

# EVALUATING THE FINANCIAL CRIMES ENFORCEMENT NETWORK

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## HEARING BEFORE THE SUBCOMMITTEE ON NATIONAL SECURITY, ILLICIT FINANCE, AND INTERNATIONAL FINANCIAL INSTITUTIONS OF THE COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINETEENTH CONGRESS

FIRST SESSION

SEPTEMBER 9, 2025

**Serial No. 119–37**

Printed for the use of the Committee on Financial Services



*[www.govinfo.gov](http://www.govinfo.gov)*

U.S. GOVERNMENT PUBLISHING OFFICE

63–032 PDF

WASHINGTON : 2026

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# C O N T E N T S

**Tuesday, September 9, 2025**

## OPENING STATEMENTS

|                                                                                                                                                                             | Page |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| Hon. Warren Davidson, Chairman of the Subcommittee on National Security, Illicit Finance and International Financial Institutions, a U.S. Representative from Ohio .....    | 1    |
| Hon. Joyce Beatty, Ranking Member of the Subcommittee on National Security, Illicit Finance and International Financial Institutions, a U.S. Representative from Ohio ..... | 3    |

## STATEMENTS

|                                                                                                                        |   |
|------------------------------------------------------------------------------------------------------------------------|---|
| Hon. French Hill, Chairman of the Committee on Financial Services, a U.S. Representative from Arkansas .....           | 4 |
| Hon. Maxine Waters, Ranking Member of the Committee on Financial Services, a U.S. Representative from California ..... | 4 |

## WITNESSES

|                                                                                 |   |
|---------------------------------------------------------------------------------|---|
| Ms. Andrea Gacki, Director, Financial Crimes Enforcement Network (FINCEN) ..... | 5 |
| Prepared statement .....                                                        | 8 |

## APPENDIX

### MATERIALS SUBMITTED FOR THE RECORD

|                                                                                                                             |     |
|-----------------------------------------------------------------------------------------------------------------------------|-----|
| Hon. Warren Davidson:                                                                                                       |     |
| September 8, 2025 Letter to Secretary Bessent .....                                                                         | 46  |
| The Independent Community Bankers of America (ICBA) .....                                                                   | 54  |
| April 2, 2025 Press Release, Fraud on ActBlue: New Report Details Potential Illegal activity on the Democrat Platform ..... | 57  |
| Hon. Joyce Beatty:                                                                                                          |     |
| Democrats Abroad (DA) .....                                                                                                 | 59  |
| Hon. Young Kim:                                                                                                             |     |
| American Land Title Association (ALTA) .....                                                                                | 66  |
| Hon. Maxine Waters:                                                                                                         |     |
| American Association of Retired Persons (AARP) .....                                                                        | 86  |
| Financial Accountability and Corporate Transparency (FACT) Coalition ...                                                    | 104 |
| Transparency International U.S. ....                                                                                        | 108 |

### RESPONSES TO QUESTIONS FOR THE RECORD

|                                                                                         |     |
|-----------------------------------------------------------------------------------------|-----|
| Written responses to questions for the record from Representative French Hill .....     | 113 |
| Written responses to questions for the record from Representative Warren Davidson ..... | 116 |
| Written responses to questions for the record from Representative Young Kim .....       | 118 |
| Written responses to questions for the record from Representative Zachary Nunn .....    | 120 |
| Written responses to questions for the record from Representative Maxine Waters .....   | 121 |

IV

|                                                                                          | Page |
|------------------------------------------------------------------------------------------|------|
| Written responses to questions for the record from Representative Joyce Beatty .....     | 127  |
| Written responses to questions for the record from Representative Vicente Gonzalez ..... | 128  |

## **Evaluating the Financial Crimes Enforcement Network**

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**Tuesday, September 9, 2025**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON NATIONAL SECURITY, ILLICIT  
FINANCE,  
AND INTERNATIONAL FINANCIAL INSTITUTIONS,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:09 a.m., in room 2128, Rayburn House Office Building, Hon. Warren Davidson [chairman of the subcommittee] presiding.

Present: Representatives Davidson, Hill, Lucas, Sessions, Barr, Williams of Texas, Kim, Ogles, Nunn, Salazar, Beatty, Waters, Gottheimer, Vargas, Foster, Casten, Liccardo.

Also present: Representative Tlaib.

Chairman DAVIDSON. The Subcommittee on National Security, Illicit Finance, and International Financial Institutions will come to order.

Without objection, the chairman is authorized to declare a recess of the committee at any time.

This hearing is titled “Evaluating the Financial Crimes Enforcement Network.”

Without objection, all members will have five legislative days within which to submit extraneous materials for inclusion in the record.

I now recognize myself for 4 minutes for an opening statement.

### **OPENING STATEMENT OF HON. WARREN DAVIDSON, CHAIRMAN OF THE SUBCOMMITTEE ON NATIONAL SECURITY, ILLICIT FINANCE AND INTERNATIONAL FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM OHIO**

This is the third hearing with the director of the Financial Crimes Enforcement Network (FinCEN), as required by Section 5336(c)(11) of the Corporate Transparency Act.

Today provides a public forum to examine FinCEN’s operations, the troubled status of the Beneficial Ownership Information reporting regime, the Anti-Money Laundering Act of 2020, and the history and impact of the Bank Secrecy Act.

The goal of this hearing is to assess these tools for targeted reforms that enhance security without trampling on privacy and innovation.

This testimony should help Congress assess how these frameworks target real threats, like terrorist and cartel financing networks, scam centers, and other illicit finance.

The big question is how they do it all while avoiding surveillance of law-abiding Americans and small businesses.

The Bank Secrecy Act was enacted in 1970 with a narrow good intention: to create transparency against organized crime's infiltration of our financial system.

Over decades, the Bank Secrecy Act (BSA) has morphed into a bloated surveillance machine demanding endless reports from banks, businesses, and individuals without delivering proportional results.

Today, this framework is dangerously outdated, and the BSA's one-size-fits-all mandates are tying up lots of resources. Are they being used effectively?

In recent years, the Bank Secrecy Act, Corporate Transparency Act, and Anti-Money Laundering Act of 2020 have proven sometimes ineffective, but always cumbersome.

For example, FinCEN's own data shows that from 2014 to 2023 law enforcement agencies only accessed about 5.4 percent of the millions of currency transaction reports filed under the Bank Secrecy Act, highlighting how this flood of paperwork buries real leads in bureaucracy instead of focusing on bad actors.

On the CTA front, we have seen FinCEN issue overbroad rules that treat every mom-and-pop shop around the country as potential money launderers, forcing disclosure of personally identifiable information into a Federal database that is not well-safeguarded against hacks or misuse. That is not security; that is an invitation for abuse, and we have witnessed it in other cases, like Operation Chokepoint.

While millions of American businesses are relieved by March's delayed enforcement of the Corporate Transparency Act's Beneficial Ownership Information mandates, they await clear guidance from FinCEN about what the future looks like.

We appreciate the interim rule, and we are happy to work to finalize it. We are, in fact, working on a law to cement it. The market really wants clarity and certainty on where things are headed.

Meanwhile, true threats—like Chinese fentanyl cartels are laundering billions through U.S. real estate or Russian oligarchs sometimes evading sanctions. They slip through because resources are tied up with collection rather than analysis.

We need to index outdated Currency Transactions Reports (CTR) thresholds for inflation. We should codify the full repeal of CTA's Beneficial Ownership Information mandate on U.S. businesses and focus it on external threats.

This hearing is our chance to demand accountability.

With that, I yield the balance of my time.

