

# U.S. DEPARTMENT OF THE TREASURY

## Remarks by Secretary Janet L. Yellen on Anti-Corruption as a Cornerstone of a Fair, Accountable, and Democratic Economy at the Summit for Democracy

March 28, 2023

WASHINGTON – Today, as part of the Biden-Harris Administration’s second Summit for Democracy, Secretary Janet L. Yellen brought together leaders from government, civil society, and international organizations to discuss efforts to counter corruption and illicit finance in order to uphold the rule of law, promote good governance, and ensure an equal economic playing field. In late 2021, the United States announced its first-ever whole-of government [strategy to counter corruption](#), and has been implementing the strategy throughout 2022 and 2023.

As part of Treasury’s anti-corruption work, the Secretary today announced the launch of a commitment by the United States and more than twenty foreign governments and authorities participating in the Summit to enhance beneficial ownership transparency. This commitment is in line with the revised FATF standard, which requires countries to improve the transparency of legal persons, like shell companies, and to prevent their misuse.

**[Click here to read the Summit for Democracy Commitment on Beneficial Ownership and Misuse of Legal Persons.](#)**

*Remarks As Prepared for Delivery*

Thank you very much for joining me here today at this important event. This week, leaders from democratic countries are gathering all across the world to discuss the threats democracies face and how to overcome them.

As you know, corruption is among the most corrosive of those threats. Corruption erodes democracy and the rule of law. It hinders the business environment. It precludes essential government services from getting to the people who need it. And it exacerbates transnational challenges like migration, organized crime, extremism, and instability—threatening our national

security.

At the first Summit for Democracy in 2021, I described corruption as a “common adversary” for democracies everywhere. Since then, we have all witnessed the dangers and damage that this adversary has inflicted across the globe.

Corruption has fueled the rise of kleptocratic regimes that are divorced from the interests of their own citizens. It has consolidated the power of autocrats to repress and harm opponents at home and abroad. Corruption allowed Vladimir Putin and Russian oligarchs to squander their nation’s wealth to fund their illegal war against Ukrainian civilians. Last month, I saw firsthand in Kyiv the tragic impact of Russia’s barbaric attacks. Corruption has also fueled political dysfunction in countries like Lebanon. It has subjected nations to cycles of deteriorating economic conditions.

Democracies, including our own, are not immune. We know that corruption’s effects spill across borders. We have seen corrupt foreign officials bury stolen funds in U.S.-based shell companies; kleptocrats launder kickbacks through anonymous purchases of foreign real estate; and elites move corrupt proceeds through complicit or unwitting financial gatekeepers like attorneys or wealth managers.

Therefore, countering corruption falls on all of us. We must rely on democratically elected governments to uphold high standards of transparency. On justice systems to defend the rule of law. On civil society and the press to shine light on wrongdoing and injustices. On the private sector to identify and report suspicious transactions. And, of course, on Finance Ministries like our very own Treasury Department to shape the economic and financial rules of the road to help prevent these crimes.

I’d like to focus today on what we are doing both at home and with partners across the world to tackle corruption.

### *Domestic Efforts*

Let’s start domestically. The United States has a unique obligation to tackle corruption. Corrupt actors from around the world continually attempt to exploit the vulnerabilities in the U.S. framework—for countering money laundering, terrorist financing, and others forms of illicit finance. Fighting corruption depends on our ability to patch these weaknesses and bring light to the financial shadows.

Just like legitimate investors, corrupt actors move their money through the United States to take advantage of the world's largest and most dynamic economy. They incorporate companies to benefit from our strong legal system, buy assets like real estate, and invest in our deep and liquid markets. We've long known this. But our efforts with allies over the last year to track sanctioned Russian assets and restrict the access of sanctioned Russians to the international financial system have underscored our vulnerability.

Over the last few years, the Treasury Department has been hard at work building key infrastructure to fortify our financial system—and those investments will soon begin to pay off.

By this time next year, it will be more difficult for corrupt and criminal actors to hide their identities and wealth behind anonymous shell companies in the United States. Starting January 1, 2024, many companies formed or operating in the United States will be required to report information about their beneficial owners—that is, the real people who own or control a company.

Unmasking shell corporations is the single most significant thing we can do to make our financial system inhospitable to corrupt actors. I said at the first Summit for Democracy that “there's a good argument that, right now, the best place to hide and launder ill-gotten gains is actually the United States.” The beneficial ownership database will deter dirty money from entering the U.S. —and give law enforcement and other partners the tools they need to follow the money when it does.

