

Statement by

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## **Introduction**

Chairman McHenry, Ranking Member Waters, and distinguished Members of the Committee, thank you for the opportunity to testify this morning on behalf of the Financial Crimes Enforcement Network (FinCEN). My name is Andrea Gacki, and I am the Director of FinCEN. This is my first time testifying before the Committee since I joined FinCEN last September, and I want to say at the outset how much I appreciate the support of this Committee in our collective efforts to combat illicit financial activity. I look forward to our continued work together.

## **FinCEN's Multifaceted Mission**

Since this is my first time testifying, I thought it might be helpful to begin by explaining the dynamic nature of FinCEN's role in service of criminal justice and our national security. As you know, FinCEN is the nation's primary regulator responsible for implementing the Bank Secrecy Act (BSA) as well as the Financial Intelligence Unit (FIU) of the United States. In these roles, FinCEN's mission is to safeguard the financial system from illicit use, combat money laundering and related crimes, including terrorism, and promote national security through the strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence. FinCEN's mission is "broad" in the sense that almost every form of crime and every threat to national security has some financial nexus—a fact that necessitates a careful allocation of our resources to focus our efforts on the activities that are most likely to protect the lives and livelihoods of the American people.

Since joining FinCEN, I have been struck by the range of functions that the organization performs, and what a staff of merely 300 federal employees can accomplish. Let me go into a bit more detail about a few of the components that make up our work.

First, we work to issue, interpret, and clarify regulations intended to combat money laundering, terrorist financing, and other forms of illicit finance. Those regulations require, among other things, that approximately 300,000 financial institutions—including banks, credit unions, brokers or dealers in securities, casinos, and money services businesses (including check cashers and certain virtual asset service providers)—report timely and accurate information regarding suspicious activities and other transactional information under the BSA.

Second, in addition to providing direct access to that information to law enforcement and other agencies—through more than 470 memoranda of understanding involving more than 14,000 users—we have teams of analysts who examine the data using advanced analytic tools and techniques to map illicit networks, identify trends and typologies, and isolate targets for investigation and enforcement.

Third, the nature of FinCEN's work makes our collaboration with external stakeholders, including our global partners and allies, critical to shared success. Domestically, our relationship with U.S. financial institutions and other private sector entities is truly a partnership. We issue advisories to drive further reporting on priority risks to the American public, and we host public-private events to exchange everything from ideas for improving our overall regulatory regime to details on criminal schemes and typologies. On the international front, we are fortunate to engage and share information with a global network of 170 FIUs—also known as the Egmont

Group—as well as fellow regulatory and supervisory bodies around the world, to bolster our analysis and promote criminal justice at home and abroad.

Finally, we employ various tools to hold illicit or noncompliant actors to account. In addition to our rigorous support of civil and criminal investigations by other agencies, FinCEN imposes civil money penalties when U.S. financial institutions fail to comply with the BSA’s important mandate. FinCEN also imposes restrictions or reporting requirements related to institutions and certain activities outside the United States that are deemed to be of “primary money laundering concern.”

And of course, we are busily implementing the Anti-Money Laundering Act of 2020 (AMLA), including the Corporate Transparency Act (CTA). Let me address our progress in implementing that critical legislation by outlining how we’ve stood up U.S. beneficial ownership reporting and are beginning to take in and use beneficial ownership information (BOI).

### **Beneficial Ownership**

Since the AMLA and CTA were enacted, FinCEN’s highest priority has been achieving successful implementation of the BOI reporting requirements. These efforts have included publishing the BOI Reporting Requirements Final Rule (“BOI Reporting Rule”) in 2022 and the BOI Access and Safeguards Final Rule (“BOI Access Rule”) in 2023. Our efforts have also included building the secure, non-public database for storing BOI, which has been built using rigorous information security methods and controls typically used in the Federal government to protect non-classified information systems at the highest security level, as well as an easy-to-use website so that filers of BOI can quickly and securely file their BOI. Since September 2023 alone, FinCEN and Treasury representatives have engaged in more than 55 webinars, meetings, and speaking events involving more than 8,800 participants to educate and raise awareness about BOI reporting requirements. To help potential filers understand their obligations, we have also published a small entity compliance guide available in 11 languages and issued more than 80 frequently asked questions, and our new Beneficial Ownership Contact Center is actively fielding inquires and providing additional guidance.

