July 21, 2026

The Honorable Warren Davidson
Chairman
Committee on Financial Services
Subcommittee on National Security, Illicit Finance, and International Financial Institutions
U.S. House of Representatives
Washington, DC 20515

The Honorable Joyce Beatty
Ranking Member
Committee on Financial Services
Subcommittee on National Security, Illicit Finance, and International Financial Institutions
U.S. House of Representatives
Washington, DC 20515

RE: Hearing Titled, "Oversight of the Financial Crimes Enforcement Network"

Dear Chairman Davidson and Ranking Member Beatty,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition, we appreciate the opportunity to comment on the hearing titled, "Oversight of the Financial Crimes Enforcement Network" (FinCEN). The FACT Coalition is a non-partisan alliance of more than 100 state, national, and international organizations promoting policies to combat the harmful impacts of corrupt financial practices.[1]

Over the past year, the U.S. – historically a leader in the fight against illicit finance – has both rolled back major anti-money laundering reforms and taken its foot off the gas on white collar enforcement. Both shifts hamper the ability of law enforcement to prevent, detect, and investigate dirty money flows through the U.S. financial system, leaving the U.S. more vulnerable to illicit finance risks from cartels, fraudsters, and human traffickers. Further raising the stakes, the United States faces scrutiny by the global anti-money laundering standard setter, the Financial Action Task Force (FATF), with a mutual evaluation report expected to be made public this fall.

To safeguard our democracy, protect U.S. national security, and uphold international best practices, the U.S. must redouble its efforts to adequately assess and prevent illicit finance risks.

Ongoing Abuse of Anonymous U.S. Front and Shell Companies

The gutting of the Corporate Transparency Act (CTA) through the March 2025 Interim Final Rule (IFR)[2] leaves the U.S. vulnerable to illicit finance risks from anonymous U.S. companies.

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[1] https://thefactcoalition.org/about-us/coalition-members-and-supporters.

[2] FinCEN, 90 Federal Register 57, pp. 13688-13697, March 26, 2025, https://www.federalregister.gov/documents/2025/03/26/2025-05199/beneficial-ownership-information-reporting-requirement-revision-and-deadline-extension.

The limitation of the CTA's reporting requirements to foreign entities with foreign owners contradicts congressional intent and is divorced from the underlying illicit finance risks. That risk is presented by the *anonymity* of these entities, *regardless* of where they are formed. As bipartisan members of Congress raised in comments on the IFR, Congress passed the CTA into law with the explicit intention to cover domestic companies, given the well-documented illicit finance risks.[3] The IFR does not present evidence of the risk of foreign companies with foreign owners, and the administration's 2026 national money laundering risk assessment names just four anecdotal cases of foreign company abuse.[4] Limiting the IFR to cover entities that present little risk while exempting those that present high risk raises serious questions.

In previous committee testimony,[5] Director Gacki asserted that law enforcement can still access ownership information for domestic entities through commercial databases, as well as through the Customer Due Diligence Rule (CDD Rule). However, few commercial databases collect beneficial ownership information, while **the CDD Rule serves as an important complement – not an alternative – to a central beneficial ownership directory like that required by the CTA**. Not all companies use banks or other financial institutions subject to the CDD rule, which leaves open multi-trillion dollar markets to illicit finance vulnerabilities, including virtual assets, real estate, private investment and other financial sectors. The lack of a universal requirement for all companies to report BOI at formation would provide more of a roadmap for evasion than a tool for enforcement and accountability.

The interim rule was widely opposed in public comments by law enforcement stakeholders, including the National District Attorneys Association, National Narcotics Officers' Associations' Coalition (NNAOC), UCOPS, and former federal law enforcement and intelligence agents. Congress must engage in proper oversight to ensure that FinCEN faithfully implements the CTA as passed by Congress.

Deregulation Jeopardizes Safeguards for U.S. Private Investment

Treasury's agenda of deregulation – without equal consideration given to illicit finance and national security risks – may derail decades-long efforts to address money laundering vulnerabilities in the private investment sector.

While Treasury finalized the Investment Adviser Anti-Money Laundering Rule (IA AML Rule) in 2024 to define investment advisers as a class of "financial institutions" subject to U.S. AML

[3] Senators Sheldon Whitehouse and Chuck Grassley, Comment to FinCEN in Response to the IFR, May 28, 2025, https://www.whitehouse.senate.gov/wp-content/uploads/2025/05/2025-05-27-Whitehouse-Grassley-Comment-Letter-on-CTA-Interim-Final-Rule-SIGNED-FINAL.pdf.
[4] U.S. Treasury Department, "2026 National Money Laundering Risk Assessment," March 2026, pp. 59-62, https://home.treasury.gov/system/files/246/2026-NMLRA.pdf.
[5] Andrea Gacki, FinCEN Director, Testimony in House Financial Services Subcommittee Hearing, "Evaluating the Financial Crimes Enforcement Network, September 9, 2025, https://democrats-financialservices.house.gov/events/eventsingle.aspx?EventID=413725.

obligations,[6] Treasury announced that the rule's implementation would be delayed until 2028.[7] Treasury has further forecasted that it will "revisit the scope" of the IA AML Rule "to reduce any unnecessary or duplicative regulatory burden."[8] We are deeply concerned that changes to the IA AML Rule will result in a much narrower application of the rule in ways that will leave the United States more vulnerable to illicit finance.

