U.S. DEPARTMENT OF THE TREASURY

Remarks by Deputy Secretary of the Treasury Wally Adeyemo on Anti-Corruption at the Brookings Institution

December 6, 2021

As prepared for delivery

Thank you to General Allen, Ambassador Eisen, and the Brookings Institution for inviting me to speak today.

This week, President Biden is hosting the inaugural Summit for Democracy. Representatives of 111 nations will discuss how we can collectively advance a system of government that provides people with the right to define their destiny, including efforts to fight corruption.

As those of you who work on these issues know well, there are good reasons to put anti-corruption at the center of our efforts to promote democracy. Democracy depends fundamentally on institutions and on trust. Institutions perform the fundamental work of democratic government—from faithfully representing the interests of the people to ensuring everyone pays the taxes they owe. Institutions, in turn, depend on trust—trust between citizens to resolve their differences through the democratic process, rather than outside it, and trust in government to provide effective leadership in times of calm and of crisis.

Corruption is corrosive to both. It siphons resources away from democratic institutions and erodes people's trust that these institutions will serve them in the first place. According to an IMF study, corruption costs governments $1 trillion in lost tax revenue each year.

Though we know why corruption is such a problem, how we combat corruption is often more challenging, especially where it intersects with the U.S. and global financial systems. Corruption thrives in the financial shadows—in shell corporations that disguise owners' true identities, in offshore jurisdictions with lax anti-money laundering regulations, and in complex structures that allow the wealthy to hide their income from government authorities.

This is not a problem that can be solved by law enforcement agencies alone. It is critical that finance ministries around the world play a central role in rooting out corruption. That is why Secretary Yellen has called on the Department of the Treasury to focus on combating corruption as part of the whole-of-government strategy announced earlier today.

Today, I'd like to share some of the nuts and bolts of Treasury's plan to combat corruption, promote democracy, and protect the integrity of the financial system. Our approach is driven by three major lines of effort: (1) Improving Transparency, (2) Increasing Enforcement, and (3) Deepening our Partnerships.

Let's take transparency first. For too long, corrupt actors have made their home in the darkest corners of the global financial system, stashing the profits of their illegitimate activities in our blind spots. A major component of our anti-corruption work is about changing that—shining a spotlight on these areas and using what we find to deter and go after corruption.

Shell corporations and front companies are one of these corners. Current U.S. law allows those seeking to hide their financial activities to form companies anonymously—without disclosing who ultimately owns and profits from them. That makes moving illicit funds into the U.S. financial system especially enticing for criminals and corrupt actors, and it makes it even more important that the federal government has the tools to prevent and combat it.

Let me provide an example. In March, the Department of Justice unveiled charges against 10 Iranian nationals for a scheme involving more than $300 million in illicit transactions on behalf of the Iranian government, including the purchase of two oil tankers. That scheme ran for nearly 20 years because its participants used U.S.-based front companies to hide the nature of their activities. This scheme was not only a crime, but it provided a state sponsor of terrorism with resources to fund activities that put our national security at risk

Over the last year, the Treasury bureau charged with administering anti-money laundering laws and regulations—the Financial Crimes Enforcement Network, or FinCEN—has been working hard to change this by implementing the Corporate Transparency Act. This law for the first time requires certain types of U.S. and foreign companies to disclose their beneficial owners—those who actually own or control them—when they are formed, registered in the U.S., or when they change hands. The law also enables FinCEN to build a central registry of this information that will be shared with law enforcement and national security agencies.

Treasury is taking an aggressive stance in its implementation of the CTA, pursuing an approach that will arm us with the information we need to deter and fight corruption at home and abroad. We are doing this in collaboration with the business community, who share our interest in rooting out corruption and protecting our national security. We are cognizant that new rules like this one can impose compliance burdens on companies, especially small businesses. This is why we are working to ensure the cost of compliance on average will be less than $50 per company.

Another of these dark corners is the real estate market. Today, certain all-cash real estate transactions are not subject to permanent anti-money laundering rules or requirements for beneficial ownership disclosure. As a result, our real estate markets are at risk of becoming a safe haven for criminals, kleptocrats, and others seeking to park corrupt profits.

For example, it has been reported that the brother of former Democratic Republic of the Congo president Joseph Kabila embezzled millions in government funds and stashed some of them in U.S. real estate worth nearly $3.5 million. He was reportedly able to turn these illicit funds into valuable assets by making these purchases in cash—taking advantage of this longstanding gap in U.S. anti-money laundering rules.

For nearly two decades, a bipartisan coalition of elected officials and experts have called for action to stop these forms of corruption from finding shelter in our economy. That is why, today,
Treasury announced FinCEN's release of an Advance Notice of Proposed Rulemaking that seeks public comment on how to close this loophole in the real estate market. We look forward to working with people like the experts in this room, local officials, and the private sector to develop a regulatory approach that will safeguard the integrity of our markets and root out corruption in American real estate.