Treasury has a lot of work to do to realize this promise – including by advancing additional rulemakings that need to be calibrated carefully. The database must be highly useful to all of its stakeholders. It must also ensure that firms—some of them very small businesses—understand their obligations. Reaching millions of small businesses is no small feat, and it is crucial to the success of the beneficial ownership system. Standing up this system will require the partnership and focus of all those who have been championing this initiative for decades – and many more.

In addition, Treasury is working to address additional vulnerabilities in our anti-money laundering infrastructure. We're putting a particular focus on excluding corrupt actors from investing in, profiting from, and laundering money through investment firms as well as through purchases of U.S. real estate.

Corrupt actors have for decades anonymously stashed their ill-gotten gains in real estate. Those looking to exploit our system have been able to—with anonymity—store illicit proceeds in an

appreciating asset. Buyers can pay in cash. By one estimate, illicit actors laundered at least \$2.3 billion through U.S. real estate between 2015 and 2020. And the real number is almost certainly much higher. Treasury is working to remove that anonymity – and capture information about residential and commercial transactions not covered by our Bank Secrecy Act or beneficial ownership regimes.

My team is looking at how to close off these avenues of money laundering without imposing an undue burden on legitimate transactions.

### *International Efforts*

These domestic efforts go hand-in-hand with our work to fight corruption around the world. Beyond our bilateral efforts with individual countries, we are strengthening the global anti-corruption architecture. Without a strong and unified global approach, corrupt actors will continue to exploit financial loopholes and lightly regulated jurisdictions.

We're particularly focused on raising international standards for anti-money laundering at forums like the Financial Action Task Force, or FATF.

In October, the FATF agreed to undertake three major projects to enhance global anti-corruption efforts. First, it will enhance assessments of countries' implementation of the United Nations Convention Against Corruption. Second, it is addressing the use of "golden passports" by corrupt actors to hide their activities through the use of new identity documents. And third, it is working to reduce the ability of corrupt actors to take advantage of financial gatekeeping professions across all jurisdictions. Together, these initiatives place pressure on countries to strengthen anti-corruption regimes and mitigate vulnerabilities that corrupt actors too often exploit.

We're grateful for the FATF's continued work to deepen international cooperation and support the rule of law. We commend its historic decision last month to suspend Russia's membership. Russia has continued to disregard sovereignty, undertake inhumane attacks on Ukraine, and function as a haven for illicit finance.

I am also pleased to launch today a commitment by the United States and more than twenty foreign governments and authorities participating in this summit to enhance beneficial ownership transparency. This commitment is in line with the revised FATF standard, which requires countries to improve the transparency of legal persons, like shell companies, and to prevent their misuse. And

it reaffirms the broad support that the United States and its democratic partners share for enhancing financial transparency, fighting corruption, and upholding the rule of law. I look forward to more partners joining this important commitment following this summit.

The United States is building new international anti-corruption arrangements. Last year, President Biden and leaders from a dozen countries announced the launch of the Indo-Pacific Economic Framework for Prosperity. One of the key pillars of this Framework is building a “fair economy.” We are securing commitments to enact and enforce anti-money laundering and anti-bribery regimes in pursuit of that goal.

Across all of these efforts, the private sector and civil society remain vital partners. I’m glad to see so many of you in the room today. I want to specifically highlight the Financial Transparency and Integrity Cohort, which was launched at the first Summit. This cohort has brought together a broad range of stakeholders to consult and coordinate on anti-corruption issues.

Put simply, countering corruption is a collective effort that requires us to play by and enforce a common set of rules. We should use all of our tools, including the international financial institutions, to help those dedicated to rooting out financial crimes and to identify where countries are not yet taking appropriate steps. We can and must advance an architecture that safeguards our societies and our financial systems from abuse.

### *Conclusion*

Fighting corruption is not just the right thing to do. It is an essential piece of the puzzle as we work to build an economy that upholds a consistent set of rules for everyone—from government officials to business owners to working-class families. When those in power are able to pursue kickbacks, rig contracts, or enrich their friends, all of us suffer. Democracy suffers.

I’m confident that we can work to build a level playing field. This is our responsibility as democracies: to forge a world in which free institutions can thrive and in which those who play by the rules have the best chances of success.

I’m grateful for everyone’s efforts here in pursuit of that goal. And I look forward to working with our many partners at this Summit to continue to turn that idea into a reality.

Thank you very much.

###