

Congress of the United States

Washington, DC 20515

July 18, 2017

The Honorable Gene Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G St., NW
Washington, DC 20548

Dear Mr. Dodaro:

For many decades, the Federal Aviation Administration (FAA) has been required by statute to register and record ownership history and lien information on civil aircraft, excluding unmanned aircraft systems. To be eligible for U.S. registration by the FAA, an aircraft must not be registered under the laws of a foreign country; must be owned by a citizen of the United States, a citizen of another country "lawfully admitted for permanent residence" in the United States, or a corporation that is not a citizen of the United States but is organized and doing business under the laws of the United States or a state and the aircraft is based and primarily used in the United States. Meanwhile, however, aircraft owners who are concerned about maintaining their registration's confidentiality are allowed to legally shield their identity by registering the aircraft with a trustee. Under this arrangement, the trustee takes ownership title of the aircraft and gives the trustor the right to operate it for his or her benefit.

In prior years, congressional concerns have focused on the use of false names and addresses of aircraft owners and airmen within FAA registrations, and the potential vulnerability for abuse. However, it appears that there are new concerns regarding potential abuse of aircraft registrations. Specifically, U.S. government and international reports indicate that companies with opaque or anonymous structures have become popular tools for facilitating criminal activity in the United States and internationally and can be involved in fraud, corruption, and other illicit purposes. These structures can make it easy to hide the beneficial owner—the real person who ultimately owns, controls, or benefits from a company and the income it generates. As such, these structures could also be used to mask aircraft ownership.

This lapse in beneficial ownership reporting is creating national security risks. As you are aware, the Department of Transportation's Office of Inspector General found that:

- "In January 2012, an FAA inspector was asked to look into a complaint that a Boeing 737 aircraft—registered on behalf of a foreign trustor—was operated contrary to current U.S. regulations and possibly for illegal revenue. The inspector contacted the trustor, but the trustor had leased the aircraft to a rental service that based the aircraft in the United Arab Emirates. The trustor was unable to provide the inspector with any information about who was flying the aircraft.
- In October 2006, a large U.S. bank became trustee of an aircraft on FAA's Registry under a trust on behalf of a trustor that was a Lebanese politician. To comply with Federal regulations on financial institutions, the bank had to obtain more information on the aircraft's owner. The

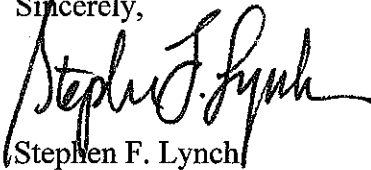
trustee discovered that the trustor was backed by a well-known U.S. Government-designated terrorist organization. The trustee resigned, and the trust was dissolved. As a result, the aircraft's registration was cancelled.

- The President of a foreign oil corporation previously owned an aircraft registered under a trust and sold a large percentage of his organization in March 2010 to a company owned by the Government of China. In March 2011, the Newsmax internet media outlet reported that the aircraft approached Tripoli International Airport with no landing permit just hours before the United Nations Security Council met to approve a “no-fly zone” over Libya.^[1]”

In order to provide additional information on the risks posed by the use of anonymous and opaque ownership of the aircraft of registered with FAA, we request GAO's Forensic Audits and Investigative Service, with the application of data analysis and investigative techniques where appropriate, examine:

1. How FAA assesses and manages risks related to the eligibility requirements of its aircraft registration program,
2. The extent to which FAA captures aircraft registrant information that can be used to aid its oversight as well as that of law enforcement and others
3. How anonymous or opaque ownership structures can circumvent existing aircraft registration requirements and any fraud risk-mitigation efforts, and
4. The extent to which FAA informs its law enforcement and national security partners about information regarding opaque ownership structures among its aircraft registration data.

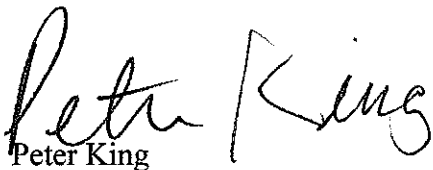
Sincerely,



Stephen F. Lynch

Member of Congress (MA-08)

Ranking Member of National Security Subcommittee, House Committee on Oversight and Government Reform



Peter King

Member of Congress (NY-02)

Chairman of the Sub-Committee on Counterterrorism and Intelligence, House Committee on Homeland Security

^[1] Retrieved from:

<https://www.oig.dot.gov/sites/default/files/Registry%20Management%20Advisory%20FINAL%201-31-2014.pdf>