

October 19, 2022

The Honorable Jack Reed
Chairman
Senate Committee on Armed Services
228 Russell Senate Office Building
Washington, DC 20510

The Honorable James Inhofe
Ranking Member
Senate Committee on Armed Services
228 Russell Senate Office Building
Washington, DC 20510

The Honorable Adam Smith
Chairman
House Committee on Armed Services
2216 Rayburn House Office Building
Washington, DC 20510

The Honorable Mike Rogers
Ranking Member
House Committee on Armed Services
2216 Rayburn House Office Building
Washington, DC 20510

Dear Chairmen Reed and Smith and Ranking Members Inhofe and Rogers:

As you resolve the differences between the House and Senate versions of the National Defense Authorization Act (NDAA) for Fiscal Year 2023 (H.R. 7900/S. 4543), the undersigned nonpartisan organizations — dedicated to combatting the harmful practices of corrupt financial actors through increased transparency— urge you to retain Section 5851 of the House bill in the final conferenced version of the legislation.

This provision would require covered companies to submit their beneficial ownership information, which would provide the federal government with the tools and data necessary to verify that it is contracting with legitimate corporations. Right now, the government provides too much discretion to contracting entities regarding submission of their beneficial ownership information, which has resulted in many companies' true owners electing to remain anonymous. This is a problem because anonymous companies have been involved in a wide variety of illicit financial activities that pose a national security risk, ranging from fraud to money laundering, organized crime, and terrorist financing. We need to be more diligent in collecting contractors' beneficial ownership information in order to strengthen our financial system against kleptocrats seeking to secretly benefit from our economy.

This provision would close loopholes in Section 885 of the NDAA from fiscal year 2021, which currently allows covered contracting entities to get away with concealing their beneficial ownership information. Additionally, this provision would allow the government to hold companies accountable if they fail to comply with submitting their beneficial ownership information.

While it is true that the government is making strides in terms of collecting beneficial ownership information through the ongoing implementation of the Corporate Transparency Act, protecting this provision remains critical in strengthening our nation's ability to deter malicious financial activity. While the Corporate Transparency Act covers almost all U.S.

companies, the registry is closed to the public and to contracting officials charged with protecting taxpayer funds. This provision critically allows the public and those contracting officials access to the information they need to better ensure the legitimacy of taxpayer funded contractors.

We urge conferees of the fiscal year 2023 NDAA to preserve the House-passed Section 5851 in the final version of the bill. This is an opportunity to improve the collection of beneficial ownership information, which is key to achieving a healthy federal contracting system. We appreciate your consideration of this recommendation to promote accountability and encourage fiscal discipline through the NDAA.

Sincerely,

Africa Faith and Justice Network

Anti-Corruption Data Collective

Financial Accountability and Corporate Transparency (FACT) Coalition

Global Financial Integrity

Never Again Coalition

Open Contracting Partnership

Project On Government Oversight (POGO)

The Sentry

Transparency International US