On January 1, 2024, FinCEN successfully launched the BOI reporting system and began accepting BOI reports. In the first week alone, more than 100,000 companies successfully filed their beneficial ownership information. I am pleased to report that FinCEN has so far received more than 430,000 reports. The now ongoing collection of BOI—paired with the forthcoming phased provision of access to the database by law enforcement and other authorized users—will close what has long been identified as a gap in the United States’ anti-money laundering and countering the financing of terrorism (AML/CFT) regime. Simply put, implementing the CTA helps untangle opaque corporate structures, allowing enforcement authorities to better pursue criminals and protect our national security. Further, it is going to do so in a way that helps to level the playing field for American businesses—particularly small businesses—while keeping compliance burdens to an absolute minimum.

## ***Outreach Efforts***

We know that the vast majority of the small businesses that will be impacted by this reporting requirement are law-abiding businesses that want to do the right thing, and we also know that many of them may not be familiar with FinCEN. As such, we understand that questions may arise in connection with reporting BOI to an agency called the “Financial Crimes Enforcement Network.”

This is why outreach has been and will continue to be a primary focus of our efforts. While we are very encouraged by the current pace of filings, the fact remains that many of the small businesses that need to file their information are not familiar with FinCEN and may not yet even be tracking the rule.

As noted above, FinCEN has been actively engaging in outreach through a variety of channels. We have held outreach events with a wide range of small business advocacy associations, corporate service providers, third party trade associations, industry trade associations, and good governance organizations. We have also opened channels to directly engage with small businesses and other users actively filing reports. Our webpage contains a direct link to our [Contact Center](#), so users can submit their questions about filing or let us know of any challenges they encounter with submitting their report. Further, we are utilizing a ChatBot to provide small businesses and other users with an interactive tool to rapidly answer their questions.

These interactions inform the guidance that we have regularly published over the past several months and through which we have answered common questions on a rolling basis on the BOI page of our website. For example, in early January, we published guidance and helpful scenarios in response to questions on specific ownership structures that have repeatedly come up through different channels of communication. We also responded to feedback by clarifying our own guidelines for identification to accommodate religious and other communities where the use of a photo identification may not be standard.

To ensure this outreach is as far-reaching as possible and leaves no community behind, we are also working with partners to promote BOI reporting education, including initiatives with the Internal Revenue Service (IRS), the Small Business Administration, the National Association of Secretaries of State, the Minority Business Development Agency within the Department of Commerce, the Bureau of Indian Affairs at the Department of the Interior, as well as the Department of Defense (to ensure our military community is also aware of this requirement). As just one example of the success of this outreach, information on how to report BOI can now be found directly on the IRS website when an entity applies for an Employer Identification Number (EIN).

I want to clearly state that FinCEN has no interest in hitting small businesses with excessive fines or penalties. The CTA penalizes willful violations of the law, and we are not seeking to take “gotcha” enforcement actions. Looking ahead, we will continue our efforts to promote compliance with the reporting requirements and ensure broad awareness of the safe, secure, and easy-to-use filing system. At present, we anticipate that most reporting companies will have simple ownership structures with only one or two beneficial owners, and thanks to the FinCEN

team's great work, should be able to fill out the form in about 20 minutes and without the help of an attorney, accountant, or other advisor.

We look forward to continuing to work with Congress, including in any of your home districts, to ensure our outreach and guidance hits the mark to promote accurate and timely reporting that benefits national security, while minimizing any burden on small businesses.

### ***BOI Access***

Following implementation of the BO IT system in early January, FinCEN immediately turned to prioritizing how it will provide access to authorized government and financial institution users throughout 2024, pursuant to our BOI Access Rule issued in December 2023. FinCEN is taking a phased approach to providing access to the BOI filed pursuant to the BOI Reporting Rule, starting this year with a handful of key Federal agency users. We are currently developing the memoranda of understanding and other materials needed to make that happen.

