



End the Abuse of Anonymous Shell Companies

Creating a U.S. shell company requires less personal information than acquiring a driver's license and in some states, even a library card. The person setting up a company is not required to disclose the real individuals who control its activities or profit from its existence, otherwise known as the “**beneficial owners**.”

Without any accountability, lax incorporation laws allow any variety of criminals and bad actors — American and foreign terrorists, narco-traffickers, arms dealers, corrupt foreign officials, tax evaders, individuals targeted for financial sanctions — to easily and regularly set up U.S. shell companies through which to launder money without providing any information about who controls or benefits from their operation.

Using a complex web of anonymous corporations makes it nearly impossible for law enforcement to “follow the money” and figure out who is directing

the company's activity. Law enforcement officials can track the activities of bad actors, but once the money earned through illicit activities disappears behind an anonymous corporation, they lose the trail.

Oregon's lax requirements for providing proof of ownership when setting up a company lead to investigative dead-ends. In many cases, law enforcement have little to no ability to pull back the curtain on anonymous shell companies, and so fail to find the real culprits behind criminal activities. Legitimate corporations, operating under the law, have no reason not to abide by transparency standards—in fact, many real businesses do attribute their ownership to actual people. **Oregon's incorporation process is being abused by those who have no interest in legitimate business.** The state legislature has an opportunity to pass a bill to end the abuse of anonymous shell companies by requiring beneficial ownership transparency.

In recent years, there have been some particularly high-profile examples:



One of Ukraine's biggest medical suppliers, Interfarm, used an anonymous company from Oregon as a fake middleman to trick the government into purchasing vaccines at around double the cost price. Because Ukraine has very low polio vaccination levels, the law prohibits importers from marking up the price of medicines by more than 10%. The case was not contested and default judgment was awarded against the Oregon company in 2011. U.S. courts ordered the company to repay \$60 million to the Ukrainian state pharmaceutical supplier.



Victor Kaganov, who emigrated from Russia in 1998, worked on behalf of Russian clients funnel more than \$172 million into the United States and out to more than 50 countries using numerous Oregon shell companies. According to court documents, Kaganov did not comply with Oregon laws requiring him to obtain a license to operate the money transmitting business and he failed to register his money transmitting operation with the U.S. Department of Treasury, as required by federal statutes and regulations.



Kingsley Iyare Osemwengie of Las Vegas, Nevada, was part of a sophisticated drug trafficking organization that diverted legitimate medicine such as Oxycodone into the black market using Oregon shell companies. The traffickers used call girls to transport the drugs and Osemwengie used one of them as the nominee for an anonymous shell company used to launder proceeds from his scheme. The sheer volume of Oxycodone distributed, the geographic scope of the conspiracy, and the enormous profits generated also make this case one of the largest Oxycodone-trafficking conspiracy ever prosecuted in the United States.

Stop Shell Company Exploiters

It's time federal and state governments stopped allowing the abuse of anonymous shell companies. With greater transparency, states can assist local law enforcement in the pursuit of criminals and bad actors making money from their illicit activities and laundering it through companies incorporated in the state. Oregon must pass legislation that requires all American companies to disclose their ultimate owners to the government when they incorporate in the state and to keep this information up to date, and require the government entity collecting the information to make it available to law enforcement.

The bills set to be introduced in the Oregon state legislature succeed at curbing the abuse of anonymous shell companies. Together, the bills:

- Require Oregon business entities to declare beneficial owners upon formation and/or in their annu-

al report indicating who actually owns or controls these entities

- Make this information available to law enforcement and financial institutions

- Push for greater regulation of registered agents in the state by granting the Secretary of State more power to investigate suspicious shell companies



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