I now recognize the ranking member of the subcommittee, Mrs. Beatty, for 4 minutes for her opening statement.

**OPENING STATEMENT OF HON. JOYCE BEATTY, RANKING  
MEMBER OF THE SUBCOMMITTEE ON NATIONAL SECURITY,  
ILLICIT FINANCE AND INTERNATIONAL FINANCIAL INSTITU-  
TIONS, A U.S. REPRESENTATIVE FROM OHIO**

Mrs. BEATTY. Thank you, Mr. Chairman.

Certainly thank you for being here, Director Gacki.

You are going to have a lot coming at you today as our only witness sitting up there, and I think you should take that as because you have so much experience. You have worked through President Trump's Administration, President Biden's Administration.

So we are hoping that today's hearing will shed light on the national security consequences if we cripple your office and our financial crime programs.

Because one thing I can tell you is that we all are against corruption. No one wants to be engaged sitting on this committee by the very nature of the title that my Republican colleagues have named it.

I am very anxious to hear from you today.

We know that the Financial Crimes Enforcement Network is small, but it is of vital, vital importance in a bureau at the Treasury Department that is tasked with protecting our financial system from traffickers, from money launderers, from terrorist facilitators, and other bad actors.

To put this work in perspective, let us look, for example, at something that we have all been engaged with on both sides of the aisle, and that is illicit fentanyl, that trade that has devastated our communities over the last decade. I can say—as well as I am sure our chairman will, because we are both from Ohio—and what has happened in our districts.

FinCEN follows the money to the origins of these drug supply chains to disrupt finance streams wherever it can; hopefully, preventing synthetic opioids like fentanyl from entering our country.

When my constituents ask me what we are doing in Congress to stop fentanyl deaths and protect our communities, I tell them about the important work that we do on this committee to make it tougher, to make it less profitable for drug traffickers to conduct their crimes and FinCEN is central to that effort and thank you.

Given that, Director Gacki, I am proud of the work that we have done in recent years to bolster our national security and crack down on financial crime. However, today's hearing, our first FinCEN oversight hearing since the administrations change, comes in the wake of a series of dangerous rollbacks in our illicit finance regulatory framework.

And just to name a few, the Trump Administration has endeavored to unlawfully eliminate the Consumer Financial Protection Bureau, the agency responsible for protecting Americans from fraud and abuse.

The President has changed the way the United States enforces the Foreign Corrupt Practices Act, which prohibits Americans from bribing foreign officials.

Perhaps the most alarming of all, Treasury Secretary Scott Bessent gutted the bipartisan Corporate Transparency Act, which President Trump signed into law during his first term, exempting

over 99 percent of the companies that Congress intended the law to cover.

This stunning reversal eliminates a critical new tool for law enforcement to unmask anonymous shell companies, effectively making the United States the preferred haven for money laundering, traffickers, and fraudsters.

Instead of working with Congress to make key reforms to the law that would ease small business compliance concerns, the administration chose to directly ignore the law as it was passed and intended to be implemented by a strong bipartisan Congress.

Further, these recent actions threaten our national security, weaken our efforts to fight money laundering and the finance of terrorism, and give us fewer tools to protect hardworking Americans.

Good luck today, and we are excited to hear from you.

I yield back.

Chairman DAVIDSON. Thank you.

I now recognize the chairman of the full committee, Mr. Hill, for 1 minute for an opening statement.

**STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM ARKANSAS**

Chairman HILL. Thank you, Mr. Chairman.

I want to thank FinCEN Director Gacki for joining us today.

It is good to see you. Glad to have you back before the committee.

FinCEN plays a crucial role in safeguarding our Nation's financial system from illicit activity. Today's hearing will give committee members the opportunity to hear from and question the FinCEN director on the agency's operations, including the current status, as noted by the ranking member, of the Beneficial Ownership reporting rule and other efforts to fight financial crime.

I was pleased to see Treasury's interim rule issued in March exempting U.S. companies from Beneficial Ownership reporting requirements. It marks an important step toward easing regulatory burdens on some 32 million hardworking American small businesspeople nationwide and I look forward to learning more about the forthcoming rule.

We will also assess the Bank Secrecy Act's performance over the past five decades and explore ways to modernize it and ensure it remains effective in protecting our national security.

I look forward to the hearing. I yield back.

Chairman DAVIDSON. Thank you, Chairman.

I now recognize the ranking member of the full committee, Ms. Waters, for 1 minute for an opening statement.

**STATEMENT OF HON. MAXINE WATERS, RANKING MEMBER OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM CALIFORNIA**

Ms. WATERS. Thank you, Chairman Davidson and Ranking Member Beatty.

While I am pleased to welcome back Director Gacki, I am disappointed we are not more closely reviewing the Trump Adminis-

tration's and congressional Republicans' actions that weaken America's capacity to stop money laundering and fraud.

Today, American consumers are less protected from fraud and corruption thanks to Trump's closure of agencies like the Consumer Financial Protection Bureau.

Today, America is less secure thanks to Trump's firing of government examiners, investigators, prosecutors, and inspectors general; and drug and human traffickers will thrive due to the GOP's gutting of crime-fighting tools like the Corporate Transparency Act and the Investment Advisers Rule.

If we really want to stop fraud, we should not eliminate the very government workers who are charged with doing so.

I yield back.

Chairman DAVIDSON. I thank the ranking member.

Today we welcome the testimony of Ms. Andrea Gacki, director of the Financial Crimes Enforcement Network.

Thank you for taking your time to be here.

You will be recognized for 5 minutes to give an oral presentation of your testimony. Without objection, your written statement will be made part of the record.

Ms. Gacki, you are now recognized for 5 minutes for your oral statement.

**STATEMENT OF MS. ANDREA GACKI, DIRECTOR, FINANCIAL  
CRIMES ENFORCEMENT NETWORK (FINCEN)**

Ms. GACKI. Thank you, Chairman Davidson, Ranking Member Beatty, Chair Hill, Ranking Member Waters, and distinguished members of this subcommittee. I thank you for the opportunity to testify here today on behalf of the Financial Crimes Enforcement Network, or FinCEN.

I want to say at the outset how much I appreciate the support of Congress and of this subcommittee in general in our collective efforts to combat illicit financial activity.

Today I plan to discuss how FinCEN has leveraged our tools to advance this administration's highest national security and law enforcement priorities to ultimately protect the lives and livelihoods of the American people.

First, FinCEN is deploying our resources against a number of threat priorities, including countering cartels and drug trafficking, imposing maximum pressure on Iran, fighting child sexual exploitation, and combating fraud.

In these remarks today, I want to focus a bit on our efforts to counter cartels and drug trafficking.

In one of his first executive orders, President Trump established a policy of ensuring the total elimination of terrorist-designated cartels in the United States.

To implement this policy, this past June, pursuant to the Fentanyl Sanctions Act, FinCEN identified three Mexico-based financial institutions as being of primary money laundering concern in connection with illicit opioid trafficking.

FinCEN also issued alerts to financial institutions targeting both cash smuggling by Mexico-based transnational criminal organizations, as well as oil smuggling schemes along the southwest border associated with Mexico-based cartels.

We also published two comprehensive public financial trend analyses, one on fentanyl-related illicit finance and one on the key role of Chinese money-laundering networks to promote disruption of key vectors of illicit finance and we have leveraged these publications in public-private partnerships in the fight against cartel finance.

In June, we convened two FinCEN Exchange events along the southwest border in Texas focused on combating money movements associated with drug-trafficking organizations.

This week FinCEN and our Treasury colleagues are convening here in D.C. a cross-border dialog, together with the Government of Mexico, the largest Mexican banks, and U.S. correspondent banks to further efforts to eliminate Mexico-based drug cartels on both sides of the border.