We are taking a phased approach to provide for an orderly implementation of access to BOI and to manage resource demands. The phased approach will help to ensure that we are proper stewards of this sensitive data, troubleshoot where necessary, and learn as we go to improve our overall approach as we proceed. FinCEN believes that starting with a small pilot program of users in 2024 will help further test the system and processes and ensure that any issues can be addressed before expanding access to other users. Making access more broadly available in subsequent stages will help ensure the orderly onboarding of authorized users. A phased approach to granting access will also space out the timing of the annual audits of agency users that FinCEN is required to conduct under the CTA.

The CTA authorizes FinCEN to disclose BOI under specific circumstances to: Federal agencies engaged in national security, intelligence, or law enforcement activity; State, local, and Tribal law enforcement agencies with court authorization; foreign law enforcement agencies, judges, prosecutors, and other authorities that meet specific criteria; and Treasury officers and employees. Financial institutions will, with customer consent, have access to BOI to facilitate their compliance with customer due diligence requirements. Regulators will also have access for supervisory purposes. Authorized recipients will only be allowed to re-disclose BOI under limited, specified circumstances.

### ***Revision of CDD Rule***

Having completed two of three planned regulations as part of beneficial ownership implementation, FinCEN will next turn to revising the "Customer Due Diligence" Rule, or CDD Rule, to take into account the BOI being reported to FinCEN. FinCEN first issued the CDD Rule in 2016, before Congress passed the CTA. The CDD Rule applies to certain financial institutions, such as banks, and requires them to take steps to identify the beneficial owners of their legal entity customers. As called for by legislation, FinCEN is now preparing to update the CDD Rule to bring it into conformance with the CTA and clarify for financial institutions what the expectations are with respect to BOI reported to FinCEN. We are working diligently on these efforts as part of our ongoing implementation work, and we plan to issue a notice of proposed rulemaking (NPRM) for this revision in the coming months.

## **Further AMLA Implementation**

In addition to our work implementing and operationalizing the CTA, we have made significant progress in implementing the other components of the bipartisan AMLA, which has provided us with the tools to modernize and improve the United States' AML/CFT regime. Over the past three years, we have taken initial steps to develop more effective, risk-based BSA compliance programs and work more closely with our private sector counterparts. This includes establishing AML/CFT priorities that will help guide financial institutions in making the best use of their resources to stop financial crimes, formalizing and enhancing our public-private partnerships through the FinCEN exchange program, and enhancing the feedback loops between financial institutions and their AML/CFT regulators and supervisors.

Last year, we brought on an Innovation Officer, who has helped implement a wide swath of initiatives, particularly in connection with implementing the BOI reporting system. Despite budget constraints, we are also working with the State Department to explore creative ways to implement the AMLA's requirement to establish foreign FIU liaisons, who will build AML and CFT capacity abroad, starting with positions in Mexico and the Middle East. The FIU liaison program will not only help host countries improve their own AML/CFT regimes but also better foster information sharing to pursue illicit actors who abuse the international financial system.

The AMLA's commitment to innovation in information sharing is also why this year FinCEN set up the newly restructured Research and Analysis Division, and within it the FinCEN Analytical Hub. The Analytical Hub is staffed by financial experts who identify, track, and trace a range of illicit financial activities and networks. It also contributes to FinCEN's public-facing Financial Trend Analysis reports, a product that covers trends and typologies in BSA data, including with respect to illegal wildlife trafficking, the financial activity of Russian oligarchs and evasion of Russia-related export controls, business email compromise in the real estate sector, identity-related fraud, and ransomware.

This year we also created the Financial Integrity Fund as part of the AMLA's Whistleblower program. This Fund will be used to pay out awards for successful enforcement actions that come out of Whistleblower tips, which continue to come in at a substantial pace. This past year alone we received well over 100 tips, which were processed and then referred to one of FinCEN Enforcement, Treasury's Office of Foreign Assets Control (OFAC) Enforcement, or the Department of Justice. We have been pleased with the quality of the tips being received by the Whistleblower Office. We are planning to issue an NPRM to propose rules for the whistleblower award program this summer, and we hope to begin paying awards out in the not-too-distant future.

