


Remarks by Assistant Secretary Elizabeth Rosenberg at Multilateral Roundtable on De-Risking

May 17, 2023

WASHINGTON – On May 17, Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes Elizabeth Rosenberg hosted a roundtable with representatives of finance ministries from Australia, Canada, Japan, New Zealand, and the United Kingdom to discuss the U.S. Department of the Treasury’s recent [strategy to address de-risking](#). 

As prepared for delivery

Thank you, everyone, for joining this conversation today. I’m excited for what I am sure will be a great exchange.

As you all know, on April 25, the U.S. Treasury released a strategy to address de-Risking—the first such strategy released by the United States. The strategy, mandated by Congress as part of the Anti-Money Laundering Act of 2020 (or AMLA), includes a formal review of financial institution reporting requirements and advances recommendations to address the issue of de-risking. “De-risking” occurs when financial institutions terminate or restrict business relationships indiscriminately with broad categories of customers rather than analyzing and managing the risk of those customers. De-risking is therefore inconsistent with the risk-based approach that is the cornerstone of the Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) regulatory framework for U.S. financial institutions, and global AML/CFT standards more broadly. Widespread access to well-regulated financial services facilitates financial inclusion, promotes competition, reduces the incentive to use unregistered financial services, and ensures that well-regulated financial systems remain central to international finance. These are all U.S. public policy goals.

By contrast, de-risking can undermine several key U.S. government policy objectives, that you likely share in some form. It drives financial activity out of the regulated financial system, hampers remittances, prevents low- and middle-income segments of the population from efficiently accessing the financial system, and prevents the transfer of humanitarian aid and disaster relief. De-risking can also cause economic damage in strategically important regions by preventing individual remittances from flowing efficiently.

It is a priority of the Biden-Harris Administration to shape a safer, more transparent, and more accessible financial system, while at the same time maintaining a robust framework to protect the U.S. financial system from illicit actors and bolstering national security. My message to you today is that it is therefore imperative that we address this complicated issue head-on and develop sound policy mechanisms to advance these core interests and limit harmful de-risking. The Treasury Strategy to Address De-risking is a key step in that direction.

During the review that formed the basis for the strategy, Treasury conducted consultations over the last year with more than three dozen public- and private-sector stakeholders, including non-profit organizations (NPOs), financial institutions, and regulators. This effort builds on the last decade of work by Treasury, in partnership with the federal banking agencies, to combat de-risking.

The strategy analyzes the potential drivers of de-risking, finding that profitability is the primary factor in financial institutions' de-risking decisions. It notes, however, that profitability is influenced by a range of factors, such as a financial institutions' available resources and the cost of implementing AML/CFT compliance measures and systems commensurate with the risk posed by a customer. The strategy also assesses other factors, including reputational risk; risk appetite; a lack of clarity regarding regulatory expectations; and regulatory burdens, including compliance with sanctions regimes.

Finally, the strategy offers a range of recommendations to address de-risking. Among the recommendations are promoting consistent regulatory expectations; providing better incentives to U.S. banks to avoid de-risking; and advancing forms of public and private engagement.

Today's event will give us an opportunity to discuss the issue of de-risking and our various strategies to address it in greater depth. Moreover, it is a valuable chance to bring together a key group of international partners who are like-minded and similarly situated with regard to de-risking. You represent a group of countries with large correspondent hub banks and remittance-sending diaspora communities. That means you all are in a prime position to observe the phenomenon of de-risking and its consequences, and to work with us to together address some of the vulnerabilities we see for countries and jurisdictions most severely affected by financial de-risking.

Thank you all again for joining us today, and for your work and partnership in addressing this phenomenon.