Next, FinCEN is focused on efforts to streamline regulatory requirements and reduce industry compliance burdens, including through further implementation of the Anti-Money Laundering Act of 2020, so that the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime in the United States is risk-based and focused on the greatest threats to financial institutions and to national security.

One key aspect of modernizing the Bank Secrecy Act regime involves reporting, especially Suspicious Activity Reports, or SARS, and Currency Transaction Reports, or CTRs.

SARS and CTRs can provide critical information to law enforcement partners. However, FinCEN recognizes the burden this reporting imposes on institutions and individuals.

We are currently exploring ways to streamline SARS and CTR reporting, including by improving the forms, which will be beneficial for law enforcement and national security data users, as well as for filers.

To further reduce the regulatory burden on U.S. companies and U.S. persons, FinCEN modified our approach to Beneficial Ownership Information, which I look forward to discussing in this hearing.

FinCEN is reviewing comments on the interim final rule issued this past March, and we intend to issue a final rule this upcoming year.

Finally, let me highlight FinCEN's efforts to promote the administration's goal of supporting the responsible growth and use of digital assets.

Digital assets, like other financial assets, are subject to misuse by illicit actors. To unleash the full potential of digital assets in the United States, certain measures should be adopted to deter illicit finance and combat financial crime that targets Americans. Faithfully and expeditiously implementing the The Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act is one of those measures.

As FinCEN initiates rulemaking efforts necessary to implement the GENIUS Act's required regulations, we will continue our ongoing engagements with the digital asset industry and with law enforcement. We also look forward to engaging with Financial Services Committee members as Congress considers further legislation in this area.

Thank you again to this committee for your support and partnership in combating illicit finance and I look forward to your questions.

[The prepared statement of Ms. Gacki follows:]

Statement by

Andrea M. Gacki

Financial Crimes Enforcement Network

United States Department of the Treasury

before the

Committee on Financial Services Subcommittee on National Security, Illicit Finance, and  
International Financial Institutions

U.S. House of Representatives

September 9, 2025

### **Introduction**

Chairman Davidson, Ranking Member Beatty, and distinguished Members of the Subcommittee on National Security, Illicit Finance, and International Financial Institutions, thank you for the opportunity to testify this morning on behalf of the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). My name is Andrea Gacki, and I am the Director of FinCEN. I want to say at the outset how much I appreciate the support of Congress, and of this Subcommittee in particular, in our collective efforts to combat illicit financial activity. I look forward to our continued work together.

### **FinCEN's Illicit Finance Priorities**

FinCEN has a multifaceted mission and a host of unique authorities that we use to combat illicit financial networks. Today, I will illustrate how we have leveraged the tools at our disposal to advance this Administration's highest national security and law enforcement priorities and to ultimately protect the lives and livelihoods of the American people. In my time today, I will first cover the various threat priorities against which we are deploying our resources, including our work to: counter cartels and drug trafficking; impose maximum pressure on Iran; fight child sexual exploitation; and combat fraud. I will then address our ongoing efforts to streamline regulatory requirements and reduce industry compliance burdens, including through modernizing the U.S. anti-money laundering and countering the financing of terrorism (AML/CFT) regime and further implementing the Anti-Money Laundering Act of 2020 (AML Act). Finally, I will conclude by highlighting our efforts to promote the responsible growth and use of digital assets.

### ***Counter-cartel/Counter-narcotics***

On January 20, 2025, President Trump issued an Executive Order creating an interagency process under which multiple cartels were designated as Foreign Terrorist Organizations and Specially Designated Global Terrorists, and establishing a policy of ensuring the total elimination of their presence in the United States and their ability to threaten the territory, safety, and security of the United States. FinCEN has taken a multi-pronged approach in furtherance of these important efforts in close coordination with our Treasury and interagency partners.

This past June, pursuant to the Fentanyl Sanctions Act (as amended by the FEND Off Fentanyl Act), FinCEN identified three Mexico-based financial institutions—CIBanco S.A., Institución de Banca Múltiple; Interam Banco S.A., Institución de Banca Múltiple; and Vector Casa de Bolsa, S.A. de C.V.—as being of primary money laundering concern in connection with illicit opioid trafficking. Pursuant to these targeted actions, Treasury is prohibiting covered U.S. financial institutions from engaging in transmittals of funds with these three Mexico-based financial institutions. We anticipate that these prohibitions will have direct and immediate effects in insulating the U.S. financial system from illicit activity occurring in these financial institutions and in causing other financial entities in Mexico to take measures to bolster compliance programs and ensure they do not do business with cartel-linked actors. These measures immediately prompted the Government of Mexico to intervene and take steps to directly oversee the three named institutions and their compliance activities.

The Fentanyl Sanctions Act, as amended by the FEND Off Fentanyl Act, provided FinCEN with this powerful tool to expeditiously combat illicit opioid trafficking and safeguard the U.S. financial system. We are grateful to Congress for providing this authority, and we are committed to using all of our tools to combat the scourge of fentanyl trafficking in furtherance of the Administration's efforts to combat and eliminate cartels. To that end, FinCEN has also fully deployed our Bank Secrecy Act (BSA) authorities, including those granted to us by the AML Act, in support of these vital efforts. For example, we have issued alerts to financial institutions targeting bulk cash smuggling by Mexico-based transnational criminal organizations, as well as oil smuggling schemes along the southwest border associated with Mexico-based cartels. These alerts provide red flag indicators that help financial institutions monitor and report related activity to FinCEN. This data ultimately supports law enforcement investigations as they work to hold criminals accountable. We have also published two comprehensive public Financial Trend Analyses—one on fentanyl-related illicit finance, and one on the key role of Chinese money laundering networks—to drive awareness and promote disruption of key vectors for cartel illicit finance.

Findings from these publications have complemented our efforts to drive public-private partnerships in the fight against cartel finance. For example, in June, we convened two FinCEN Exchange events along the southwest border in McAllen and El Paso, Texas, focused on combating and obstructing money movements associated with narcotics and drug trafficking organizations. These FinCEN Exchanges mobilized community and regional financial institutions as frontline partners in the fight against illicit finance tied to drug trafficking. This week, FinCEN and our Treasury colleagues are convening a similar, cross-border dialogue together with the Government of Mexico, the largest Mexican banks, and key U.S. correspondent banks here in Washington, D.C. to further ensure our efforts to eliminate Mexico-based drug cartels occur on both sides of the border.

We remain committed to utilizing all available authorities in support of Treasury and broader Administration goals to protect the United States financial system from exploitation by drug traffickers and look forward to continuing to partner with Congress on these issues.

#### ***Maximum Pressure on the Iranian and Cuban Regimes***

FinCEN has also supported the Administration's efforts to impose maximum pressure on Iran, specifically to deny Iran access to the global financial system and further degrade its weapons programs. Secretary Bessent led a FinCEN Exchange event in April with law enforcement agencies and 16 systemically important global financial institutions to enable the financial sector to comply with U.S. sanctions on Iran and its global oil and "shadow banking" sanctions evasion networks. Building upon this event, FinCEN also issued an Advisory in June that provided typologies and red flags to assist financial institutions in identifying, preventing, and reporting to FinCEN suspicious activity connected to Iranian oil smuggling, shadow banking, and weapons procurement.

Following the June 30 release of the White House's updated [National Security Presidential Memorandum on Cuba](#), FinCEN is committed to prioritizing efforts to ensure similar actions are taken against the Cuban regime. Press reports indicate that the Cuban military has hidden billions in assets overseas, and we at FinCEN are committed to investigating and holding

accountable those financial institutions that hide the Cuban military's stolen wealth while the Cuban people suffer.

