

HB 2191 End Oregon as a Cayman Island



House Committee on Business and Labor – Josie Koehne – 3.6.2017

The Portland Business Journal reports that the U.S. Treasury calls Oregon one of the four states most “attractive to those persons seeking to hide illicit activity within the framework of shell companies.”...“While there are legitimate uses for shell companies, organizations including the U.S. Treasury’s Financial Crimes Enforcement Network, the Financial Action Task Force and the World Bank say they can be used for a variety of white-collar crimes, including laundering money, dodging taxes and financing terrorism.” The Portland Business Journal’s Matt Kish had done some excellent investigative reporting over the years, including a 2015 piece that connected a house in Aloha to more than 1,300 Oregon shell companies, “making it the state’s version of a Cayman Islands hideaway of shell companies and a global web of “hundreds of millions of dollars” in fraud.”

Bill 2191 is designed by the Sec of State's office to combat the fraud that shell companies in Oregon have been doing at least since 2006. Most recently, The Business Journal says that "Oregon is among the worst at policing the formation of shell companies, thanks to the state’s light regulatory touch, commitment to quickly processing incorporation requests and relatively low costs."

This bill forcefully addresses such abuse by requiring clearer identification of owners, agents, and directors., etc. at the time of incorporation, and the company's physical address, not just a mail-forwarding address "that can thwart law enforcement when companies commit financial and other crimes." It also requires higher annual fees that will help defray the cost to investigate any suspect activity.

On Friday, March 5th , the Portland Business Journal reported Davis Wright Tremaine partner, Mark C. Phillips as saying that HB 2191 would add "unnecessary sand into the transmission of forming a company."

Is filing a paper with the Sec. of State's Office merely stating the names address and contact info of the registered agent of a corporation or LLC company's owners, paying an annual \$500 licensing fee and a few other requirements about work locations and employees all that difficult, time-consuming and onerous that they won't want to do business in Oregon? That's absurd. Considering what's at stake in terms of the consequences of fraud, that's a small price to pay to enable law enforcement to track down such costly illegal activity.

Phillips also states “Why does anyone believe that someone who is willing to set up these shell companies to do nefarious things is going to suddenly come into the sunshine? Of course they won't—they will file the articles and make the certification using a made up name and since the secretary of state is neither required nor will have resources to investigate, it is just going to create a pile of documents with certifications that are not worth anything.”

By this logic, we should not have stop sign laws, since poor drivers will run stop signs anyway!

If a company certifies under a invented name and is caught lying about its owners/agents and their actual addresses, that is committing perjury, and they can be prosecuted. To suggest that the Sec of State and the Attorney General will be unwilling or unable to investigate new or existing incorporation documents is overly cynical. It is a smokescreen to say that companies need lack of disclosure or we will scare off legitimate business activity. On the contrary, only illegitimate companies fearing prosecution will be put off, and that's just what this bill is designed to do.

House Bill 2191 also would give the secretary of state investigative powers and increased the authority of the attorney general to take legal action against such illicit companies.

We whole-heartedly support HB 2191.

We read the bills and follow the money