Remarks by Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg at the Association of Certified Anti-Money Laundering Specialists (ACAMS) Hollywood Conference

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As prepared for delivery

Good morning, everyone. My name is Elizabeth Rosenberg, and I am the Assistant Secretary for Terrorist Financing and Financial Crimes at the U.S. Department of the Treasury.

When I was invited to speak late last year, I planned to give a very different speech. But the world has changed in only a few months.

Since early February, I have spent most of my time in a variety of windowless rooms: SCIFs in the bowels of the Treasury Department building, conference rooms in European capitals, even the White House Situation Room, where colleagues and I have poured over the technical details of the set of sanctions that hold Russia to account for its brutal and illegal invasion of Ukraine. Of course, the United States was joined by many allies in this effort.

As long as I live, I’ll always remember the pre-dawn hours of the February night when the Russian missiles started raining down in Ukraine. I was rushing to finalize the Treasury Department’s contribution to the emergency White House meeting that set in motion our nation’s extraordinary, severe sanctions response to this terrible invasion. While I hammered away on the keyboard that night, finishing my document, I heard the first report of a single missile, then there were dozens, then I lost count.

Sometimes in public service, it’s easy to forget why you do the work. It can be a job just like any other. But this isn’t one of these times. This is a moment of moral clarity for those of us in public service. The career staff at Treasury and around the U.S. government are doing extraordinary work. And we know why we’re doing this work: we’re thinking about the people in Ukraine – teachers, programmers, grandmothers – who’ve been forced to flee for their lives or have chosen to bravely defend their home against their Russian aggressors.
I know we in government are not alone in feeling this way. The past month, it’s been heartening -- how quickly the private sector has met the moral clarity of the moment, too. Major financial institutions and financial service providers have joined the hundreds of companies that are suspending or outright withdrawing from Russia. It’s an enormous, very rapid wave of de-risking. You can’t buy a Big Mac in Moscow anymore. Or Russian oil in Florida. The world's largest country has become an economic island.

In this war there is a big and powerful homefront – it includes a large collection of allies who are all taking significant actions to deny Russia the opportunity to earn or access money to sustain its brutal invasion. I would argue that included in that list of the most crucial allies on this front are the people I am speaking to right now.

We cannot hold Putin and his support structure to account just by denying Russians Western goods, technology, and services and Russia’s place in the community of law abiding nations. We must lock designated individuals and entities out of our banks. We must deny them the quarter of anonymous shell companies, the safety of golden passports, and the shadows in which to hide their wealth – secret real estate transactions and million-dollar works of art.

In other words, we must pull down the golden mask that Russian kleptocrats and oligarchs have used to traverse the globe with privilege and immunity these past several decades. We must deny them the benefits that corrupt power and stolen wealth have purchased for them.

History has thrust the compliance sector into the center of events. Things are changing quickly, and they’ve never been more important at any point since 9/11.

The question I want to address today is: How must you adapt your work to meet the moment?

Eight years ago, Treasury’s Financial Crimes Enforcement Network – FinCEN -- issued an advisory to U.S. financial institutions. The subject was promoting a culture of compliance – to make sure all financial institutions take their Bank Secrecy Act (BSA)/Anti-money laundering (AML) obligations seriously; that they fully understand and manage the risks, properly resource their efforts, and ensure they are effective.

Now, Russia’s war has meaningfully expanded AML and sanctions obligations, we should revisit this topic: What must a culture of compliance look like in a world where autocracy is on the rise, where we’re seeing basic international norms shattered by major powers for the first time since World War II?
First, we need an updated approach to considering and managing risk. BSA/AML compliance cannot be a check-the-box function. It can’t be something that financial institutions manage with any measure of passiveness, only adapting once there is a directive from government – or worse, only adapting once they’ve seen a bad actor slip through the gaps.

