to their colleagues, particularly on the House Financial Services. One of the unique aspects of this issue is that, you know, anonymous shell companies appear in nearly any scenario in which illicit activity generates money. Nate has alluded to this. My colleagues have alluded to it. But whether you’re concerned about human rights, wage theft, human trafficking, contract fraud, Medicare fraud, it’s a very long list, unfortunately. What that means is if your member or another member have a legislative priority that focuses on some aspect of illicit activity, chances are there’s going to be some thematic overlay between that and this issue. And I think by having your members commu-

nicate that relevance and having us help you make that case, I think the leadership of the House Financial Services, who's already doing good work on this and is making progress, will see that this issue is priority beyond the scope of their interest and is actually one that touches a wide range of interests for Members of Congress.

In terms of barriers, I guess I would say that's probably a good question to put back to some of your members because a lot of this has to do with the internal political process and how decisions get made and priorities are set within committees. I guess I would say we've now built the case externally from a stakeholder perspective. There are Members of Congress who are making the case internally, along with their staff. In some cases our biggest enemies are time and confusion. This is a complex issue and it takes time to sort through the issues. Once you see the picture it's pretty reasonable and self-evident, but it takes time to get there. So making sure your members and your colleagues have the time to work through the materials provided by our organization, by the FACT Coalition of which we're a member who's led a lot of this work, and coalition of others by the Hudson Institute, working through that and really understanding the basics will go a long way toward making sure that members can—once this is presented to them, the opportunity to vote on it, they understand the relevance and can move forward on it.

Mr. MASSARO. Thanks very much.

Could we get another question? Please. I guess maybe if you just want to turn on one of those mics on the stand and speak into it. Oh, it's working! [Laughs.]

QUESTIONER. Yes? Okay. My question is—Capitol Intel.

One of the most successful corporate transparency and anticorruption devices is the U.S. Security [sic; Securities and] Exchange Commission use of media as a trigger for investigations. One of the biggest problems we find is prosecutors—DOJs, those guys—will not do their jobs until they're forced to that. So any public mention of a corruption, ill-gotten gains should automatically open an investigation by law enforcement of that. Mr. Penrose, you know, U.K. bribery is really problematic, as almost everything's illegal.

And the second question is, for Mr. Penrose, with Brexit, either if it happens or not, all your overseas territories, are they now becoming highly regulated by the EU and other authorities?

Thank you.

Mr. MASSARO. Can we get your name and affiliation real quick? I'm sorry.

QUESTIONER. Yes. I'm Peter Semler. I'm the chief executive editor of Capitol Intelligence Group. We're, like, worldwide experts on CPA enforcement and also U.K. bribery and places like Libya.

Thanks.

Mr. MASSARO. Great. Thank you.

P.M. PENROSE. I'll try and address those quickly to allow other people to answer questions—ask questions as well.

You are right, absolutely, sir, that even when you have the most independent, the most committed, the most professional investigative agencies, they have to prioritize. They have to put things at the top of the pile or further down. And sometimes public opinion on what is egregious and wrong can get them to reprioritize and to add extra focus to something, yes, absolutely. Also, sometimes press reporting can get more people to come forward as witnesses or as examples, and that can help a previously stalled investigation

move forward. So you are absolutely right about the effect of public shame, public outrage. That matters.

It helps—it's easier to do that with an open register, but you know, we've got to start wherever we can. So closed registers, you can get quite a long way with that. The advantage of the open register, we found, for Britain at least—this may not apply in the U.S.—is that it is easier to get the public square engaged, not just through press but more generally. If you have an outraged middle class, digitally equipped, anywhere in the world that can see that the leaders of whichever developing nation it is have stolen half that nation's GDP and have invested it in real estate in London or in Manhattan, that's a very, very powerful political force, and it doesn't have to be a democracy to be shaken to its roots if that stuff becomes public.

You also asked about Brexit and the British Overseas Territories. I was mentioning earlier on that, you know, Britain does not have a monopoly on virtue here. We have further to go. We are in the process of getting our overseas territories—it's mainly a series of islands in warm seas dotted around the world—we're in the process of getting those different territories to introduce their own registers as well. They're starting from further back. Some of them are still recovering from hurricane damage from a couple of years ago, and many of them don't have financial sectors worth the name either, but some of them do. So, yes, we acknowledge that as one of the areas where we have to make progress. We have already made some, but it's an area we have further to go.