There is still work that needs to be done, however. We have not yet proposed revisions to the AML program rule that provides the foundation of a financial institution's BSA compliance program. This proposed rule is a particularly critical part of our BSA modernization efforts, which will harmonize AML/CFT regimes across 11 different types of financial institutions, ranging from banks to insurance companies to casinos. We have taken great pains to get these important objectives right and hope to deliver an NPRM this year that will achieve more effective outcomes for both private and public sector stakeholders. We also continue to work on reports focused on the dollar thresholds of Currency Transaction Reports and Suspicious Activity

Reports, and our review of BSA regulations and guidance is ongoing. Combined, these efforts will contribute significantly to our goal of a more effective and risk-based AML/CFT regime that continues to safeguard the U.S. financial system and U.S. national security.

### **Addressing Priority Threats and Vulnerabilities**

I also want to highlight successes our team has achieved in supporting law enforcement and national security agencies. Given our broad and growing mandate, and because much of our work is necessarily “behind the scenes” due to the sensitive information we safeguard and analyze, I could never hope to capture in a few pages all that we have accomplished since then-Acting Director Das appeared before the Committee last April. But I am grateful for the opportunity to call out just a few specific examples.

#### ***Countering Russian Illicit Finance***

Made possible in part by Congress passing two Ukraine supplemental funding bills in fiscal years 2022 and 2023, FinCEN has continued its wide-ranging efforts to counter Russian aggression, including by issuing Russia-related alerts and advisories to drive reporting by U.S. financial institutions regarding sanctions and export control evasion. We have also convened several Russia-focused FinCEN Exchange events to discuss these advisories and other trends and typologies. In connection with these efforts, we have worked closely with our interagency partners. In addition to our efforts in support of OFAC, we have partnered particularly closely with the Department of Commerce’s Bureau of Industry and Security (BIS) on a series of exchange events and public guidance that aims to disrupt illicit acquisition activities and enhance the overall security and integrity of the international trade and financial systems. Our BIS partners have consistently noted the value of BSA information for enhancing their investigations and enforcement of U.S. export controls.

FinCEN’s financial experts have pored over more than 16,000 Russia-related filings to identify actionable reports of particular interest to partner agencies since the start of the invasion, referring more than 3,000 filings to law enforcement and other agencies. We continue to support Treasury and law enforcement partners in using BSA information to map networks facilitating the movement of sensitive items that Russia can use to further its war efforts. And to ensure robust coordination and information sharing with international partners and allies, including to support the Russian Elites, Proxies, and Oligarchs (REPO) Task Force, FinCEN continues to steer a standing multilateral working group of 19 Financial Intelligence Units to identify illicit activity and support law enforcement and other actions to target Russia-related illicit finance.

Finally, FinCEN has sought to leverage its tools in innovative ways to address the dangers posed by Russia-based actors who rely upon the internet to engage in illicit activity. In 2023, FinCEN issued a first-of-its kind action using section 9714 of the Combating Russian Money Laundering Act to prohibit transmittals of funds between domestic financial institutions and Bitzlato Limited, a Russia-affiliated virtual asset service provider of primary money laundering concern due to its facilitation of ransomware payments and illicit darknet market activity. Together with complementary actions by law enforcement, FinCEN’s action led to Bitzlato Limited’s prompt demise. We continue to explore additional targets for use of section 9714.

