ISTANBUL — While in Istanbul, Türkiye, the U.S. Department of the Treasury's Under Secretary of the Treasury for Terrorism and Financial Intelligence Brian E. Nelson met with the Banks Association of Turkey to discuss the implementation of international sanctions on Russia for its war against Ukraine. The U.S. Treasury, including the Office of Foreign Assets Control, regularly engages with the private sector to help address questions and concerns about the implementation of U.S. sanctions.

As Prepared for Delivery:

Thank you for hosting me here today, and for the opportunity to discuss the profound illicit finance challenges that we all face.

This is my first visit to Türkiye in my role as the U.S. Treasury Under Secretary, and I am thrilled to have this opportunity to discuss the profound illicit finance challenges we face today—and how we can work together to address them.

We find ourselves in a particularly difficult moment—nearly one year from the start of Russia’s illegal war in Ukraine; reckoning with economic inequities; facing mounting costs from global corruption, which corrodes societies and capitals around the world; and grappling with evolving threats like those from rogue states and terrorist groups.

Our ability to manage these complex challenges depends in large part on the partnerships we forge and cultivate between governments and with the private sector. We depend on your efforts and are grateful for the important work that you do each day.

At the U.S. Treasury Department, we approach these issues introspectively as well. We recognize that while these issues may originate outside of America’s borders, it is often vulnerabilities within the United States that illicit actors exploit to move, launder, or hide their dark money.
The responsibility, therefore, falls to all of us, from Washington to Istanbul, and financial centers globally, to address the weaknesses in our financial systems: to root out financial crime, shine light on the financial shadows that illicit actors exploit, and work toward a more equitable and inclusive global economy.

AML/CFT VULNERABILITIES REAL ESTATE AND BENEFICIAL OWNERSHIP

Our work must begin with concerted efforts to close off the vulnerabilities in our countries’ anti-money laundering/countering the financing of terrorism (AML/CFT) regimes, so that illicit actors—including corrupt officials, terrorist financiers, and criminals—cannot move their money with impunity or anonymity.

Real estate is one sector that remains vulnerable to exploitation by illicit actors both in Türkiye and the United States.

In the United States, we’re working hard to assess the illicit finance threats posed by the real estate sector. We’re committed to taking steps to enhance transparency, so that opaque real estate purchases are not a go-to method for money laundering.

The private sector plays a critical role in addressing these risks, including by conducting extra scrutiny into real estate transactions to help prevent domestic and foreign criminals from laundering funds through luxury real estate and other high-value assets.

Just last week, my department released an alert to the U.S. private sector on potential U.S. commercial real estate investments by sanctioned Russian elites, oligarchs, and their proxies.

We have also issued an alert to the U.S. private sector on Russian elites and high value assets. Both alerts include some helpful red flags which I encourage you to review and incorporate into your corporate due diligence and compliance procedures.

In addition, I urge you to consult the “Risk-Based Approach Guidance for the Real Estate Sector,” which the Financial Action Task Force (FATF) published last July.

Another systemic illicit finance challenge that we’re focused on both domestically and abroad is company ownership, and the continued challenges in identifying the beneficial owners, that is, the real people who own and control corporate structures.
Beneficial ownership and real estate are just two of the areas where our two countries must work to mitigate illicit finance risks, but others exist too.

RUSSIA

Addressing these vulnerabilities is all the more important today given the scale and scope of illicit actors moving ill-gotten gains across the international financial system, including through Türkiye. We should all aim for our financial systems to be the ones that can effectively detect, disrupt, and deter the flow of dark money rather than the ones that permit and enable illicit activity.

The risks and consequences of this illicit activity are palpable, and nowhere are they more pronounced than in Russia. As you know, Russia’s illegal invasion of Ukraine prompted an international coalition of over 30 countries—representing over half of the global economy—to impose an unprecedented set of sanctions and export control restrictions on the Russian regime and its enablers.