Mr. MASSARO. Thanks.

And I think we have time for maybe one or two more questions. Other questions from the audience?

[Pause.]

Okay. I'll ask a question, then. Thanks.

So, Minister Penrose, I guess to the point of kind of the commission's major interest in this—and that is how authoritarian regimes are operating and pushing their influence through the global financial system—I think maybe one of the most visceral and frightening examples of this has been the attempted assassination of Sergei Skripal and sort of the fallout around that on U.K. soil. I mean, this was a terrorist act on the soil of the United Kingdom by Russia, you know? [Laughs.]

So I'm just interested in your perspective on how this has played out in the sphere of anti-illicit finance, anticorruption, and what the United Kingdom is doing in response to this egregious act.

P.M. PENROSE. Thank you, Paul. And this is something which brought it home to the U.K. and I think it probably brought it home to other countries around the world as well, because until this moment most of the public debate, at least in the U.K., had been mainly around organized crime. That's a very serious problem. I'm not trying to minimize it. It's broad-based and there's a whole range of different activities. As Nate rightly said, criminals don't do crime for fun; they do it for money. And that was the major focus of attention.

With the advent of the attempted poisoning of the Skripals and eventually also, you know, clear evidence that it was Russian State actors behind it, that broadened the concern very greatly. And it was, incidentally, incredibly impressive, and I think Britain is enormously grateful to the international coalition around the world, including the USA, where diplomatically everybody said this is wrong and we will not put up with this, and

there was coordinated diplomatic action right the way around the world from people who care about our rules-based international system to say this is—you know, this is something which deserves public censure, and there were consequences that flowed.

And I think it brought it home not just to us, but to many other countries around the world, therefore, that we aren't just dealing with the organized criminals—although there may be an intersection between them and some sort of state actors—but we're also dealing with people who want to undermine our way of life and our society. And if you consider that the USA and the U.K. are, you know—if any two countries are behind the current global rules-based system, it's our two countries. We helped set this up over the last two global wars.

And you know, we need to make sure that this thing carries on and is not undermined by people who want to pretend that it is somehow invalid and lacking in legitimacy. It is absolutely essential, absolutely critical that we do not allow that to happen, because make no mistake, an awful lot of the populist rhetoric right the way through the developed world—Western Europe has it in spades in all the different countries in Western Europe, happens in North America too—the populist rhetoric about saying this system is corrupt, it is slanted, it is rigged against the people it purports to serve, that is the thing which will ultimately do for us if we let it.

And so, yes, the effect of foreign state actors is crucial. But as I said, you know, it doesn't—whatever the USA decides it wants to do in terms of, you know, not a public register, a private register open to investigators, okay. But the crucial thing here is just remember, ladies and gentlemen, first, it's really cheap to set one of these things up. You can do one of these things, set it up and maintain it for less money than it costs you to build a few kilometers of road. It's that easy. And just think of the benefits that you can get.

If you can make it available to your financial sector, then their know-your-customer requirements dramatically become cheaper, faster, easier, and more accurate. If you wanted to go further—you don't have to, but if you did want to go further and make it available to some of your corporate facilitators—so your lawyers, your accountants, your realtors as well—then their know-your-customer stuff, they will thank you in spades for that because their know-your-customer requirements suddenly become dramatically easier, simpler, faster, and cheaper as well. The amount of red-tape reduction you can get from having one place that tells people authoritatively what the answer is as to whether or not I should do business with this supplier or that customer, whether or not I should accept their account or not, I can get to that answer fast, reliably, and cheaply, is enormously powerful. It's economically sensible, as well as you rightly point out, Paul—politically, too.

Mr. MASSARO. Well, thank you very much, Minister Penrose. And thanks so much to the whole panel. If you're talking price tag I think you know your audience here, so that's great.

Thank you all so much for coming. And hope you learned something. See you around.
P.M. PENROSE. Thank you. [Applause.]

[Whereupon, at 10:15 a.m., the briefing ended.]



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