The second prong of our anti-corruption work focuses on enforcement—using the new information we gather to go after corrupt actors with sanctions and other enforcement tools, and arming our law enforcement partners in sister agencies with the best possible information to investigate and prosecute crimes of corruption, like bribery, embezzlement, and extortion.

In October, Treasury released the results of our review of U.S. sanctions policy. The review offered several recommendations to modernize our sanctions tools, including to adopt a structured policy framework that ties our sanctions to clear policy objectives; renew our commitment to multilateralism; calibrate sanctions to mitigate unintended impacts; and modernize our sanctions technology and infrastructure.

Treasury is working with our colleagues across the government and our allies and partners on operationalizing the results of the review, including how to use our anti-corruption sanctions authority with these principles in mind. We also plan to use new resources like beneficial ownership data to help implement the review's recommendations and enhance the targeting and efficacy of our sanctions actions.

Treasury has designated 216 targets with our anti-corruption sanctions authority to date. Today, under this authority, Treasury is designating an individual for providing material support to Dan Gertler, a billionaire who amassed his fortune through hundreds of millions of dollars' worth of corrupt mining and oil deals in the Democratic Republic of the Congo, as well as 12 entities owned or controlled by this individual.

Treasury's enforcement actions go beyond sanctions—they also include criminal law enforcement. For example, the IRS's Criminal Investigation division has worked closely with the Departments of Justice and Homeland Security to investigate and prosecute a former Ecuadorian official who laundered bribery payments through the United States. The official, who accepted more than $5 million in bribes to direct government contracts to three reinsurance companies, was ultimately sentenced to more than 4 years in prison earlier this year. With per capita GDP in Ecuador standing at less than $6,000, cases like this highlight the role of corruption in both eroding trust in public institutions and undermining economic fairness.

Attempts by the wealthy and powerful to deprive the public of resources also exist within our own borders. Today, the top 1 percent of earners in the United States underpay their taxes by more than $160 billion each year, depriving every other American of the money we need to invest in things that benefit the whole country, like roads, childcare, education.

The President believes it is fundamentally unfair that the wealthy are allowed to play by a different set of rules when it comes to paying their taxes. That's why the Build Back Better Act includes substantial new funding for tax compliance, giving the IRS the tools it needs to identify and go after tax avoidance. This enhanced tax enforcement will not only generate $400 billion in revenue over the next decade, it will help deter tax avoidance and assist Treasury in identifying instances of corruption, working side-by-side with the tools provided under the Corporate Transparency Act.

This brings me to the final piece of our anti-corruption plan—partnership. We are working to expand our partnerships in the fight against corruption—with our allies and partners abroad, with the private sector, and with civil society groups.

We cannot stop corruption at home if we do not also help stamp it out abroad. According to data from SWIFT, more than 40 percent of global payments are conducted in euros or pounds—roughly the same share as the dollar. The globalized nature of the financial system means that our efforts to keep illicit funds out of U.S. markets cannot succeed if other jurisdictions offer an open door for them.

We're fortunate to have a growing consensus around this view. The UN, the G20, the G7 and the Financial Action Task Force—the FATF—are important partners, and we're working with them to ensure that many of the measures I've discussed today are applied elsewhere. For example, we're working with the FATF to bolster global standards for beneficial ownership transparency and remove opportunities for regulatory arbitrage.

And we're working with multilateral institutions like the IMF and World Bank to help incorporate rigorous anti-corruption standards into their lending policies.

Let me also take this as an opportunity to affirm our commitment to partnering with the private sector on anti-corruption efforts. Our transparency initiatives depend not only on implementation and compliance by the private sector, but also on the sector's proactive vigilance. Financial institutions and other private sector organizations must undertake robust due diligence and actively seek to avoid corrupt clients and counterparties to keep our financial system secure. Their efforts to gather and share this information help feed a virtuous cycle, allowing us to better target our actions and minimize costs on the private sector while protecting our national security.

And, of course, we are grateful for the continued partnership of civil society to investigate corruption and provide us with critical information to inform our anti-corruption priorities, policies, and enforcement. We want to work toward deepening this partnership in the months and years to come.

In closing, I want to reiterate our fundamental view that nobody should be able to play by a different set of rules. That's why Treasury will remain focused on ensuring the rich, the powerful, and the corrupt cannot use the global financial system to protect their illicit assets or avoid paying their fair share.

In doing this work, Treasury's goal is to promote democracy, to safeguard America's national security, and to protect the fairness and integrity of our economy.

I believe that with the new actions we've announced today, and the ones we will announce this week and in the future, we are closer to those goals.

With that, I'm looking forward to our conversation.

# # #