September 16, 2025

The Honorable Warren Davidson
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Joyce Beatty
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

RE: Hearing Titled, "Evaluating 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 your hearing titled, "Evaluating the Financial Crimes Enforcement Network." 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. We have been a leading champion of financial transparency reform in the United States for more than 14 years.

Treasury's Interim Final Rule on the Corporate Transparency Act Contradicts Congress' Intent and Makes Americans Less Safe

Anonymous U.S. Companies Present Illicit Finance Risks

We share Director Gacki's assessment during the Committee's September 9th hearing that, "There are still instances where domestic companies present risk of financial crime."

We have seen such instances in FinCEN's latest financial trend analysis from August 28, which asserted that Chinese Money Laundering Networks (CMLNs) use "shell companies to purchase real estate, which may serve as an investment for the [network] or a wealthy China-based client." It's well known that these Chinese money laundering networks are a fundamental part of how the world's largest cartels and fentanyl traffickers move money. Likewise, earlier this year, a Mexico-based attorney pleaded guilty to laundering $52 million in proceeds for the Sinaloa cartel through U.S. based shell companies. These are two of several instances of shell company abuse made public by the U.S. government this year.

The Interim Final Rule and Announcement to Delete CTA Data both Contradict the Intent of Congress

Despite clear evidence of the risks posed by anonymous shell companies to national security, public safety, U.S. consumers, and small businesses, on March 21 Treasury issued an interim final rule (IFR) exempting domestic entities – more than 99 percent of all entities originally covered under the CTA

– from reporting requirements. The Corporate Transparency Act, as enacted into law, is the product of 20 years of congressional deliberation, debate, and refinement. Throughout that process, lawmakers recognized the risks posed by domestic entities, and at no stage did they seriously consider exempting all domestic entities from reporting requirements.

Nevertheless, the interim final rule violates that clear direction from Congress. The law only allows exemptions to reporting for information that "would not serve the public interest" and "would not be highly useful in national security, intelligence, and law enforcement agency efforts to detect, prevent, or prosecute money laundering, the financing of terrorism, proliferation finance, serious tax fraud, or other crimes." Two decades of evidence compiled by Congress and Treasury's own risk assessments that "[s]hell companies and the lack of timely access to beneficial ownership information…are distinct vulnerabilities in the U.S." anti-money laundering system would suggest that the proposal violates the plain language of the Act.

Further, Director Gacki made an announcement during the hearing that FinCEN will "likely dispose of data that is no longer legally required to be filed." The disposal of CTA disclosures made in compliance with the law as implemented by Congress only doubles down on the Treasury's unlawful gutting of this statute.

Customer Due Diligence Rule Falls Short on Beneficial Ownership, Endangers U.S. Evaluation by the Financial Action Task Force

During Director Gacki's testimony, she stated that there are alternative sources for law enforcement to access beneficial ownership information, including in the information collected by financial institutions during Customer Due Diligence (CDD) checks, as required by the CDD rule finalized in 2018.

While the CDD has proven to be a meaningful boost to U.S. anti-money laundering rules, the CDD Rule alone is insufficient to address the illicit finance risks presented by anonymous U.S. corporate ownership. Consider:

1. The information collected by the CDD Rule is not reported to the federal government, meaning that law enforcement, intelligence, or national security agencies do not have immediate access to the information in use in investigations.

2. Not all companies use banks or other financial institutions subject to the CDD rule. While banks are the main gatekeepers to the U.S. financial system, they are not the only ones. For example, anonymous U.S. companies could easily acquire, trade, and sell decentralized virtual assets without ever intersecting with a U.S. financial institution required to "know its customer." The same is true for U.S. real estate, which is a known vector for illicit finance. These uncovered areas present illicit finance risk.

As exemplified time and again, law enforcement officers need more tools, not fewer, to tackle long-standing public safety crises. In moving forward, FinCEN is violating the intent of Congress and tying the hands of law enforcement, making it harder to protect our communities.

The Announced "Rescope" of the U.S. Private Investment Rule Exacerbates Risks

In July, Treasury announced its intent to postpone and "rescope" the Investment Adviser Rule, which introduced groundbreaking anti-money laundering safeguards for the U.S. private investment sector. This decision contradicts Treasury's own 2024 assessment of the illicit finance risks of the private investment industry, which identified several illicit finance threats involving investment advisers, including their role as an entry point into the U.S. market for illicit proceeds associated with foreign corruption, fraud, and tax evasion.

Last year's rule marks the third time FinCEN has attempted to institute anti-money laundering requirements for the private investment sector. For over two decades, the industry has received a series of "temporary" exemptions from the kinds of anti-money laundering obligations mandated for nearly every other major class of financial institution, including banks, broker-dealers, and commodity brokers.

The decision to rescope the Investment Adviser Rule leaves the sector vulnerable to exploitation by U.S. adversaries such as Russia, China, and Iran. For example, In one case, a California-based, and China-funded, venture capital firm allegedly passed along trade secrets to the CCP. Without a faithfully executed Investment Adviser Rule, the private investment sector remains a vulnerability in our anti-money laundering framework.

To ensure that Treasury does not further open up U.S. markets to illicit finance risk, FinCEN must ensure that exempt reporting advisers (ERAs) – like those working for private equity firms, hedge funds, and venture capital firms – remain covered by the rule. Doing so will be crucial to address the growing illicit finance risks identified in Treasury's own 2024 Investment Adviser Risk Assessment.

U.S. Residential Estate Rule Long Overdue; Necessary to Mitigate Money Laundering

Last year, FinCEN issued the Residential Real Estate rule, which would safeguard our residential real estate sector from illicit finance risks. For years, the residential real estate industry has been an avenue for our enemies to hide their gains and threaten U.S. national security interests. FinCEN's recent analysis of Chinese money laundering networks (CMLNs) found that these CMLNs may use money mules or shell companies to purchase real estate, which they hold as an investment for the network or for a wealthy China-based client of the network.

We share Director Gacki's assessment in the hearing that there is, "an incredible thirst from LE for this information" that has led to "active and successful law enforcement prosecutions." As we outlined in comments to Treasury on finalizing the Residential Real Estate Rule, these disclosures

would fulfill a vital law enforcement need and carry important national security and market benefits. (See that comment for further details.)

We are looking forward to seeing the Residential Real Estate Rule effectuated, as scheduled, in December 2025.

AML Rollbacks Jeopardize U.S. Rating by the Financial Action Task Force

Next year, the United States faces evaluation by the Financial Action Task Force (FATF), the global anti-money laundering standard setter. Without rectifying the rollbacks to vital U.S. anti-money laundering measures, the U.S. could face punitive measures, such as greylisting, which would carry negative consequences for the U.S. economy and capital markets.

FATF president Elisa de Anda Madrazo recently announced that central directories of beneficial ownership information – such as the one that would be provided by a faithfully implemented Corporate Transparency Act – will be a priority of the next round of evaluations.

The dangerous undermining of U.S. anti-money laundering provisions listed above – including exemptions to the Corporate Transparency Act and delays to the implementation of the Investment Adviser Rule – jeopardize U.S. compliance with key FATF recommendations such as Recommendations 10, 24, and 25. Likewise, the U.S. has no AML requirement for gatekeeper or "enabler" professions, effectively making the U.S. noncompliant with Recommendation 23. This list is not comprehensive, and U.S. compliance with other recommendations warrants additional scrutiny.

As the world's largest economy and a premier financial center, it is incumbent on the United States to take necessary steps to protect its financial system from illicit financial threats.