

US Treasury Highlights Anti-Money Laundering Priorities in 2022 Illicit Finance Strategy

The U.S. Department of the Treasury (Treasury), on May 13, 2022, published its [2022 National Illicit Finance Strategy](#) (the 2022 Strategy)—a comprehensive statement of the agency's key priorities, goals, and plans for safeguarding the U.S. financial system against illicit activity in order to "strengthen national security and prosperity." The 2022 Strategy breaks little new substantive ground, addressing risks, concerns, and objectives Treasury has previously identified, including those in the March 2022 [National Money Laundering, Terrorist Financing, and Proliferation Financing Risk Assessments](#), as well as in [recent statements](#) by senior policymakers. Nevertheless, it provides a useful compendium for the financial industry and summary of the regulatory landscape in the near term.

The 2022 Strategy highlights four priorities and recommends 14 supporting actions to enhance transparency in the U.S. financial system, modernize and strengthen the existing anti-money laundering/countering the financing of terrorism (AML/CFT) framework, and adapt regulatory and law enforcement tools to meet new and evolving challenges. Below is a summary of Treasury's stated priorities and the associated action items, after which key takeaways and recommendations for industry participants are offered.

Treasury's Priorities

To combat critical threats to the U.S. financial system—such as small-sum funding for domestic extremist organizations, the use of front and shell companies to obscure illicit activity, and the exploitation of the digital economy—the 2022 Strategy outlines four high-level priorities: (1) closing legal and regulatory gaps in the existing AML/CFT framework, (2) revising AML/CFT compliance obligations applicable to financial institutions to be more efficient and effective, (3) enhancing the operational effectiveness of regulatory and law enforcement authorities in combating illicit finance, and (4) leveraging technological innovation to mitigate risks.

Priority 1: Increasing Transparency and Closing Continuing Legal and Regulatory Gaps in the U.S. AML/CFT Framework

Treasury's first priority focuses on identifying and closing gaps that, in the agency's view, make the U.S. financial system susceptible to illicit activity. Consistent with rulemaking endeavors already underway, Treasury highlights the urgent need for greater transparency in beneficial ownership information for legal entities formed in the United States and the extension of AML/CFT obligations to additional industries, activities, and financial instruments. Indeed, Treasury characterizes fixing the "gap in collection of [beneficial ownership information] at the time of entity formulation" as the U.S. government's "most important AML/CFT regulation action."

Specifically, Treasury proposes:

- Implementing fully the Corporate Transparency Act (CTA) and improving law enforcement access to [beneficial ownership information](#);
- Bringing greater [transparency to real estate transactions](#);
- Assessing whether additional actions are necessary to bring other industries and sectors, including attorneys, within the AML/CFT framework; and
- Considering updates to regulatory requirements and the supervisory framework for virtual asset activities, consistent with the president's [Executive Order](#) of March 9, 2022.

Priority 2: Making the Existing AML/CFT Framework for Financial Institutions More Effective and Efficient

Acknowledging that the AML/CFT framework currently applicable to financial institutions is outdated in many respects, Treasury outlines various steps that it believes should be taken to make that framework "more efficient, risk- and outcome-focused, and supportive of innovation." Accordingly, among other things, the 2022 Strategy lists the following as key action items:

- Assessing opportunities to update reporting requirements and thresholds;
- Enhancing risk-focused supervision; and
- Appropriately resourcing AML/CFT supervision for certain nonbank financial institutions, most notably money services businesses (MSBs).

Priority 3: Enhancing Operational Effectiveness of Regulatory and Law Enforcement Agencies

Because the AML/CFT framework depends in material ways on "stay[ing] ahead of illicit finance risks," Treasury identifies as a key priority measure to bolster investigative and enforcement tools available to U.S. authorities. Notable developments in this regard are also already underway, including the recent formation of an interagency task force—Task Force KleptoCapture—dedicated to investigating and prosecuting the laundering of corrupt proceeds through the U.S. financial system as well as a targeted Treasury Department whistleblower program called the Kleptocracy Asset Recovery Rewards Program, [offering rewards](#) of up to \$5 million. The agency also proposes efforts to increase communication and partnership between and among financial institutions, government agencies, and international bodies. The 2022 Strategy recommends specifically:

- Regularly updating and communicating illicit finance risks and AML/CFT national priorities;
- Prioritizing targeted measures and interagency coordination to disrupt illicit finance activity;
- Expanding and enhancing public-private information sharing, which potentially includes adding MSBs engaged to virtual asset activity to FinCEN's 314(a) program; and
- Strengthening implementation of global AML/CFT standards, including through taking a leadership role within international bodies such as the Financial Action Task Force (FATF).

Priority 4: Support Technological Innovation and Harness Technology to Mitigate Illicit Finance Risks

The 2022 Strategy recognizes the many benefits that result from innovation in financial services, including greater accessibility, transparency, and security. However, Treasury calls for an approach that balances such benefits against the risks inherent to novel financial products, services, and activities. The following actions are recommended for this purpose:

- Using technology to improve private sector AML/CFT compliance;
- Continuing to enhance use of artificial intelligence (AI) and data analytics in government efforts to combat illicit finance; and
- Supporting U.S. leadership in financial and payments technology.

Key Takeaways

The 2022 Strategy comes as part of an incredibly active, multifaceted and government-wide effort in recent months to update and modernize an AML/CFT regime that changed only incrementally in the prior 20 years. Especially with various CTA-related rulemakings on the horizon, we expect additional developments throughout 2022.

Although precisely how the AML/CFT rules will evolve is not yet clear, it is not too early for financial institutions and companies operating in industries that may soon face regulatory obligations to:

- Evaluate their exposure to activities, instruments, sectors, and jurisdictions Treasury identifies as high risk;
- Conduct a proactive assessment of existing AML/CFT compliance programs to identify gaps that may exist; and
- Consider strategies for complying with the forthcoming beneficial ownership disclosure obligations.

We will continue to monitor developments in this space and provide updates as warranted. In the meantime, companies should seek experienced counsel to discuss these and related issues.

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