

Congress of the United States
Washington, DC 20515

May 3, 2021

The Honorable Janet Yellen
Secretary of the Treasury of the United States
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Dear Madam Secretary:

We are writing to underscore the crucial role of Treasury in combatting international corruption and kleptocracy and to urge you to take early steps to confront this key national security threat.

Middle-class Americans are frustrated by perceptions of corruption at home, while authoritarian oligarchies are weaponizing corruption around the world. While these foreign and domestic trends have fueled passionate political discourse in recent years, a legacy of the Biden Administration should be achieving actual results by institutionalizing anti-corruption reforms throughout U.S. and international financial, diplomatic, and legal systems.

Domestically, Treasury has the authority to rapidly expand anti-money laundering (AML) obligations, as recommended for decades by law enforcement, anti-corruption watchdogs, and the Financial Action Task Force (FATF). With beneficial ownership reform on its way, **the top policy priority in the fight against dirty money should now become the expansion of AML obligations to cover financial facilitators and professional service providers that can enable corruption**—reports indicate that more than \$13T are invested in U.S.-based private equity and hedge funds subject to very little ownership or money-laundering vetting. In other words, foreign kleptocrats could launder millions into our communities through a hedge fund’s advisors and no one would be able to know. Treasury must also issue strong regulations in the months ahead to implement the recently mandated beneficial ownership registry in ways that limit exemptions and broaden reporting requirements.

Internationally, Treasury should lead a landmark international agreement to end offshore financial secrecy and illicit tax havens once and for all. In addition to an international agreement on the taxation of multinational companies, a deal to end offshore secrecy would need to be backed up by concrete commitments around an array of reporting mechanisms. These might include international agreements around public beneficial ownership registries, automatic exchange of tax information (harmonizing the U.S. and OECD regimes), and steps toward a global asset register and cross-border payments database.

To start organizing and positioning the department’s resources to take on this urgent threat, we ask that you consider prioritizing four important initial steps:

1. **Expand and Strengthen AML Regulations.** Promulgate FinCEN’s proposed 2015 rule expanding AML and suspicious activity reporting obligations to investment advisors, including private equity and hedge fund advisors (Consider expanding the rules to also cover those solely advising family clients, venture capital, and funds with less than \$100 million under management). Treasury should also revoke the “temporary exemptions” from Patriot Act AML rules for ten important sectors, from real estate professionals to sellers of yachts and airplanes.

Finally, Treasury must make a determination within the term on whether lawyers, accountants, company formation agents, and art dealers should fall under the same obligations as financial institutions.

2. **Publish a National Corruption Risk Assessment.** Have Treasury's Office of Terrorist Financing and Financial Crimes publish the first-ever National Corruption Risk Assessment about the financial networks of oligarchs and kleptocrats. Incorporate that analysis into the inaugural *National Strategic AML Priorities* statutorily mandated to be issued by June 30 from FinCEN.
3. **Develop a medium-term anti-kleptocracy plan,** including an international agreement to end offshore financial secrecy and illicit tax havens, robust implementation of beneficial ownership reform, transparency requirements for trusts and foundations, expanded scope and permanence for geographic targeting orders, and initiating negotiations on a cross-border payments database.
4. **Appoint anti-corruption specialists.** Use the funding and expedited hiring authority in the recent FY21 National Defense Authorization Act to appoint at least two experts dedicated to this mission: 1. A counselor dedicated to anti-corruption, reporting to either the Deputy Secretary or the Under Secretary for Terrorism and Financial Intelligence, and 2. An expert actively involved in the beneficial ownership legislative process who is tracking the parts of the statute in need of regulatory attention and what lobbying pushback to expect (sitting in either the Office of Terrorism and Financial Intelligence or FinCEN).

We believe that the threats presented to U.S. national security by global corruption warrant a war-like footing in your department—similar to the proactive and energetic coordination generated to eliminate terrorism financing after 9/11. With your activation of working-level resources within the Terrorism and Financial Intelligence and International Affairs bureaus, we trust that Treasury could lead the way in tackling this transnational threat. We would welcome engaging with your staff as you develop these important policies.

Respectfully,



Tom Malinowski
Member of Congress



Sheldon Whitehouse
U.S. Senator