

March 28, 2023

The Honorable Janet L. Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Treasury and the Administration Must Demonstrate Leadership by Prioritizing Domestic Anti-Money Laundering and Financial Transparency Reforms

Dear Secretary Yellen:

On the eve of the second Summit for Democracy, co-hosted by the United States, we, the undersigned civil society groups from around the world, are calling on the U.S. to accelerate meaningful financial secrecy and anti-money laundering reforms.

As the world's largest economy and home of the world's dominant reserve currency, the U.S. is uniquely placed to lead the global movement against dirty money and illicit financial flows. Illicit financial flows rob both developed and developing economies of the resources they need to deliver on the promise of democracy and build fair and just societies capable of meeting 21st-century challenges.

Unfortunately, the U.S. also has, as you said during the first Summit for Democracy, the unfortunate status of being the "best place to hide and launder ill-gotten gains." The Financial Transparency Index, published by the Tax Justice Networks, has estimated the U.S. to be the world's top supplier of financial secrecy. The Pandora Papers further demonstrated the attractiveness of the U.S. for the world's dirty money.

To be a credible leader and partner working with countries around the world to combat corruption and tackle illicit financial flows, the U.S. must advance critical financial secrecy and anti-money laundering reforms.

We are calling on the Biden administration and the Treasury Department to take several urgent steps this year to demonstrate its leadership in tackling the scourge of dirty money.

First, and most importantly, the U.S. Treasury must faithfully and fully implement the beneficial ownership registry required by the landmark Corporate Transparency Act. The passage of this legislation in early 2021 showed that the U.S. was finally beginning to catch up to other countries in the battle to address the harms of anonymous shell companies which are used by kleptocrats and criminals to hide dirty money.

The second proposed regulation on access to the beneficial ownership registry would put in place unnecessary obstacles not only for U.S.-based users of the information but also for foreign users of the information, including law enforcement partners around the world. As global cooperation

in the hunt for the assets of Russian oligarchs has shown, timely and uncomplicated information sharing can greatly support international investigations and prosecutions involving dirty money, no matter its source.

Of additional concern, the proposed form to submit beneficial ownership information would allow filing entities to state that certain information is “unknown” or that filers are “unable to obtain” the information. We share the concern of our civil society allies in the U.S., as well as prominent Senators and private sector and law enforcement groups, that leaving such an option in place would make a mockery of this landmark anti-money laundering law. Left unaddressed, these weaknesses in the implementation of the Corporate Transparency Act would seriously undermine U.S. credibility in the global fight against dirty money.

In addition to fully implementing the Corporate Transparency Act, the U.S. must move quickly to address the problem of money laundering in the real estate sector. As you noted during your speech at the last Summit of Democracy, criminals and representatives of authoritarian regimes are attracted to the \$50 trillion U.S. real estate sector. The U.S. remains the only G7 country not to impose anti-money laundering requirements on real estate professionals. A recent report by Global Financial Integrity identified more than \$2.3 billion laundered through U.S. real estate in cases between 2015 and 2020, with more than 50 percent involving politically exposed persons.

We were encouraged by the inclusion of a commitment to advance regulations dealing with this problem in the U.S. Strategy to Counter Corruption but have been disappointed by the slow pace of action. We hope that the Treasury Department can finalize anti-money laundering regulations for U.S. residential and commercial real estate before the end of the year. This would show the world that the U.S. is serious about tackling its dirty money problem and would be an important deliverable timed with the U.S. hosting the United Nations Convention against Corruption Conference of the States Parties in December.

Finally, the complex and opaque \$11 trillion U.S. private investment industry is also an ideal place to launder the world’s dirty money. Private equity funds, venture capital funds, and hedge funds should be required to follow “know your customer” requirements and the U.S. Treasury should move to quickly close this massive loophole in the U.S. anti-money laundering regime.

The U.S. Treasury has estimated that the amount of dirty money flowing through the U.S. is as much as 2 percent of U.S. G.D.P. By cleaning up its own financial secrecy house, the U.S. could credibly play a needed leadership role in the fight against dirty money and illicit finance which harms our economies.

We thank you for your leadership on these issues and look forward to your response.

Signed by:

Regional Coalitions and Networks

Asian Peoples' Movement on Debt and Development
Financial Transparency Coalition

Latin American Network on Economic and Social Justice (LATINDADD)
Tax Justice Network Africa

National Civil Society Organizations

Action for Integral and Inclusive Development
Alliance Sud
ANPFA/TAFJA Nepal
Association For Promotion Sustainable Development
Attac Austria
Bangladesh Krishok Federation
Canadians for Tax Fairness
CCFD-Terre Solidaire
Center for Good Governance and Peace (CGGAP)
Climate Watch Thailand
Coalition Nationale des Organisations des Volontaires pour le Développement Durable (CNOVD)
Croatian Platform for International Citizen Solidarity
Crofter Foundation
Econews Africa
Ekumenická Akademie (Ecumenical Academy)
Equidad de Género: Ciudadanía, Trabajo y Familia
Fair Tax Foundation
Feminist Legal Studies Queen's, Queen's University; GATJ Gender and Taxation Working Group
Financial Justice Ireland
Halley Movement Coalition
Indian Social Action Forum
Lokichoggio PWDs Development Organization
Misère Option Zéro
Nadi Ghati Morcha - India
Nawi Afrifem Collective
Open Ownership
Pakistan Fisherfolk Forum
Pakistan Kissan Rabita Committee
REACHOUT SALONE
Red de Justicia Fiscal de América Latina y El Caribe
ReFocus Consulting
World Economy, Ecology and Development (WEED)