#### ***Countering Smuggling and Child Exploitation***

FinCEN is leveraging its BSA authorities and relationships with key law enforcement stakeholders to help financial institutions recognize and report financial activity associated with human trafficking and child exploitation. FinCEN is also working closely with law enforcement partners to identify financial networks facilitating human smuggling activity across our borders.

FinCEN conducts routine analysis of Suspicious Activity Report (SAR) data to identify and refer reports of alleged child sexual abuse material and online child sexual exploitation to Federal, State, and local law enforcement officials. These SARs often identify the purchasers, facilitators, and other actors that engage in the sale and distribution of these materials. On a monthly basis, FinCEN receives hundreds of SARs detailing this alleged activity.

This month, FinCEN published a Notice on Financially Motivated Sextortion. This burgeoning criminal typology occurs when a perpetrator, using a fake persona, coerces a victim to create and send sexually explicit images or videos of themselves. Then, the perpetrator threatens to release the compromising material to the victim's friends and family unless the victim provides payment. Minors are a particularly vulnerable population that has been victimized and exploited by the perpetrators of these schemes. FinCEN published this Notice to bring further attention to this abhorrent issue and to encourage financial institutions to file SARs on activity potentially related to financially motivated sextortion. These SARs serve as useful financial intelligence and support local, state, federal, and international law enforcement partners, as well as U.S. national security agencies, in investigating and bringing perpetrators to account.

#### ***Combating Fraud and Cyber Scams***

FinCEN is concerned about a wide and diversified array of fraud, which continues to be our most-reported type of suspicious activity. Cyber-enabled fraud remains elevated, and FinCEN has observed an increase in reported fraud and cybercrime every year since at least 2013. Between elder financial exploitation, government benefits fraud, digital asset investment scams, account takeover attacks, artificial intelligence-enabled fraud, and other forms of these crimes, sophisticated criminal networks have stolen millions—even billions—of dollars from Americans without ever physically entering the United States.

In addition to the many advisories that we have issued on these topics and our ongoing work with law enforcement, I particularly want to highlight FinCEN's action in May, where we issued a finding and notice of proposed rulemaking pursuant to Section 311 of the USA PATRIOT Act identifying Cambodia-based Huione Group as a financial institution of primary money laundering concern and proposed a rule to sever its banking access to the U.S. financial system. As you may know, the Huione Group serves as a critical node for laundering proceeds of cyber heists carried out by the Democratic People's Republic of Korea, and for transnational criminal organizations in Southeast Asia perpetrating digital asset investment scams, commonly known as "pig butchering" scams, as well as other types of digital asset-related scams. FinCEN is

evaluating the comments received in response to the proposed rulemaking, and we will keep the Committee apprised of any further action related to this entity.

#### **AML/CFT Modernization**

FinCEN recognizes that there is an urgent need to modernize the AML/CFT regime in the United States so that it is effective, risk-based, and focused on the greatest threats to financial institutions and national security. In furtherance of this effort, FinCEN is working with our Treasury colleagues to change the AML/CFT status quo so that the framework focuses on our national security priorities and highest risk areas and explicitly permits financial institutions to de-prioritize lower risks. In line with the AML Act's directive, this includes an acknowledgement that financial institutions must be permitted to direct more attention and resources toward higher-risk customers and activities, consistent with an institution's risk profile, rather than toward lower-risk customers and activities.

Another area where we need to modernize the BSA regime is reporting, especially SARs and Currency Transaction Reports (CTRs). SARs and CTRs can provide critical information to our law enforcement partners who protect our nation from drug cartels, human traffickers and smugglers, fraudsters, and terrorists. However, FinCEN recognizes the burden this reporting imposes on institutions and individuals. To support both national security and economic prosperity, it is critical for institutions to be able to direct their compliance resources towards the most significant threats, ameliorating that burden. We are currently exploring ways to streamline SAR and CTR reporting, including by improving the forms, which will be beneficial for law enforcement and national security data users, as well as for filers.

As part of our work to modernize requirements under the BSA, FinCEN recently issued orders to provide banks with greater flexibility in fulfilling Customer Identification Program compliance obligations, by permitting banks to collect Tax Identification Number information from a third party rather than from the bank's customer. These orders reduce burden by providing banks with greater flexibility in determining how to fulfill their existing regulatory obligations without presenting a heightened risk of illicit financial activity.

#### **Beneficial Ownership/Interim Final Rule**

To further reduce regulatory burdens for U.S. companies and U.S. persons, FinCEN modified our approach to beneficial ownership implementation. Consistent with the U.S. Department of the Treasury's March 2, 2025, announcement suspending enforcement of the Corporate Transparency Act against U.S. citizens and domestic companies, FinCEN issued an interim final rule on March 21, 2025, that removed the requirement for U.S. companies and U.S. persons to report beneficial ownership information (BOI) to FinCEN under the Corporate Transparency Act.

In the interim final rule, FinCEN revised the definition of "reporting company" in our implementing regulations to mean only those entities that are formed under the law of a foreign country that have registered to do business in the United States. In doing so, FinCEN exempted millions of entities from BOI reporting requirements. Thus, through the interim final rule, all

entities created in the United States and their beneficial owners are exempt from the requirement to report BOI to FinCEN.

Foreign entities that meet the new definition of a “reporting company” and do not qualify for an exemption from the reporting requirements must report their BOI to FinCEN under revised deadlines. These foreign entities, however, are not required to report any U.S. persons as beneficial owners, and U.S. persons are not required to report BOI for any entity they beneficially own.

FinCEN accepted comments on the interim final rule through May 27, 2025, and intends to issue a final rule this year.

#### **Digital Assets**

FinCEN is committed to the Administration’s goal of supporting the responsible growth, development, and use of digital assets. Digital assets, like other financial assets, are subject to misuse by illicit actors. The President’s Working Group on Digital Asset Markets July 2025 report, which FinCEN participated in the development of, observed that to unleash the full potential of digital assets in the United States, certain measures should be adopted to deter illicit finance and combat financial crime that targets Americans. Faithfully and expeditiously implementing the GENIUS Act is one of those measures.

FinCEN is in the process of initiating the rulemaking efforts necessary to implement the GENIUS Act’s required regulations, including those that apply BSA obligations to permitted payment stablecoin issuers. As FinCEN prepares to issue these rules, we will continue our ongoing engagements with the digital asset industry to ensure our rulemakings are appropriately tailored for the stablecoin industry. We will also continue to engage with law enforcement to ensure the rulemakings are properly scoped for money laundering and terrorist financing risks related to stablecoins.

FinCEN is eager to implement the GENIUS Act’s innovation-related provisions. As required by the GENIUS Act, on August 18, 2025, Treasury issued a Request for Comment on innovative methods, techniques, and strategies financial institutions use, or could use, to detect illicit activity involving digital assets. The request seeks comments on, for example, the use of artificial intelligence and blockchain monitoring.

FinCEN looks forward to working with our Treasury colleagues and federal banking agency partners to ensure GENIUS’s goals of providing clarity and protection to the digital asset ecosystem are realized. And we look forward to continuing to engage as Congress considers further legislation.

#### **Conclusion**

This year has been extremely productive for FinCEN. I am profoundly grateful to the FinCEN team, and broader TFI team, for their hard work and dedication in support of our critical mission.

Thank you again to the full Committee for your support and partnership in combating illicit finance. I look forward to your questions.

Chairman DAVIDSON. Thank you, Director Gacki.

We will now turn to member questions, and I recognize myself for 5 minutes for questioning.

