Remarks on Illicit Finance by Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg in Sydney, Australia

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SYDNEY - Today, Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg spoke at a roundtable of banks in Sydney, Australia to discuss illicit finance issues.

As Prepared for Delivery

Good morning, everyone. My name is Elizabeth Rosenberg, and I am the Assistant Secretary for the U.S. Department of the Treasury’s Office of Terrorist Financing and Financial Crimes. My office guides U.S. Government’s efforts to address money laundering, terrorist financing, proliferation financing, financial sanctions, and our national security priorities in economic statecraft.

I am in Australia to meet with my counterparts here to strengthen our cooperation on all of these issues. Being on the financial front lines, you all know best how criminal and geopolitical adversaries rarely remain still or respectful of national borders: they will look for the weakest link they can exploit.

This is why I believe we all have a part to play in disrupting and stopping illicit financial flows. This makes you essential partners in our fight to protect the integrity of the international financial system. We are most effective when our governments—and our private sector—work together.

The financial threat landscape certainly features immense and daunting challenges. Just over a year ago, Russia launched an invasion into Ukraine which altered how the responsible countries of the world interacted with a G20 economy. Over 30 countries, including Australia, put into place the most comprehensive and multilateral economic pressure campaign in history. Over the past year, you all have had to implement sanctions and other restrictions against thousands of entities, including against Moscow’s largest financial institutions and state-owned enterprises. Your efforts have yielded dramatic results. Russia has lost access to its reserves abroad, is unsustainably using its fiscal buffers to keep its economy afloat, and is faced with steep cuts to the revenue that it needs to fund its invasion of a sovereign nation.

In addition, the explosion and pace of developments in the virtual asset space are, frankly, astounding. This can often mean that industry treats regulations and financial crimes compliance as
an afterthought. While governments should be weary of stifling innovative spirit, we cannot forsake the obligation to promote financial integrity and protect people and financial systems from fraudsters and criminals.

I am intrigued by the potential legitimate use cases for decentralized finance—yet I know that illicit actors are constantly looking for effective ways to hide criminal activity and the laundering of their proceeds. This is a threat to DeFi services or other elements of the virtual asset ecosystem. For this reason, my team is actively working on and will soon publicly release an illicit finance risk assessment on DeFi.

Some of the illicit finance risks pertaining to virtual assets are best illustrated in the North Korea context. North Korea-affiliated actors have conducted ransomware attacks, stolen hundreds of millions of dollars’ worth of virtual assets, and laundered their ill-gotten funds through mixers and other virtual asset service providers to fund North Korea’s illegal nuclear and ballistic missiles programs.

I am interested in discussing with you solutions to address and prevent this and many other forms of financial crime. One important tool for addressing illicit finance broadly is a more robust understanding of beneficial ownership. Just this past month, the Financial Action Task Force (FATF) adopted guidance to help countries and the private sector implement last year’s revisions to FATF Recommendation 24 on the transparency of legal persons, and endorsed enhancements to Recommendation 25 relating to the transparency of legal arrangements. These improvements will raise the standards required for beneficial ownership information transparency. Though effectively implementing these changes will be challenging for many jurisdictions, I believe that these enhancements to the international standard for beneficial ownership information transparency will be a major step towards denying illicit actors the ability to hide their funds across both of our jurisdictions, and others.

Yet amid all these changes, the tried-and-true solutions remain the same. We must constantly re-examine risks, share information with relevant stakeholders, and create a risk-based culture of cooperation and compliance.

Lastly, I want to address something very specific to the region. Much as the United States and our financial institutions have challenges reaching or serving some under-banked populations, I know that you all have similar concerns with your relationships in many Pacific Island Countries. There is a clear imperative to work with the Pacific Island Countries on financial inclusion, development assistance, and economic stability. I can tell you that both the United States and the government of Australia are one hundred percent bought-in to support these goals. Last September, President Biden announced $810 million dollars to expand programs seeking to improve the lives and
wellbeing of those in the Pacific Islands. My Treasury colleagues and I are highly focused on understanding and addressing challenges with correspondent banking in the region.

From my position as a policymaker, I am eager to learn more about how you are assessing risk regarding your correspondent banking relationship with the Pacific Islands Countries and to work with the Australian government and you all to mitigate de-risking and promote strong correspondent banking ties.

With that, I turn it over to you to hear your perspectives on these important issues and how we can continue our strong partnership in addressing these challenges. Thank you.