## *Corruption*

In addition to our routine casework, in which we closely support law enforcement on specific investigations, we are taking two significant regulatory actions in line with the Administration's [U.S. Strategy on Countering Corruption](#). First, FinCEN has advanced its efforts to prevent corrupt and other illicit actors from misusing anonymous, non-financed (i.e., all-cash) purchases of residential real estate to launder or hide the proceeds of crime. Since 2016, FinCEN has leveraged its Residential Real Estate Geographic Targeting Order (GTO) program to collect information about certain residential real estate transactions in the United States. In December 2021, FinCEN issued an advance notice of proposed rulemaking (NPRM) to solicit public feedback on how to address the risks associated with this sector. Building on this information and public feedback, FinCEN issued a NPRM on February 7 that will be an important step toward bringing greater transparency to the residential real estate sector. The proposed rule, if finalized, could deter corrupt and criminal actors from storing money in U.S. residential real estate and distorting real estate prices—which has a direct impact on American families and the affordability of housing in our cities. We are also considering next steps with regard to addressing the illicit finance risks associated with the U.S. commercial real estate sector.

Further, related to the U.S. Strategy on Countering Corruption, we are also working to address the known risks associated with investment advisers. Unlike other key financial market participants, investment advisers are not subject to consistent or comprehensive AML/CFT obligations in the United States. Russian oligarchs have exploited this gap in coverage to profit from investments in U.S. hedge funds and private equity firms while undermining U.S. interests and allies around the world, and Chinese state actors are using investments in early stage companies to access cutting edge technology and undermine our long-standing commitment to competitive innovation and fair play. Accordingly, this week FinCEN issued an updated NPRM to propose applying AML/CFT requirements pursuant to the BSA, including suspicious activity reporting obligations, to certain investment advisers.

## *Terrorism*

Perhaps no issue has been more front and center since I joined FinCEN than addressing the ongoing crisis in the Middle East and, through our focus on the financing of terror, identifying steps we can take to aid our allies in Israel. In service of these objectives, FinCEN has taken action along three fronts:

- **First**, we are supporting our colleagues at OFAC who have been implementing financial sanctions to degrade and disrupt Hamas's and other terrorist organizations' financial networks. While Hamas itself has been under sanctions for decades, Treasury is targeting newly identified shell companies, middlemen, and facilitators.
- **Second**, we are working with partners and allies around the globe, and particularly with Israel's FIU, and likeminded FIUs, to increase information sharing and collaboration to tackle terrorist financing. I was immediately in contact with the Head of the Israeli FIU in the days following the attacks, and FinCEN is now co-chairing the Counter Terrorist Financing Task Force – Israel (CTFT-I), along with the FIUs of Israel, Germany, and the Netherlands. This core group of FIUs leads weekly Task Force meetings, quickly



moving to share intelligence and typologies and to establish open and regular communication among Task Force members.

- **Third**, we are directly engaging with stakeholders, including financial institutions, to ensure they are taking steps to prevent illicit financial flows to these organizations while continuing to permit legitimate humanitarian support. We have issued a public alert to financial institutions to drive suspicious activity reporting and convened a FinCEN Exchange event on this topic.

Our counterterrorism work extends to other parts of the region and to addressing Iran's influence. Just two weeks ago, FinCEN also issued an NPRM pursuant to section 311 of the USA PATRIOT Act, finding that Iraq-based Al-Huda bank is a primary money laundering concern and proposing the imposition of special measure five, which would prohibit domestic financial institutions and agencies from opening or maintaining a correspondent account for or on behalf of this foreign financial institution—effectively cutting it off from the U.S. financial system. For years, Al-Huda Bank exploited its access to U.S. dollars to support designated foreign terrorist organizations, including Iran's Islamic Revolutionary Guard Corps-Quds Force (IRGC-QF), as well as Iran-aligned proxy militia Kata'ib Hizballah. Concurrently with FinCEN's action, OFAC designated Al-Huda Bank's owner and chairman, Hamad al-Moussawi, pursuant to Executive Order 13224, for providing material support to the IRGC-QF. Over time, Iran and Iran-backed militias have exploited Iraq's financial system. This exploitation is particularly nefarious as it not only destabilizes Iraq's economy, but also its political stability, and provides funding to groups that have conducted numerous attacks against U.S. personnel in Iraq.

These actions demonstrate Treasury's commitment to use all of its authorities to target terrorist financing and protect the U.S. financial system from it.