Director Gacki, in your very thorough opening statement and written testimony, I appreciate that you highlight your efforts and the efforts of FinCEN to counter cartels; to counter Iran and other threats to the United States; to confront human, sex, child trafficking; to look at scam centers that are exploiting our seniors in particular; and to modernize your tools that you are using both internally and also responding to the market in an era where digital assets have the opportunity to thrive and people are also finding ways to use those, as they have every other form of payment, for illicit finance.

Thank you for your work.

I appreciate your openness to some reforms on how to be more effective in that. I want to highlight one of those, is the Beneficial Ownership disclosure, because it seems that you have made a decision, frankly, to focus on collecting information about U.S. citizens differently than you collect about noncitizens.

I think that is important because our Constitution limits the ability to presume that someone is guilty of a crime. You are supposed to have probable cause and a warrant to get some information.

Beneficial Ownership, as drafted in the previous administration, basically assumed every business was engaged in illicit finance, and they had to provide collected material.

I think it is unconstitutional, but as the courts fight this out, you have stepped in. So could you give us an update on progress toward that and what issues would be helpful for Congress to clarify?

Ms. GACKI. Thank you, Chair Davidson, for your question. I also wanted to recognize the letter that you and other Members and Senators sent to Secretary Bessent yesterday on the Corporate Transparency Act and the way forward and wanted to stress that the March 2025 interim final rule that FinCEN issued took a different approach consistent with administration priorities.

As a career civil servant, I have served across administrations and am proud of my track record in implementing Presidential policy. The Presidential policy changed with respect to the Corporate Transparency Act, focusing and making sure that the burdens on 30-plus million small businesses were taken into account.

So FinCEN adjusted the reporting structure for the interim final rule in this past March and opened it up for questions.

The present rule requires reports from foreign reporting companies that are not subject to any exemptions, and they are required only to report foreign beneficial owners.

We intend to finalize this rule in the upcoming year. That is our public commitment. We are working through administration, making sure we have administration guidance, and working through the number of comments that we received to the interim final rule.

Along with the resolution of the rule, we intend to resolve questions around the data that we gained and dispose of data that is no longer legally required to be filed.

So we look forward to concluding that this year.

Chairman DAVIDSON. Thank you. I will ask, without objection, unanimous consent to submit the letter that I sent to Secretary Bessent and others as addressed.

[The information referred to can be found in the appendix on page 46.]

Thank you for addressing that and look forward to your answer and working with you to get the law to match what the administration's intent is. I appreciate your effort and FinCEN's efforts to align there.

I would also like to ask unanimous consent, without objection, to submit for the record a press release from the Judiciary Committee on fraud. It is titled "Fraud on ActBlue: New Report Details Potential Illegal Activity on the Democrat Fundraising Platform," from April 2, 2025.

[The information referred to can be found in the appendix on page 57.]

This is an example of financial crime where people are being attributed to have given substantial sums of money, and then when they are interviewed, they do not even have that kind of money. They are not giving it. The question is, where is that money coming from?

Can you comment on that ongoing investigation?

Ms. GACKI. Thank you, Chair Davidson.

I know that my team is actively working with Members in Congress to review our data to ensure that we are providing up-to-date information on that ongoing investigation—

Chairman DAVIDSON. Are you working with the Department of Justice on it?

Ms. GACKI. We are working with congressional oversight committees looking at the—

Chairman DAVIDSON. So at this point DOJ is inactive?

Ms. GACKI. I am sorry. I do not have—I do not know the status of DOJ's—

Chairman DAVIDSON. But they are not active with FinCEN?

Ms. GACKI. Well, DOJ has access to our data.

Chairman DAVIDSON. Direct?

Ms. GACKI. And they are able to view it, consistent with the protections we have in place, and I defer to them on their investigation.

Chairman DAVIDSON. Thank you.

My time has expired. I now recognize the ranking member of the subcommittee, Mrs. Beatty from Ohio, for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman.

Thank you for that response to the chairman's last question about the investigation with ActBlue. We know investigations, whether it is ActBlue or the Epstein files, go both ways with what we are looking at and what we read in articles. I note that we are moving forward to looking at the Epstein files as well but that is an aside.

Let me say thank you again because last year I had the distinct honor of having you in my district with former Under Secretary Nelson for our small business information session on the Beneficial Ownership Rule. At that event we talked at great length about how

critical this information is to law enforcement, and many of them were present in our AML/CFT regime.

Let us fast forward to March of this year, and the Trump Administration has done a total about-face, violating the clear intent of the Congress to include domestic companies that are not otherwise exempt from the law. In my opinion, they were included because, in fact, there had been crime with the domestic companies.

Director Gacki, we applaud you for working across all lines, but my question is, do you still agree that domestic companies could present a money-laundering risk?

Ms. GACKI. Ranking Member Beatty, thank you so much for that excellent question.

I want to thank you for welcoming me to your district last year. It was a terrific experience to get to interact with your constituents.

I do want to step back and reiterate that, as a career civil servant working across administrations, I will implement the policy of the administration as it applies to Beneficial Ownership Information.

I would say the current administration has taken a look at the reporting structure and assessed that the burdens on small business fell too greatly and needed to be alleviated, and that is what FinCEN did through the interim final rule.

However, as you point out, there are still instances where domestic shell companies can be leveraged in financial crime and there I can point to other sources of information that can help law enforcement if the Beneficial Ownership Information regime is not being used.

For example, FinCEN's Customer Due Diligence Rule on financial institutions does require a collection of information at the point at which accounts are opened, and financial transactions and financial accounts are usually critical to all forms of shell companies in the United States.

That being said, we will be carefully reviewing the responses to our interim final rule to see if any adjustments need to take place. As this is an ongoing, open rulemaking, I cannot discuss the ultimate resolution of that, but we look forward to reviewing all comments on all sides of the Beneficial Ownership issue.

Mrs. BEATTY. Thank you.

Then let me make this comment, and I will phrase it versus in a question to what I believe.

I believe that it is accurate to say that the Treasury's recent decision to exclude domestic reporting companies from enforcement exempts the vast majority, I believe roughly 99 percent of covered entities, from the reporting rule.

Also, I believe that, therefore, this decision to exempt U.S. companies makes it easier for fentanyl traffickers and other criminals to launder money through the United States, endangering the safety of our constituents.

Do not want to put you on the spot. There are many who believe that. We have records to show from drug trafficking coming into Ohio and across many of our highways.

So let me just say that I am going to continue to be an advocate against illicit crimes. If that means us doing due diligence of ask-

ing for information about who owns a business—I am a business owner—you would have no reason in supplying the information.

I suggest to some of my colleagues, if they pull up the form and look at the questions that are being asked, they appear to me to be standard questions that any business doing good business, legal business, should want to do.

Thank you. I yield back.

Chairman DAVIDSON. Thank you.

Ms. GACKI. Thank you.

Chairman DAVIDSON. I thank the ranking member.

The gentleman from Arkansas, the chairman of the full committee, Mr. Hill, is now recognized for 5 minutes.

Chairman HILL. Thank you, Chairman.

Both before and after the passage of the Corporate Transparency Act back in 2021, I spent a lot of time advocating for alternatives to the rulemaking that was taken, even the statutory language that the Congress agreed to in a National Defense Authorization Act (NDAA) amendment. That includes debating vigorously with former Ways and Means Chair Brady and former Treasury Secretary Mnuchin.

I have advocated for is not there a better way, instead of creating a new database that can be breached, hacked, collecting more information that can only be filed online for 32 million small businesses? Every heating and cooling owner out there with a truck and three employees is going to be captured by this, for example.

