Remarks by Under Secretary for Terrorism and Financial Intelligence Brian Nelson at the Georgetown University School of Foreign Service

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As Prepared for Delivery

Good evening. Thank you to Rod, the Landegger Program, and the wider School of Foreign Service for bringing us together today, and thank you to everyone in the audience for joining me.

I'm Brian Nelson, Treasury's Under Secretary for Terrorism and Financial Intelligence—which we refer to here as TFI. My office is responsible for leading U.S. government efforts to counter illicit finance and using financial tools to respond to national security threats.

Part of TFI's mission is protecting the U.S. financial system from harm, including from those who enable criminal activity— which is the topic we have come together to discuss this evening.

As the world's largest economy, the United States has a unique responsibility. Trust in our financial system, and in the dollar, drives investment, fosters entrepreneurship, and creates opportunity for Americans and prosperity for our country. But this trust also has ripple effects on the rest of the world.

For Treasury and TFI, protecting the strength of the U.S. financial system is paramount — especially from those who seek to corrupt it, exploit it, or use it to hide or launder illicit funds. For decades, a panoply of dangerous actors from terrorist financiers to human traffickers, fraudsters, and U.S. adversaries have taken advantage of regulatory gaps in America's financial system to move dirty money through the United States.

That is why our regulatory agenda seeks to detect and deter illicit financial activity, address vulnerabilities in our financial system, and shield our economy from criminal exploitation. The Biden-Harris Administration is taking a series of historic actions to close regulatory loopholes and shine light on the financial shadows where illicit actors operate. These actions—which are key missing pieces to one big puzzle—will advance U.S. economic and national security, protect everyday Americans from crime, stop illicit actors in their tracks, and ultimately bolster that all-important trust in our financial system.

In January, as part of the implementation of a bipartisan law—the Corporate Transparency Act—the Treasury Department took an important step to uncover the true owners of anonymous shell companies, which have been a favorite tool for kleptocrats, criminals, and U.S. adversaries seeking to exploit the U.S. financial system for nefarious purposes. They hide behind these opaque companies to launder the proceeds of drug trafficking, move embezzled funds, and finance terrorism. In extreme cases, Iranian, Russian, and North Korean actors have even used American shell companies to fund their weapons programs and procure sensitive military equipment.

Anonymous shell companies have also enabled fraudsters, scammers, and tax cheats to get an unfair leg up on law-abiding American businesses. By unmasking anonymous companies, we are rooting out bad actors from the U.S. economy and fostering a level playing field for small businesses and hardworking Americans.

In February, Treasury published a regulatory proposal to safeguard the residential real estate market from similar abuse. One study found that bad actors, including human traffickers and Russian oligarchs, were able to anonymously launder more than $2.3 billion in illicit funds through the U.S. real estate market from 2015 to 2020, parking their dirty money in our neighborhoods and exploiting our communities.

Left unchecked, this activity can distort housing market prices and make it more difficult for the average American to afford a home. By collecting information on the owners and finances behind certain types of residential real estate transactions, we are working to prevent abuse across the U.S. housing market on behalf of the American public.

Another essential puzzle piece is Treasury's regulatory proposal to protect the investment adviser sector from abuse, which we also published in February. Billions of dollars belonging to Russian elites have been managed by U.S. investment advisers, bolstering Putin's war machine in Ukraine. Chinese state actors have also used investments to quietly gain access to sensitive and emerging U.S. technologies, disadvantaging cutting-edge American innovation and weakening our economic competitiveness. Our proposal will crack down on this and other harmful behavior by, among other things, ensuring that certain investment advisers develop and maintain anti-money laundering compliance programs and take steps to detect and report suspicious activity.

These reforms are grounded in extensive research, analysis, and collaboration with experts both in and out of government. Earlier this year, Treasury published a suite of new and updated assessments documenting how criminals, terrorist financiers, and rogue regimes move funds through the United States. These assessments help government stay ahead of serious illicit activity and assist the private sector in identifying and mitigating the biggest threats affecting them, their reputations, and in turn, their bottom lines. In the coming weeks, we will publish a strategy for how we are working to comprehensively address these risks.

If you are interested in learning more about the illicit finance risks I have mentioned, I encourage you to take a look at Treasury's risk assessments and strategies.

Treasury's enduring partnership with the private sector has been indispensable to curbing illicit finance across the country. Together, we have been able to prevent foreign corrupt officials from siphoning their taxpayers' dollars for private benefit, drug traffickers from profiting off of the pain of countless Americans, and fraudulent businesses from evading the rules to achieve an unfair advantage.

Across our regulatory efforts, we are committed to working with businesses to ensure that their obligations are clear, efficient, and reasonable, while meeting our national and economic security objectives. As part of the rulemaking process, we seek public comments to help us understand various perspectives, and we engage in robust discussions with a range of government and non-government stakeholders. For example, tomorrow, I am hosting a roundtable with real estate professionals, which will be highly useful in understanding their views of our proposed regulation of the residential real estate sector. Outside perspectives are incredibly valuable to us, and we continue to welcome feedback on both our residential real estate and investment adviser sector regulatory proposals until the public comment periods close in the middle of this month.

In line with our efforts to streamline regulatory compliance obligations for businesses, this year, Treasury intends to propose an updated customer due diligence rule to help certain private sector firms be more effective and responsive in how they detect and prevent illicit activity. This updated rule will aim to help firms be more responsive to evolving threats and focus on mitigating their biggest risks. We look forward to hearing from the private sector and other stakeholders as part of that rulemaking process—because when we work together, we can be more effective in our common goal of protecting the U.S. financial system.

I'd also like to revisit something I touched on earlier, which is the unique position of the U.S. economy and the ripple effects of our actions. Last month, at the FATF, or the Financial Action

Task Force—which is the global standard-setting body for countering illicit finance—I was proud to share with my colleagues from around the world that the United States is delivering on our ongoing commitment to implement international standards that will help stem the flow of dirty money globally.

Last week, the FATF announced in a follow-up report that the United States has been upgraded to a rating of “largely compliant” with a key FATF standard on beneficial ownership transparency. A grade of "largely compliant" may not seem so meaningful—especially here at Georgetown—but this upgrade follows nearly a decade of historic efforts by Treasury and our interagency partners to close loopholes in our financial system that bad actors have been exploiting for generations. So, indeed, a big deal. And it means we can continue to lead by example, ensuring that we are meeting international standards and sharing best practices.

But we still have much work to do. In the immediate future, as I mentioned, we have one remaining rulemaking required by the Corporate Transparency Act. Our residential real estate and investment adviser rulemakings, both necessary and substantial steps, are still just proposals and in the early stages of the regulatory process.

And we are not letting our guard down. As criminals attempt new ways to access our financial system, we resolve to remain vigilant, responsive, and innovative to ensure we can effectively safeguard America’s economic and national security.

As Secretary Yellen has said, our message is clear: The United States is not a haven for dirty money. Kleptocrats and greedy dictators are not welcome to stash, launder, or park stolen funds in America. Terrorist financiers, cartels, and fraudsters cannot exploit our corporate ecosystem to facilitate crime. And criminals cannot abuse America’s thriving housing market or investment adviser sector for nefarious purposes.

The actions that the Treasury Department is taking will strengthen our ability to disrupt and deter illicit finance dangers. As the Biden-Harris Administration advances an economy that works for all Americans, rooting out dirty money is a key piece of that puzzle.

I know we have a fantastic panel lined up this evening, so I’ll turn it back over to Rod. Thank you.

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