So long as Russia’s aggression persists, the United States and our allies and partners will continue expanding these measures and will work relentlessly to counter Russian abuse of the global financial system to fund its unjust war.

As part of our coordinated efforts, we are working to stop and prevent Russian efforts to circumvent international sanctions and financial controls in dozens of countries, including Türkiye.

I was just in the United Arab Emirates, where I also spoke about systemic illicit financing concerns related to Russia and beyond, and the dangers of countries being permissive of dark money flowing through their financial systems.

Turkish businesses and financial institutions are on the front lines of this fight. It is imperative that we work together to improve transparency, which is key to bringing additional foreign investment and economic growth.

We of course recognize Türkiye’s reliance on Russian energy imports and trade in agricultural goods, and continue to work to mitigate adverse impacts to these economic activities.

However, the marked rise over the past year in non-essential Turkish exports or re-exports to Russia makes the Turkish private sector particularly vulnerable to reputational and sanctions
risks. This is being driven by Moscow.

Moscow is seeking to use increasing economic ties, which are not transparent, to exploit other jurisdictions and counter international sanctions.

The Russian government, state-owned enterprises, and financial institutions tend to engage in misleading transactions to circumvent international sanctions. Notably, Russian banks have promoted deceptive payment practices and have executed payments that conceal information.

In engaging with sanctioned Russian entities, Turkish businesses and banks could put themselves at risk of sanctions and a potential loss of access to G7 markets and correspondent relationships.

Turkish businesses and banks should also take extra precaution to avoid transactions related to potential dual-use technology transfers that could be used by the Russian military-industrial complex.

Additionally, Russian oligarchs and government officials have continued to buy property, dock yachts, run businesses, and receive services for their property in Türkiye.

To mitigate these sanctions risks, I encourage you all as financial institutions to conduct enhanced due diligence on transactions with Russian entities and individuals, including in sectors particularly vulnerable to exploitation.

I had a great series of meetings with Turkish government colleagues on this topic as well.

Importantly, such due diligence should go beyond checking the U.S. and other sanctions lists. The screening should also capture any companies and proxies that sanctioned Russian and Belarusian actors use as fronts for their transactions.

The same approach should apply to any category of transaction that may run the risk of exposing your businesses to exploitation by a range of illicit actors.

**BROAD ILlicit FINANCE RISKS**

I recognize that as an international trade hub with proximity to conflict zones, Türkiye faces unique challenges that create vulnerabilities, including exploitation by other rogue states, terrorist groups, organized criminals, and corrupt actors.
While as governments we are working on curbing these threats in international fora, as you know, there are areas where governments generally do not adapt as quickly as the private sector to address evolving illicit finance threats. As such, I request that you take independent steps to protect the integrity of the Turkish financial system and minimize risks to your business reputation.

We are eager to deepen our partnership with you to mitigate these risks.

CONCLUSION/FINANCIAL INCLUSION

I’d like to close with some reflections on issues we face in my own country, that may resonate with you all as well. Earlier this month I traveled across America’s West Coast to speak with businesses about the array of compliance challenges that they face.

Like many of you, U.S. companies are doing important work to protect against issues like transnational crime, money laundering, and drug trafficking—challenges that affect so many countries. But they are also focused on steps to spread the benefits of financial access to broader swaths of the population—especially marginalized or vulnerable groups.

After all, safeguarding our financial system is not just about preventing crime, it’s also about ensuring equity and inclusion across the global economy: so that political elites play by the same set of rules as everyone else, so that criminals don’t exploit everyday people, so that we preserve and uphold the rule of law, and so that people across the globe can ultimately live in a fair society.

Mitigating illicit finance risks is an essential precondition for broad financial inclusion and access.

Addressing these risks also makes for a more appealing business environment, which ultimately encourages foreign direct investment and helps accelerate economic growth.

We at the Treasury Department are committed to working with you on these efforts.

Thank you again for taking the time to be here and I look forward to the discussion today.