While, as I noted in my opening comments, the March interim rule was helpful, I think there is a better way, which is simply using the existing Form 1065, which every pass-through entity has to file, and the resulting K-1s that are issued.

Let me say in front of the whole committee, why was that not treated as a real possibility, number one? The Ways and Means Committee and the Treasury said: We just do not want any more exceptions to sharing IRS data. Well, there are 35 or so now.

If this is such a national security essential element, why would this not be a worthy additional sharing?

Under CTA companies are required to report four key pieces of information—full legal name, date of birth, current address, and a unique identifier.

Of course, that is all available, except for the birth date, which I think we can figure out. I believe we have open-source data on everybody's birthday. We will refer the FinCEN to Facebook for that, if you need help on that but I really think that this is a better approach. You do not have to express an opinion on it. You are implementing the law. I got it but I think this is a good opportunity to illustrate we never, ever really tried to minimize the cost of 32 million people.

Would you not agree, though, that this would be an easier way to use data that the Federal Government already has legal access to?

Ms. GACKI. Chair Hill, thank you so much for that question and those excellent points and I appreciate your focus on this issue.

I think that the idea that the congressional and executive branches should look at existing pools of data and determine how best to use those in the first instance is very well-taken. I look for-

ward to working with Treasury leadership on this particular issue to explore whether this is a possibility.

Chairman HILL. Thank you for that.

Let me switch subjects to the important one of Geographic Targeting Orders, which has been actually a big successful strategy of FinCEN for many decades and was actually tackling the issue of shell companies and people hiding assets but there has been a recent change, which is that there is a new nationwide rule as opposed to limited geography, requiring real estate professionals to report all nonfinance purchase of real estate. According to FinCEN's estimates, the real estate industry is expected to bear over \$630 million in compliance costs or about \$600 per report filed based on some 850,000 transactions a year.

Based on our years of experience with geographic targeting, what is your—how do you justify that cost related to the actual crime—I mean, law enforcement goals being objected—obtained, I should say?

Ms. GACKI. Thank you, Chair Hill.

I think to the point we have been—FinCEN has been issuing, using the tool of the Geographic Targeting Order for 10 years across administrations, to seek information on shell companies, entity—legal entities purchasing real estate in a nonfinanced way.

The thing about the Geographic Targeting Order is it is a temporary measure that can only be renewed if there is a law enforcement need for that information. Over 10 years, we have seen an incredible thirst among law enforcement for this information and this information being used in active and successful law enforcement prosecutions.

That drove the decision to make what was a temporary measure into a permanent measure widely applicable to be the Residential Real Estate Rule, which is scheduled to come into effect in December 2025.

We do think the benefits of this data—

Chairman HILL. If you could provide me with some of that information in writing, and then also the results of the law enforcement successes in the past decade, that would be helpful.

I yield back, Mr. Chairman.

Chairman DAVIDSON. Thank you, Chairman.

The gentlewoman from California, the ranking member of the full committee, Ms. Waters, is now recognized for 5 minutes.

Ms. WATERS. Thank you very much.

Director Gacki, last month your agency, FinCEN, sounded the alarm on Chinese money-laundering networks. In more than a dozen examples you warned that these organizations use U.S. and foreign corporate structures to hide, launder money, park assets, and repatriate the illicit funds from criminal activities, including human trafficking and smuggling across and beyond the southwest border.

Yes or no, was Under Secretary of Treasury for Terrorism and Financial Intelligence John F. Hurley—John K. Hurley—correct when he stated on the documents release that the Chinese money-laundering network enabled cartels to, quote, poison Americans with fentanyl, conduct human trafficking, and wreak havoc among communities across our great Nation?

Ms. GACKI. Yes, ma'am. Under Secretary Hurley said that question—said that statement.

We have seen Chinese money-laundering networks to be a prevalent form of money laundering that are increasingly being leveraged by cartels to facilitate narcotics trafficking.

It is a way—it is leveraging—it is taking advantage of laws, both in Mexico and in the People's Republic of China, against funds flows out of those countries or into those countries of U.S. dollars and there is an informal decentralized network being leveraged by cartels to launder the sums being used to export narcotics and other drugs to the United States.

Ms. WATERS. Thank you for that.

I want to move on to some work that I have been doing on the Caribbean on de-risking.

In 2023, as required by the Anti-Money Laundering Act of 2020, the Treasury Department released its U.S. Government-wide de-risking strategy.

Having worked for years with those most heavily impacted by de-risking, including many Caribbean nations and territories that are effectively cutoff from the international banking community, I was pleased to see the release of this strategy.

Its importance was underscored at a 2022 hearing that I chaired where Prime Minister Mia Amor Mottley of Barbados gave historic testimony about the negative effects of de-risking on the people and businesses in the region.

The Treasury strategy recommended several follow up actions, including a joint study by the Federal banking agency and FinCEN, revision of money service business oversight standards, and improvement of international cooperation.

Can you please elaborate on what exactly FinCEN and partner Treasury offices have done to pursue the steps laid out in the strategy? What does your agency have planned for the next year related to de-risking, especially in the Caribbean region, especially related to access to correspondent banking service?

Ms. GACKI. Ranking Member Waters, thank you for that question and for your longstanding interest in this issue.

I want to assure you that, since the President issued an executive order this past August guaranteeing fair banking for all Americans, Treasury is working to implement the President's executive order to guarantee that for all Americans.

Beyond that, for many years FinCEN has noted that its policies should not equate to the de-risking of populations. So I want to focus on FinCEN's work here. In the broader—on the broader Treasury response to de-risking, I look forward to getting back to you and your staff on that.

As FinCEN noticed in a statement on customer due diligence issued by FinCEN and the Federal banking agencies, banks that operate in compliance with their Bank Secrecy Act obligations and effectively mitigate and manage their illicit finance risks are not prohibited or discouraged from providing banking customers of any specific class or type.

I look forward to working with our Federal banking agency colleagues to further clarify that as needed.

Ms. WATERS. Thank you.

I am just interested in follow up to see if changes should be made based on long-time policy, what kind of factual information is being used in examining this de-risking issue.

I yield back.

Ms. GACKI. We will get back to you on that.

Chairman DAVIDSON. I thank the ranking member.

The gentleman from Oklahoma, the chairman of the Monetary Policy Task Force, Mr. Lucas, is recognized for 5 minutes.

Mr. LUCAS. Thank you for holding this hearing, Mr. Chairman. Thank you, Director Gacki, for testifying today.

Director Gacki, fraud in our financial service system continues to be one of the top burdens facing my home State.

Can you detail FinCEN's approach to dealing with this problem? The folks back home want to see some more progress.

Ms. GACKI. Thank you, Representative Lucas.

This is a huge issue for us at FinCEN and across the Treasury Department. In fact, in many money-laundering risk assessments facing the United States, fraud is the crime—is the highest revenue-generating crime that features money laundering, and this has been proven time and again, and it is growing at an exorbitant pace.

FinCEN is—this is one of the key areas that FinCEN is dedicated to and let me outline a few things we are doing on this.

First, we are trying to educate financial institutions as to markers of fraud so that they can be on the front end deterring this and stopping this. We have issued financial trend analyses, for example, on elder financial exploitation. A few—just earlier this past summer, we issued an alert on the abuse of basically convertible virtual currency kiosks and how they can be used in any financial exploitation.

Just yesterday, we issued an alert on the troubling pattern of sextortion, a very specific type of fraud.

Not only are we focused on different fraud typologies and making sure financial institutions are tracking that, but we are also actively working on repatriating funds that are taken by means of fraud.