For any future IA AML Rule to be effective, it must cover advisers that exhibit a high risk of illicit finance,[9] with greatest emphasis on exempt reporting advisers (ERA) working with hedge funds, private equity, and venture capital firms.[10] [11]

U.S. Softens Stance on White Collar Criminal Investigations and AML Enforcement

High-profile pardons in the face of AML compliance failures and the explicit federal deprioritization of white collar criminal investigations are systemically weakening financial oversight, likely making the U.S. more susceptible to money laundering and terror financing.

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[6] FinCEN, "Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers," Final Rule, 89 Federal Register 171, September 4, 2024, https://www.federalregister.gov/documents/2024/09/04/2024-19260/financial-crimes-enforcement-network-anti-money-launderingcountering-the-financing-of-terrorism.

[7] U.S. Treasury, "Treasury Announces Postponement and Reopening of Investment Adviser Rule," Press Release, July 21, 2025, https://home.treasury.gov/news/press-releases/sb0201. *See also,* Financial Crimes Enforcement Network (FinCEN), "Delaying the Effective Date of the Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers," 91 Federal Register 1, Final Rule, January 2, 2026, https://www.federalregister.gov/documents/2026/01/02/2025-24184/delaying-the-effective-date-of-the-anti-money-launderingcountering-the-financing-of-terrorism.

[8] U.S. Treasury, "Treasury Announces Postponement and Reopening of Investment Adviser Rule," Press Release, July 21, 2025, https://home.treasury.gov/news/press-releases/sb0201. *See also,* Financial Crimes Enforcement Network (FinCEN), "Delaying the Effective Date of the Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers," 91 Federal Register 1, Final Rule, January 2, 2026, https://www.federalregister.gov/documents/2026/01/02/2025-24184/delaying-the-effective-date-of-the-anti-money-launderingcountering-the-financing-of-terrorism.

[9] *Per the 2024 Treasury Risk Assessment, "This assessment finds that the highest illicit finance risk in the investment adviser sector is among ERAs (who advise private funds exempt from SEC registration), followed by RIAs who advise private funds, and then RIAs who are not dually registered as, or affiliated with, a broker-dealer (or is, or affiliated with, a bank)."* U.S. Treasury Department, "2024 Investment Adviser Risk Assessment," February 2024, p. 2, https://home.treasury.gov/system/files/136/US-Sectoral-Illicit-Finance-Risk-Assessment-Investment-Advisers.pdf.

[10] FACT Coalition, "Treasury Exposes U.S. to Increased Risks of Dirty Money By Delaying, Reopening Private Investment Anti-Money Laundering Rule," Press Release, July 21, 2025, https://thefactcoalition.org/private-investment-aml-rule-delay-rescope.
See also FACT Coalition, Comment to FinCEN Concerning the Proposed Rule, "Delaying the Effective Date of the Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers," October 2025, https://thefactcoalition.org/wp-content/uploads/2025/10/FACT-Coalition-Comment-on-IA-AML-Rule-Delay-10.22.2025.pdf.

[11] FACT Coalition, Global Financial Integrity, and Transparency International U.S., "Private Investments, Public Harm," Report, December 2022, https://thefactcoalition.org/report/private-investments-public-harm.

These issues extend beyond FinCEN and jeopardize the wider integrity of U.S. criminal enforcement across agencies and departments. In a globalized economy, the integrity of U.S. financial safeguards and investigative abilities is more important than ever.

AML Supervision and Enforcement: Since the start of 2025, former U.S. supervisors have recognized a qualitative decline in the quality of AML enforcement. Per Daniel Stipano, former senior official at the Office of the Comptroller of the Currency, "There has definitely been a decrease in the number and magnitude of AML-based enforcement actions in the US during the past year."[12] Recent research shows that the total sums of U.S. anti-money laundering fines for 2025 are down more than half compared to the previous year.[13]

Most concerningly, an unusually high number of presidential pardons have called into question the integrity of U.S. AML enforcement. In 2025, the President pardoned Changpeng Zhao ("CZ") after an extensive lobbying campaign by the billionaire founder of Binance to expunge his prison sentence and reverse historic fines.[14] Other high-profile pardons include those of the founder of notorious online drug marketplace Silk Road Ross Ulbricht[15] and BitMEX founders.[16] NBC News reports that presidential pardons for these and other financial crimes – including money laundering, bank fraud, and wire fraud – have spiked compared to previous administrations.[17] Finally, recent analysis by the Anti-Corruption Data Collective shows how alleged criminals and corrupt politicians are spending millions to lobby Congress and the White House for political support, pardons and sanctions relief.[18] These pardons send a message that AML compliance and laws prohibiting financial crime are negotiable, jeopardizing both U.S. security and market integrity.