### ***Fentanyl Trafficking***

FinCEN has been working tirelessly with our law enforcement and foreign partners to combat the scourge that is our nation's opioid crisis. In addition to ongoing support to a variety of law enforcement agencies on specific matters, in December, we announced redoubled efforts with the Internal Revenue Service Criminal Investigation Division (IRS-CI) and OFAC to strengthen operational coordination to disrupt the financial aspects of fentanyl trafficking. We also work closely with other key interagency partners, embedding personnel with the Drug Enforcement Administration and the Federal Bureau of Investigation-led Joint Criminal Opioid Darknet Enforcement team.

FinCEN has recently convened a number of public-private partnership information exchanges focused on illicit fentanyl—domestically through FinCEN Exchange events and internationally through a roundtable with Mexican authorities and financial institutions alongside their U.S. counterparts. Just last week, FinCEN convened a FinCEN Exchange event in Los Angeles to share information about fentanyl trafficking and related money laundering typologies—this was the third in a series specifically aimed at engaging with regional financial institutions across the United States. The Exchange event drew from local law enforcement and regional banks to share information to improve the identification of fentanyl traffickers and money launderers, and

to improve the reporting of that information to FinCEN. Also last week, FinCEN convened its second U.S.-Mexico public-private roundtable with Mexican authorities and financial institutions to advance the fight against this scourge.

### ***Human Trafficking and Smuggling***

FinCEN has long considered the fight against human trafficking and smuggling to be of great importance, and we included human trafficking and human smuggling as one of eight government-wide AML/CFT National Priorities pursuant to the AMLA in 2021. Since doing so, FinCEN has already produced remarkable results. Since our initial advisory on human smuggling and human trafficking in 2014, we have collaborated with law enforcement to identify 20 new financial and behavioral indicators of labor and sex trafficking, additional typologies, and case studies. FinCEN shared this new information in a supplemental advisory in 2020 as part of ongoing efforts to aid the global effort to combat human smuggling and related activities. Since the issuance of that supplemental advisory, FinCEN has received over 6,000 SARs referencing suspected human trafficking and related activity. A portion of these SARs is tied to suspected child sexual abuse materials, Darknet Market (DNM) vendors, cryptocurrency transactions, and international jurisdictions. In January 2023, FinCEN issued an alert to help financial institutions detect and report financial activity related to human smuggling specifically along the southwest border of the United States. The alert set out red flags and typologies to assist financial institutions in detecting activity by human smuggling networks along the border.

Our work is very much ongoing. This week we published a new Financial Trend Analysis report that reveals a sharp increase in the number of BSA reports that described the use of convertible virtual currency (CVC) for suspected human trafficking and online child sexual exploitation (OCSE). We will continue to explore and address with interagency partners how CVC facilitates these activities.

### **Enforcement and Accountability**

In parallel with our work supporting law enforcement and national security agencies, FinCEN has continued to prioritize enforcement investigations and related authorities, concentrating on priority and impactful matters.

### ***Enforcement Actions***

This has been a banner year for FinCEN's enforcement efforts. Of note, FinCEN imposed civil monetary penalties against two "first-time" categories of entities, including actions against a state-chartered trust and international banking entity in Puerto Rico, as well as collaborated with new partners in connection with another enforcement action. In the first matter, FinCEN levied a civil penalty against Kingdom Trust Company for willful violations of the BSA, having determined that Kingdom Trust had virtually no process to identify and report suspicious transactions. This action was the first of its kind against a trust company. Second was FinCEN's first enforcement action against a Puerto Rican International Banking Entity for failure to comply with the so-called "Gap Rule," which expanded AML requirements to depository institutions lacking a Federal functional regulator. FinCEN also partnered with the Federal

Deposit Insurance Corporation (FDIC) and New York Department of Financial Services (NYDFS) for the first time in our enforcement action against Shinhan Bank America.

