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Financial Accountability & Corporate Transparency

FACT Sheet

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Enforce U.S. Sanctions and Protect the U.S. Financial System

Approve Appropriations for the Financial Crimes Enforcement Network and Office of Terrorism and Financial Intelligence

Inadequate funding for the U.S. Financial Crimes Enforcement Network (FinCEN) and the Office of Terrorism and Financial Intelligence (TFI) jeopardizes the enforcement of new U.S. sanctions in light of President Putin's unlawful invasion of Ukraine.

To increase the effectiveness of U.S. sanctions, Congress must fund FinCEN and TFI to give them the personnel, technology, licensing, and travel budget necessary to identify and freeze Russian oligarch assets. FinCEN in particular needs resources to pursue and finalize structural reforms to the U.S. anti-money laundering framework that will give officials better investigative tools to uphold U.S. national security and anti-corruption interests.

Treasury Funding Is Essential to the U.S. Sanctions Response

The U.S. has initiated a strong economic response to Russia's unlawful invasion of Ukraine through the application of sanctions and asset seizures against Russian oligarchs. The head of the Department of Justice's new "Kleptocapture" unit promised, "Oligarchs be warned: we will use every tool to freeze and seize your criminal proceeds." Yet Putin's political allies have a history of circumventing U.S. sanctions by relying on complex and anonymous financial structures that make it harder for U.S. officials to track, freeze, and seize their assets.

TFI and FinCEN play a crucial role in collecting and analyzing financial intelligence, as well as in implementing U.S. sanctions. On March 7, FinCEN released an advisory on heightened sanctions evasions risks re: Ukraine, and identified seven potential money laundering red flags to financial institutions.

As part of its FY2023 budget request, the Biden Administration requested $210 million for FinCEN – a 30 percent increase above the FY2022's enacted levels – to give the agency the staffing and tools needed to fulfill its anti-money laundering mission.

What role does Treasury play in the enforcement of U.S. sanctions?

Two offices at the Treasury Department are especially important in implementing U.S. sanctions: the Office of Foreign Assets Control and the Financial Crimes Enforcement Network.

Office of Foreign Assets Control (OFAC)
OFAC administers and enforces U.S. economic and trade sanctions against states, sectors, and individuals designated by the United States. OFAC is part of the Office on Terrorism and Financial Intelligence (TFI), and relies on TFI's budget to do its work.

Financial Crimes Enforcement Network (FinCEN)
FinCEN is the financial intelligence unit of the United States. The agency is responsible for implementing U.S. anti-money laundering safeguards, enforcing obligations among financial institutions, and analyzing financial data used by other agencies in sanctions enforcement, criminal prosecutions, and civil cases. While it reports to TFI, it is its own agency and has its own budget line.

In FY2022, a bipartisan group of 38 legislators recognized the need for additional FinCEN funding. U.S. and international anti-corruption experts have also supported appropriately resourcing financial intelligence units at home and abroad. Further, the Administration's FY2022 request for TFI reached $212 million, or $17 million more than the previous enacted levels.

Congress likewise approved one-time, emergency funding as part of the Ukraine appropriations supplemental, amounting to an additional $25 million to TFI for sanctions enforcement, and an additional $19 million for FinCEN in anticipation of the increased demand on the agency's resources to analyze data in support of sanctions, among other priorities.

How Russian Oligarchs Exploit U.S. Financial Secrecy

Corrupt Russian officials in Putin's inner circle regularly leverage the financial secrecy of rule-of-law countries for their own gain. In the 2021 Pandora Papers exposé, Russian individuals made up 14 percent of owners behind the 27,000 anonymous entities revealed in the leak, including 46 Russian oligarchs. Consider the following examples of how Russian oligarchs have exploited U.S. financial secrecy:

- Through his company Rusal, U.S. sanctioned Russian oligarch Oleg Deripaska invested $200 million in a commercial aluminum rolling mill in Kentucky. He also was connected to a home in the Washington, DC area, which he owned through a Delaware LLC.
- Per the 2020 FinCEN Files reporting, sanctioned Suleiman Kerimov used Deutsche Bank's New York branch to transfer $8 million through a shell entity in the British Virgin Islands to interfere in UK politics.
- A 2020 Senate Permanent Subcommittee on Investigations report revealed how Arkady and Boris Rotenberg made $18.4 million in art purchases through overseas-based shell entities from New York auction houses after they were sanctioned by the United States.

What Can Congress Do?

Congress must increase funds for FinCEN and TFI to ensure that they each have the staff, hardware, technology licensing, and travel funds necessary to fulfill both their immediate task of enforcing U.S. sanctions and their long-term mission as guardians of the U.S. financial system. Congress should:

1. **Approve $210 million for FinCEN's budget for FY2023.** The Administrations' request should be viewed as a floor, not a ceiling on funding for the agency. The White House announced an ambitious anti-corruption agenda, with bipartisan support, in which FinCEN plays a leading role. FinCEN has been tasked with leading rulemakings to strengthen anti-money laundering safeguards in U.S. real estate transactions and U.S. private investment markets. It further has a role in rulemakings to identify true owners of anonymous U.S. shell entities and to address other AML gaps relating to art, cryptotechnologies, and certain enabler professions. The agency will need additional staffing and resources to meaningfully draft and implement these rules.

2. **Approve $212 million for TFI for FY2023**. The Office of Terrorism and Financial Intelligence oversees the U.S. sanctions office and has a critical role in collaborating with FinCEN to ensure U.S. anti-money laundering framework serves Treasury's policy, enforcement, regulatory, and intelligence functions.