Remarks by Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg at the Union of Arab Banks Conference

February 3, 2022

As prepared for delivery

Good afternoon and thank you to the Union of Arab Banks for the invitation to speak with your member institutions today. The UAB has an impressive breadth of membership, and I appreciate the opportunity to address financial experts from across the Middle East and Africa.

My name is Elizabeth Rosenberg, and I'm the United States' Assistant Treasury Secretary for Terrorist Financing and Financial Crimes. When my predecessors have addressed this group they have focused their remarks on countering terrorist financing – and without a doubt, that remains a crucial priority for America.

Hizballah still funnels tens of millions of dollars to its agents – not just by using cash couriers, but via bank transactions and currency exchange operations. In Somalia, Al Qaida's wealthiest affiliate, Al Shabaab, is laundering a sizable portion of its $100 million in annual revenue through front companies. Every individual involved in the global financial system has a responsibility to ensure terrorists cannot bend it to their use. That message is the same as it ever was.

But there is also an equally important message that I want to bring to you today. That is this: terrorist financing is not the only threat plaguing our financial system.

The past decades have borne witness to a global corruption boom. Around the world, some individuals have sought to avoid taxes, obscure their ownership and transfer assets that may be the profits of ill-gotten gains. These individuals are increasingly laundering their assets through complex networks of shell companies or transactions involving art, real estate and, occasionally, cryptocurrencies. Sometimes those gains are illicit, like when kleptocrats siphon off money from the public coffers, and sometimes they are legitimately earned but hidden to evade taxes. But what links all corrupt acts are two things:

One: They take resources from everyday citizens, undermine public trust, and—ultimately—threaten the very foundations of a fair society

And two: Nearly every act of corruption flows through the formal financial system, the system we are all a part of, which means all of us have the ability–and the responsibility–to stop it.

The United States is committed, now more than ever, to do our part to stop global corruption. The Biden Administration has established the fight against corruption as a core national security concern and featured anti-corruption initiatives in the first-ever Summit for Democracy in December 2021.

Furthermore, countering corruption is a particular priority for the U.S. Department of the Treasury. Our Secretary and Deputy Secretary, have both offered their views and perspectives on how we must combat this ill at home and abroad.

Let me now turn to an immediate example of what corruption can do – that is what's happening outside the room some of you are sitting in. Lebanon, per the World Bank, is experiencing one of the three worst banking crises since the year 1857. The country's economy contracted by over thirty percent in real terms between 2019 and 2021. Half the population has been swept underneath the poverty line and shortages of fuel, baby formula, and even cancer medication has become common place.

There is a set of reasons this is occurring: For years, successive Lebanese governments made economic decisions based not on needed reforms, but on patronage networks and back door deals between political parties, including Hizballah. At the same time, the Lebanese people put their money in the country's banks. They trusted when they made a deposit, they would be able to make a withdrawal. But that's not what has happened. Since Lebanon defaulted on its bond payments in 2020, the country's banking system has effectively become a vault that only a select few can access.

Of course, Lebanon is not alone. Across the world we see corrupt political elites infecting their countries' economies. Within the UAB, we have seen upticks in capital flight from Libya, Tunisia, and Somalia as some elites look to siphon resources while they retain power and move their assets to safer harbors. In Sudan, entrenched power brokers prioritize their ability to continue profiting from rent-seeking activities over necessary political reforms and transitions. In Iraq, investigators continue to fight an uphill battle to recover stolen state assets embezzled by some former elites. And of course, there are many examples from beyond this region.

While some financial institutions may have prioritized anti-corruption best practices, many banks haven't done enough. We all need to maintain vigilance to ensure that our banks and bankers do not facilitate corruption. In countries across the region, we have seen trends in which some politically exposed persons have sought to hide their ill-gotten gains through transfers to secondary jurisdictions, under both themselves as well as family members' and associates' names. This is something that banks have a responsibility, indeed an obligation, to identify and halt.

As I mentioned, this corruption is not a just local problem. It is not even a regional problem. Every time an oligarch or a kleptocrat or a human trafficker turns their power into money–or their money into power–it creates a geopolitical ripple. The fraud erodes the trust investors have in a nation's institutions and deters foreign investment. It chips away at the trust that citizens place in their own country, too, and the distrust creates unrest. Unrest creates upheaval, and, in some cases, it leads to violence.

We should also be clear that when people siphon off money in one country, it usually doesn't stay there. When the former president of the Gambia allegedly stole hundreds of millions of dollars from his people, some of it ended up in a mansion ten miles outside of Washington, DC. We are all made party to one another's lack of vigilance.

I know these are difficult topics to grapple with. It's not a pleasant conversation. But we must face it head on. In the United States, we are doing just that.

America acknowledges that it has its own corruption problem. The markets of the United States are arguably the most popular place for criminals, both foreign and domestic, to launder their money. Our financial system provides too many shadows in which they can hide, in large part because of how our states allow people to establish shell companies. They can do it anonymously, without disclosing the "beneficial owners."

We're changing that now. As part of the Biden Administration's new anti-corruption strategy, the Treasury will soon require many U.S. and foreign companies to report their true beneficial owners and to update that information when those beneficial owners change. We are also committed to working with you and your governments to uncover and disrupt the transnational financial flows that launder the proceeds of corruption.

Now, we are asking you to do your part too. We will all be stronger, more secure, if every bank represented here builds and maintains strong compliance programs; programs designed to identify and disrupt the onboarding of customers and the processing of transactions involved

bribes or expropriated government funds. Enhanced due diligence is imperative when it comes to dealing with politically exposed persons, particularly from countries facing instability likes Lebanon, Iraq, Sudan, Libya, Somalia, and Ethiopia. We also expect the UAB to continue to implement strong compliance measures when it comes to Iranian, Syrian, or other sanctions evasion.

Additionally, we encourage you all to share information regarding corruption in a collaborative way. Corrupt actors will always seek to take advantage of the weakest link and it is to all of our benefit that they do not find it here. This message regarding information sharing, and my urging for strong compliance programs, is one I offer to banks everywhere. As I mentioned, we are all stronger, and more secure if we can work together on these crucial priorities.

Turning to compliance—It is a reality that there are real costs. I know you all think carefully about this matter. Implementing a good AML program takes money and manpower. But trust me, the cost of compliance is far, far cheaper than the cost of not complying.

This is a new era for financial compliance. In the aftermath of the 9/11 attacks, we worked together – my country and your banks – to ensure that terrorists could not use the financial system to carry out their crimes. In fact, we helped turn the financial system back against them, using knowledge of money flows to disrupt their work. Now, we intend to do the same for corruption.

The United States will not tolerate corruption or those who turned a blind eye toward it. We hope we have your support in this effort and your partnership.

And please know, that my team and I are ready work with you to build a fairer, more transparent, less crime-ridden financial system. As much as I hope you take my message to heart today, I am eager for your advice and thoughts.

Thank you.

###