FinCEN has an active program called the Rapid Response Program that focuses on the fraud typology of business email compromise, and we work closely with the Federal Bureau of Investigation (FBI), Secret Service, and Internal Revenue Service (IRS) Criminal Investigations where we can work through international counterparts to freeze or repatriate funds taken from Americans and brought overseas.

Since the inception of that program, we have repatriated over a billion dollars, and this is an incredible program that we look forward to building and developing to bring really meaningful action to ordinary Americans.

Finally, I just want to note the day-to-day, everyday case support we do for fraud investigations across the United States at every level of law enforcement—State, local, Federal—to make sure that Americans are getting the help they need to stop these vectors of fraud.

Mr. LUCAS. Director, I would like to follow up on that question.

Part of the problem seems to be that FinCEN is overwhelmed with data, sometimes immaterial data that dilutes the helpful information the agency could use.

Have you considered focusing reporting obligations so that FinCEN only receives relevant information for law enforcement investigations?

Ms. GACKI. Thank you, Representative Lucas.

Yes, and this is, I think, a broader part of modernizing the Bank Secrecy Act regime, and very much one key element of that is making sure that financial institutions, AML/CFT programs, are consistent with the law, that they are effective and risk-based, and that they are producing information that is valid to law enforcement.

We are in the midst of a Treasury-wide exploration of how to reform the Bank Secrecy Act regime in the United States, and one part of that—a key part of that—is reporting, including Suspicious Activity Reports and Currency Transaction Reports.

We should be collecting information that is truly important to law enforcement and national security and to the extent that requires adjustments of the types of information that we ask for, to simplify the forms in the thresholds, we are actively exploring that and hoping to bring it to conclusion as soon as possible.

Mr. LUCAS. Let me simply note that it looks as though FinCEN has increased the administrative burdens of small business and credit providers, in many ways without seeing results, which simply suggests that a targeted approach might allow for better outcomes and a more enthusiastic support from the providers of that information.

With that, I yield back, Mr. Chairman.

Chairman DAVIDSON. Thank you, Chairman.

The gentleman from California, who is the ranking member of the Monetary Policy Task Force, Mr. Vargas, is now recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman. Again, I want to thank you for conducting this hearing and thanking the ranking member and, of course, the director.

Mr. Chairman, at the beginning you talked about the surveillance machine. It really caught my attention because I think that generally falls within the perspective or ideology of a lot of my friends on the Republican side that government should be limited, that we should not have the intrusion of government in our private lives, that there has to be a balance.

I normally fall on the side of saying government is generally good and I am very supportive of government in general.

I have to say, it has been fascinating to see under this administration how incredibly intrusive the government has grown, not only into our private lives, but interestingly now, into business.

I mean, we see government now taking positions in individual companies. That used to be called socialism. That used to be called entities owned by the government. I understand. We have Government-Sponsored Enterprises (GSEs). These are private companies that Congress created to make sure that there was liquidity in the secondary mortgage market and there is stuff like that.

Taking positions, picking losers, picking winners has normally not been the ideology of the Republicans. Yet you see that in this administration, and you do not see much talk about it on the other side, saying, wait a minute.

If the Democrats had done this, the Democrats had put all this surveillance on the streets, what we see now, the militarization that we see, there would have been, of course, people screaming left and right because of the intrusion of government into our lives. I understand that but we do not see it now.

Again, I caution you because there will be a time when the government flips, and you will say, well, wait a minute, you cannot do this. Well, we will remind you that you did not say anything when the Trump Administration did it and it really is sad to see.

Again, I am not one that is against government. I think government generally does a good job, but I have always admired the Republicans, really starting with Reagan, saying there should be some limit here as to the intrusion that government has in our lives.

You have seen the creep become a race now, not a creep. It is incredible the way this administration has really put the Federal Government into our lives.

Now, even going to the airport, they take all of this information, biometric information. I do not know what they do with it.

Maybe you do, Director. I do not know. Someone must know.

All that being said, I do want to talk about elder abuse. You spoke about it a little bit, but I do want to get into it a little bit more.

You did say in April 2024, you published a financial trend analysis looking at the patterns and data of the elder financial exploitation according to this analysis.

Between June 2022 and June 2023, FinCEN received more than 155,000 elder financial exploitation reports associated with more than \$27 billion in reported suspicious activity. The filings show that scams accounted for 80 percent of the reported elder financial exploitation activity.

What role does FinCEN play in addressing this financial exploitation against elder adults, older adults?

Ms. GACKI. Thank you, Representative Vargas.

Yes. So the financial trend analysis on elder financial exploitation and different guidance processes—guidance products that we have issued ask filers, financial institutions, to use those as guideposts to provide us with financial intelligence that law enforcement can action to actually go after those perpetrators of fraud against our elderly population.

So not only does FinCEN play a role at educating financial institutions as to what to look for so we get high-quality financial intelligence, but we also actively support law enforcement.

Mr. VARGAS. So how do you use AI, if you do? Because I know my time is going to run out. How do you use AI to do this?

Ms. GACKI. So there is a—of course, it is an administration priority to incorporate the use of artificial intelligence tools to analyze data and FinCEN, like other Federal Government agencies, is exploring that.

We do use advanced artificial intelligence products in terms of machine learning and other data analytics because FinCEN does collect and protect a large amount of data in order to truly support law enforcement with the highest quality information.

Mr. VARGAS. My time has expired but thank you.

Thank you. I yield back.

Chairman DAVIDSON. Thank you, Mr. Vargas.

I would like to recognize the gentleman from Texas, Mr. Sessions, for 5 minutes.

Mr. SESSIONS. Thank you very much, Ms. Gacki. I appreciate you being here.

I would like to ask for your help in helping me work through not the entirety, but what you have discussed here today about cartels, movement of money, but directly related to what are called anti-laundering regulations for residential real estate transfers.

Can you talk with me about that, the need for that information? I am old enough where I have run across people asking for information when I pay cash for things, and they were very specific of things that they wanted that were personal to me and not part of the transaction.

Can you talk with me about that part of what FinCEN has done?

Ms. GACKI. Absolutely. Thank you, Representative Sessions, for that question.

For the past 10 years, at the request of law enforcement, FinCEN has sought, through use of a temporary measure, the Geographic Targeting Order, information on nonfinanced, all-cash purchases of real estate if they are done not by an individual but by a shell company.

So just two important caveats there. These are not financed—there is no mortgage lender involved at all, no financial institution.

Mr. SESSIONS. So nothing about what you have done would get in the process of an individual buying property on a cash basis?

Ms. GACKI. That is right. The residential real estate rule, which makes permanent the temporary measure of the Geographic Targeting Order, is focused on entities, legal entities, that are doing this purchasing and seek reporting on those and there are exceptions to those, too.

For example, if the disposition of a property, for example, is by court order—it could be a settlement of an estate or something—that would not be covered by our rule.

I would be happy to work with your team to—

Mr. SESSIONS. No. I am the one that has got the problem with it, not my team.

Specifically, what happened is when I went to file for a loan, they requested information that I considered private and extraneous to that information, but they wanted personal, private data and information.

So I moved into—just to use cash instead of providing what I considered to be unprofessional asking of personal data.

So you are telling me there is nothing—I would not be caught up in that, you would not be looking at that, only where there is a shell company that is considered a shell attempting to purchase real estate?

Ms. GACKI. That is correct, Mr. Sessions. It is a rule that is looking to pierce who are the real people behind the shell company is making cash purchases of real estate, not individuals.

Mr. SESSIONS. Good. Well, I would reiterate, I had not talked to the chairman about this, but in listening to the chairman about data and information that is being held by you or any other government really, anybody, that is subject to being stolen by people.

