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Financial Crimes Enforcement Network

**FinCENnews**

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(703) 905-3770

**FinCEN Advises Financial Industry on Potential Risks of Shell Companies**  
*FinCEN to Continue Outreach Effort to States on Shell Company Formations*

The Financial Crimes Enforcement Network (FinCEN) today issued an advisory to U.S. financial institutions on identifying, assessing and managing the potential risks associated with accounts maintained for shell companies. Today's advisory is being released along with an assessment that shows that shell companies can be exploited by money launderers and other perpetrators of financial crime because of the lack of transparency in the formation process and the inability to identify beneficial owners.

In addition to the advisory being issued today, in order to address the issue of some states' lack of transparency in shell company formations, FinCEN will continue its outreach effort with the states to discuss potential solutions to the issue. And consistent with its mission, FinCEN is continuing to collect information and studying how best to address the role of certain businesses specializing in the formation of business entities in its effort to reduce money laundering and related vulnerabilities in the financial system through the promotion of greater transparency.

FinCEN's preliminary assessment is that, while legal entities like limited liability companies (LLCs) are legitimate corporate mechanisms, states whose laws do not require LLCs to disclose or report identities of members or managers are attractive to people seeking to form a shell company for illicit purposes. FinCEN surveyed state reporting requirements and, based on its preliminary understanding, categorized each state's degree of transparency in reporting requirements. There are 47 jurisdictions in the U.S. in which ownership of an LLC may legally remain unreported, depending on how the LLC is structured.

"While it is well-known that most states' reporting requirements are not that detailed in order to expedite the formation of shell companies, this is a practice that poses potential risks for money laundering and other financial crime," said Robert W. Werner, Director of the Financial Crimes Enforcement Network. "FinCEN is committed to working with states to try to reduce these risks by increasing transparency in shell company information."

FinCEN found that abuse of shell companies for illicit financial purposes is not limited to activity within the U.S. A review of SAR data indicates that suspected shell companies incorporated or organized in the U.S. have moved billions of dollars globally from bank accounts located in foreign countries, such as Russia and Latvia.

Attachments:

[Advisory on Shell Companies](#)

[The Role of Domestic Shell Companies in Financial Crime and Money Laundering:  
Limited Liability Companies](#)