Systematic Deprioritization of Federal Money Laundering Investigations: We have concerns about the explicit federal deprioritization of white collar crime and money laundering

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[12] Martin Arnold, "US fines for dirty money drop 61% as Trump retreats from enforcement," Financial Times, December 31, 2025, https://www.ft.com/content/46826bb8-16be-4301-a4fc-cb73231e8987.

[13] *Ibid.*

[14] *Zhao and Binance had pleaded guilty in November 2023 to violating the Bank Secrecy Act, failing to register as a money transmitting business, and ignoring U.S. AML/CFT laws. This resulted in the largest fine in FinCEN's history alongside a $50 million personal fine for Zhao and a four-month prison sentence.* Dan Mangan and Kevin Breuninger, "Trump pardons convicted Binance founder Changpeng Zhao," CNBC, October 23, 2025, https://www.cnbc.com/2025/10/23/trump-pardons-binance-founder-cz-zhao.html.

[15] Jenna McLaughlin, "Trump Pardons Ross Ulbricht, Creator Of The Silk Road Dark Web Marketplace," National Public Radio, January 2025, https://www.npr.org/2025/01/21/nx-s1-5270051/trump-pardons-dark-web-marketplace-creator-ross-ulbricht.

[16] Eamon Javers and Dan Mangan, "Trump pardons three BitMEX crypto exchange co-founders, and ex-employee," CNBC March 28, 2025, https://www.cnbc.com/2025/03/28/trump-pardon-bitmex-crypto-exchange-money-laundering.html.

[17] *Per reporting, nearly two dozen people pardoned by the President in 2025 owed more than $100,000 each in fines, with the total exceeding $298 million. See* Owen Auston-Babcock and Megan Shannon, "Trump's pardons forgive financial crimes that came with hundreds of millions in punishments," NBC News, Jan 20, 2026, https://www.nbcnews.com/politics/trump-administration/trumps-pardons-forgive-financial-crimes-came-hundreds-millions-punishm-rcna248277.

[18] David Szakonyi, Michelle Kendler-Kretsch, Michael Hornsby, "The Leniency Lobby: How the U.S. Lets Global Corruption off the Hook," July 9, 2026, https://acdatacollective.org/work/the-leniency-lobby-how-the-u-s-lets-global-corruption-off-the-hook.

investigations since the start of 2025.[19] Across agencies, there have been significant personnel cuts and redeployments of key AML experts away from financial investigations and toward immigration enforcement and other activities beyond their remit. We share the assessment reported in the *New York Times* that "a hobbled work force hurts the government's ability to identify and stop terrorist plots, cyberattacks, mass violence and fraud."[20] This reporting suggests that among the Federal Bureau of Investigation (FBI) and the Department of Justice (DOJ):

- "A striking number of the most experienced investigators have quit or been fired,"
- "The pace of new cases has slowed — the remaining work force has inherited too many open prosecutions and investigations from those who left, giving them little time to focus on new matters," and
- "Personnel typically deployed to national security and fraud cases are being diverted to focus on other priorities."[21]

In addition to DOJ, there have also been significant cuts to the Criminal Investigation unit of the Internal Revenue Service (IRS-CI) which leads investigations of tax crimes as well as other financial crimes. The IRS-CI chief highlighted the impact that significant staff cuts and redeployments of approximately 250 employees had when reflecting on the sharp drop in IRS investigations in 2025 into "abusive tax schemes" or tax evasion.[22] Beyond tax, IRS-CI serves an important role as a trove of expertise available to other agencies for forensic financial investigation. We have significant concerns that the unit's vital work may be impeded by diverting operational focus to other areas.

Conclusion

We thank you for your consideration of these comments. You may contact Erica Hanichak (ehanichak@thefactcoalition.org) for questions or comments.

CC:

French Hill, Chairman, The House Committee on Financial Services
Maxine Waters, Ranking Member, The House Committee on Financial Services

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[19] Rob Garver, "US Justice Department disbands teams investigating corruption, election interference," Voice of America, February 8, 2025, https://www.voanews.com/a/us-justice-department-disbands-teams-investigating-corruption-election-interference/7967503.html.

[20] Michael S. Schmidt, Devlin Barrett, and Jonah E. Bromwich, "Depleted and Distracted, Justice Dept. Staff Fear Losing Focus on Potential Threats," New York Times, January 7, 2026, https://www.nytimes.com/2026/01/07/us/justice-department-threats-cyberattacks-terrorism.html.

[21] *Ibid.*

[22] *The same article asserts that IRS-CI involvement in money laundering cases has increased. Without further details, this claim does not dispel our broader concerns regarding the overall decline in money laundering investigations. See* Fatima Hussein, "How the IRS' crime-fighting force took on immigration and other issues in 2025," Associated Press, December 11, 2025, https://www.wkyc.com/article/syndication/associatedpress/how-the-irs-crime-fighting-force-took-on-immigration-and-other-issues-in-2025/616-e5ee41dd-d105-4a56-8a6f-7a2227587bff. See also, Tarini Parti and Richard Rubin, "DHS Seeks to Deputize IRS Officers to Help With Deportation Effort," Wall Street Journal, February 10, 2025, https://www.wsj.com/politics/policy/trump-irs-officers-ice-deportations-ed87c4b5.