FinCEN has consistently been a global leader with respect to regulating virtual asset service providers and holding them accountable for compliance with U.S. AML/CFT regulations. In late 2022, FinCEN assessed a civil monetary penalty of \$29 million action against the virtual currency exchange Bittrex, Inc. for BSA violations that created exposure to high-risk counterparties including sanctioned jurisdictions, darknet markets, and ransomware attackers. Perhaps most notably, FinCEN took a historic enforcement action late last year in assessing a civil monetary penalty of \$3.4 billion—the largest in FinCEN’s and the Treasury Department’s history—on Binance Holdings Ltd. and several affiliates (collectively, Binance). Binance admitted that it willfully violated the BSA and FinCEN regulations. FinCEN’s Consent Order details Binance’s violations – namely:

- Failure to register as a money services business, and, steps to conceal its ties to the United States;
- Failure to establish and maintain an effective AML program, including conducting “no Know Your Customer (KYC)” for a substantial number of users; and
- Failure to file *well over 100,000* suspicious activity reports (SARs), while instructing staff to *never* file SARs.

Pursuant to the consent order, Binance has agreed to address its significant compliance gaps and ensure a complete and timely exit of Binance.com from the U.S. market. These efforts will be subject to supervision through a five-year monitorship overseen by FinCEN—a first in the crypto space. In addition, the monitor will also make certain that Binance rectifies the gap it created for law enforcement by retroactively filing reports of suspicious activity that it processed in recent years.

Importantly, although FinCEN played a leading role in the Binance investigation, this was a truly collaborative interagency effort, and I would be remiss if I did not mention our Treasury partners at OFAC and IRS–CI, as well as our partners at the Department of Justice and Commodity Futures Trading Commission. This unprecedented enforcement action, and the other actions I have highlighted today, serve notice to illicit actors that we and our partners remain vigilant to protect the American financial system from illicit or illegal use.

### ***CVC Mixing***

Our efforts to counter virtual asset-related illicit finance threats are not limited to our enforcement actions. We have also taken concrete steps to both limit pathways for illicit activity and to hold to account those who seek to play by their own set of rules, while simultaneously ensuring our actions do not stymie innovation or investment.

In October 2023, FinCEN issued an NPRM finding that Convertible Virtual Currency Mixing, or “CVC mixing”, is a class of transactions of primary money laundering concern pursuant to section 311 of the USA PATRIOT Act, and proposing the imposition of certain recordkeeping

and reporting requirements, including a requirement that covered financial institutions report information about a transaction they know, suspect, or have reason to suspect involves CVC mixing. CVC Mixing is among a series of tools illicit actors use to create anonymity in their online transactions by hiding the movement or origin of the funds themselves. FinCEN's action specifically highlights the extensive use of CVC mixing by rogue states, such as the Democratic Republic of Korea (DPRK), and sophisticated cybercriminals. This action was FinCEN's first ever use of its authority under section 311 to propose special measures on a "class of transactions." The comment period for this proposed rule closed last month, and we are actively considering all public comments received.

This action, in addition to FinCEN's action against Bitzlato Limited referenced above, make it clear that FinCEN will continue to act in this space to keep our financial system safe and secure, regardless of the method of transaction.

### **Conclusion**

It has been an extremely productive year at FinCEN. It quickly became clear when I arrived in September that the FinCEN workforce is steadfast in its commitment to keeping our financial system safe, and I could not be prouder to represent them before you today. While much of this work began well before I arrived, since September alone the bureau has issued dozens of intelligence reports to interagency and international partners; convened FinCEN Exchange events on topics ranging from Hamas financing to wildlife trafficking; published multiple public advisories, alerts, and trend analysis reports; issued two section 311 actions (its first since 2019); issued four civil monetary penalties for violations of the BSA; and so much more, all while taking on the agency's most significant undertaking in recent memory with beneficial ownership implementation.

Critical to everything I have outlined in this testimony is a dedicated staff who are experts in creating, implementing, and enforcing AML/CFT regulations; engaging with U.S. authorities and foreign FIUs; and ultimately protecting the lives and livelihoods of the American public. As such, I would like to conclude by taking a moment to thank FinCEN staff, past and present, who have worked tirelessly to implement the AMLA and the CTA, all on top of our historical mandate with respect to the BSA.

I look forward to your questions.