Geopolitical events are evolving fast, and we need financial institutions more than ever to act swiftly as we in the government are pushing out new designations and advisories almost daily. We need you to quickly understand your exposure to individuals, on the other side of this conflict. I am specifically referring to how you think about risk and enhanced due diligence when it comes to Russian oligarchs and kleptocrats who may not have been priorities for your compliance efforts in early February but are now crucial players, supporting Putin’s power structure.

Things used to happen more linearly – Treasury would release sanctions. You’d take time to review and understand them. Then adjust your compliance efforts accordingly. We don’t have the luxury of that leisure anymore. Everything is happening in real-time, simultaneously, and we must move quickly in order to block those that fund and support Russia’s war against Ukraine.

Second, we need the public and private sectors to share more information, more quickly – and build new methods to facilitate that sharing. We must improve information sharing across borders, between financial institutions, and with the government.

The Russian elite are extremely adept at hiding their wealth. Our compliance efforts couldn’t be up against a tougher adversary, and we will not find their assets if the financial intelligence remains fractured – with some data at Treasury, other data in your compliance offices. We need all the puzzle pieces.

Along with our foreign partners, the U.S. government has started to build the systems to collect those pieces – and put the full picture together. Last week, the G7 nations, along with the European Commission and Australia, launched the Russian Elites, Proxies, and Oligarchs—or REPO—task force. It will take every available step to find, restrain, freeze, and where appropriate, to confiscate the assets of those who have been sanctioned in connection with Russia’s invasion of Ukraine.

The U.S. Treasury also launched last week the Kleptocracy Asset Recovery Rewards
Program—or KARR program. This is the oligarch tip line (and also e-mail inbox), where the public can provide information leading to the seizure of assets linked to Russian government corruption. And in the past two weeks FinCEN has issued two important advisories to help those in compliance better identify Russian sanctions evasion and suspicious financial activity including through real estate, luxury goods, and other high-value assets.

Third, we must work harder to close loopholes.

In the United States, we’ve begun the process, by building a beneficial ownership database—a list of who owns what companies, including shell companies—so kleptocrats and criminals can’t hide their wealth here. We’re also working on new rules for real estate disclosures, to prevent money launderers from hiding behind large all-cash residential property purchases. And we’re ensuring that these principles are taken up by the wider world. We’ve worked with the Financial Action Task to revise the standard on beneficial ownership, which was adopted last month. But of course, this is just the beginning. We need all countries to do more.

Beyond these money laundering loopholes, I am also particularly concerned about the golden passport loophole.

Right now, around the world, there are fourteen known citizenship-by-investment programs—CBI programs. Essentially, you can be a foreign national but quickly gain citizenship (and the associated passport) of a different nation, if you buy real estate there. Or you can invest in a local business or government fund.

Many of these programs are legitimate. The countries need them to raise revenue and attract capital, but they have also been abused. Jho Low, the financier known as the Malaysian whale, pillaged that country’s sovereign wealth fund—then escaped capture--by using various official government identity documents. He had Cypriot, Maltese, and St. Kitts & Nevis passports.

We cannot let that happen. We cannot allow these people to continue to abet and commit crimes. We cannot let these “citizens” fund and assist Russia’s illegal and immoral war effort.

Not everyone works a job that gives them the chance to effect the course of history. It’s probably pretty rare when that happens. Perhaps Secretary Yellen, who has been a brilliant leader in the economic response to Russia’s war, did not expect it. Perhaps some of you, when you got into this business, didn’t expect it either.

But here are we are. So many of you have reached out to us at the U.S. Treasury Department.
because you want to do your part to oppose and condemn Russia’s brutality in Ukraine. You tell us that you see your work as part of the broader effort to deny Russia financial safe haven in the face of expansive international sanctions.

The fate of Ukrainian democracy and the strength of democracies to push back against autocracy *writ large* depends on whether we do our jobs – and whether you do AML and Russian sanctions compliance work well.

Thank you.

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