What is the retention period that you generally have on issues that may have been in the past where you had completed the investigation? What do you do with that data and what is the time-frame that you would keep it? Is there a retention period?

Ms. GACKI. Thank you, Mr. Sessions.

So our—the information that we hold that is filed by—under the Bank Secrecy Act that FinCEN collects, disseminates, protects is held at the highest level of data protection for nonclassified systems in the U.S. Government.

In terms of a retention period, this is something—

Mr. SESSIONS. Where is that in the United States Government?

Ms. GACKI. Excuse me? Where are the data or the rules?

Mr. SESSIONS. You said it is being held by the—at the highest security. Well, obviously, Social Security is high also, and those files are purged.

If you could please have your staff get back to me in a detailed fashion and tell me about the retention of data, not in an active investigation, but some that may have been—that would have been completed or that was requested and not needed, what that retention is, where it goes, and how long it has been kept.

Ms. GACKI. Absolutely, sir.

Mr. SESSIONS. I would appreciate that.

When do you anticipate that you would provide that?

Ms. GACKI. Sir, we will get that to you in the next few weeks.

Mr. SESSIONS. Good. Thank you very much.

Mr. Chairman, I want to thank you for holding this and I thank Ms. Gacki for taking time to be here to help me clear up a question that I had.

I yield back my time.

Chairman DAVIDSON. Thank you.

The gentleman from California, Mr. Liccardo, is now recognized for 5 minutes.

Mr. LICCARDI. Thank you, Mr. Chair.

I want to thank you and your team, Director Gacki, for the really important work that FinCEN does.

I was a Federal prosecutor many years ago and relied frequently on the great work of FinCEN as we were prosecuting narco trafficking at the border.

In particular, we are seeing more and more of the illegal transactions relating to money laundering occurring in crypto, as well as fraud. I commend you and your team for the work that you have recently done on convertible virtual currency kiosks, or crypto ATMs, which I know has been a particular source for FinCEN and a lot of law enforcement.

In your August statement, you acknowledged that there is rising fraud in cybercrime and drug trafficking through these kiosks.

I presume that the concern arises because of the pseudonymity that relates to crypto transactions. Is that right? It is difficult often for people to identify who exactly is doing the transacting?

Ms. GACKI. Thank you, Representative Liccardo, for that question.

I think there—I do—yes, there can be some anonymity-enhancing aspects to convertible virtual currency.

I do know that our team works very closely and uses blockchain analytic tools in order to be able to aid investigations to ensure that does not remain a barrier and to put out guidance for financial institutions to be alert to any aspects of the misuse of these types of tools.

Mr. LICCARDO. Particularly with the use of mixers and other tools, criminals are able to evade even some of the more sophisticated detection techniques in terms of identifying them. Is that right?

Ms. GACKI. Yes, sir.

Now, mixers are something that we are currently taking a look at. We issued a proposed rule on mixers in the previous administration and are exploring the next step on that.

We have to take a look at the fact that—we have to make sure that we tailor any approach here to be really directed at illicit activity and that we are not sweeping in any legitimate transactions.

Mr. LICCARDO. Sure.

Ms. GACKI. And are trying to leverage these tools to, for example, shield their transactions from repressive regimes.

Mr. LICCARDO. Sure.

Ms. GACKI. It is a delicate thing. We have to work through administration guidance, and I look forward to engaging with you on it.

Mr. LICCARDO. I recognize that there is legislation pending, the CLARITY Act, in which we are looking to impose BSA requirements to help you do your job and law enforcement do your job with regard to centralized exchanges. Of course, there is also decentralized finance, DeFi, where there are no such requirements.

How exactly are you able to do your job when millions of dollars may be moving through DeFi, particularly given recent studies that showed as recently as January that 91 percent of fraud and theft that was occurring in the 1,100 cases that were examined under this study, 91 percent was happening on DeFi protocols? What exactly—what tools do you have left?

Ms. GACKI. Thank you, Representative.

This is something that we are actively working on, not just in implementing different reporting and different exploratory subjects set forth in the GENIUS Act, of which FinCEN is a critical implementer, but also outcomes from the President's Working Group on Digital Assets and the report there.

So looking at DeFi, looking at the appropriate requirements for—Bank Secrecy Act requirements for that industry—is something that my agency is taking on, and we look forward to working with both industry and law enforcement to make sure we are striking the right balance.

Mr. LICCARDO. Perhaps I can just, given my limited time, identify my big concern.

Right now your agency, through its rulemaking, has decided that it would not collect Beneficial Ownership Information from U.S. corporations or U.S. persons. All that is required to satisfy those standard Beneficial Ownership Information requests is the name, date of birth, residential street address, and the ID from your driver's license. That is all that is required.

We know that U.S. companies—shell companies—can be created to move millions of dollars, billions of dollars through these illicit channels using DeFi. You will not be able to identify, nobody will identify who these folks are because we do not have beneficial ownership information (BOI) requirements, and you do not have any mechanism for identifying who they are on DeFi protocols.

Chairman DAVIDSON. The gentleman's time is——

Mr. LICCARDO. Does not this create an enormous opportunity for criminals?

Chairman DAVIDSON. The gentleman's time has expired. I would encourage follow up in writing as we will have additional questions submitted for the record.

I would like to recognize the gentleman from Texas, who is also the chairman of the Small Business Committee, Mr. Williams, for 5 minutes.

Mr. WILLIAMS of Texas. Thank you, Mr. Chairman.

Thank you for being here today.

FinCEN's Beneficial Ownership reporting regime created a compliance nightmare for small business owners in my home State of Texas and across the Nation.

While I was pleased to see that Treasury was issuing an interim final rule that would require only foreign companies to report their BOI to FinCEN, I am still concerned about the data on domestic small businesses that were collected before the change in reporting requirements.

By holding on to this data, FinCEN has created unnecessary privacy and security risks for millions of small businesses across this great country.

So, Director Gacki, will you commit to deleting the Beneficial Ownership Information of business owners who are no longer required to file with FinCEN?

Ms. GACKI. Representative Williams, thank you so much for that question.

With the interim final rule that was issued in March, as you noted, FinCEN has readjusted the requirements for filing to really put the obligations only on foreign reporting companies and only to the extent they have foreign beneficial owners.

We are in the process of reviewing the comments to that rule and we expect to make that rule final this calendar year.

With the finalization of that rule, we expect to resolve any data questions involving the data that we have and it is our intention, along with resolution and finalization of that rule, to delete any information that was filed that is no longer required to be filed that is currently being protected at FinCEN.

Mr. WILLIAMS of Texas. Thank you.

I want to shift gears and discuss the residential real estate transfer rule.

This rule requires that certain businesses involved in real estate closings and settlements to collect and report Beneficial Ownership Information nationwide.

In practice, more than 800,000 individuals would be required to file reports, resulting in over 4 million hours of compliance work. The estimated cost of this burden is an astonishing \$630 million, according to some of FinCEN's estimates. These compliance costs will inevitably raise the price of purchasing a home, making it even harder for families to achieve the American dream of ownership.

So, Director, again, given this rule raises compliance hours and costs at an alarming level, is FinCEN considering delaying this rule and properly rescoping it in a way that it does not create so much regulatory burden on small business?

Ms. GACKI. Representative Williams, thank you again for that excellent question.

We believe that the residential real estate rule puts in place what had been a temporary measure across 10 years of collecting information from shell companies making nonfinance purchases of real estate that has been incredibly beneficial to law enforcement. We have renewed that Geographic Targeting Order across administrations based on the strength of the reporting of the information and how vital it is for law enforcement.

We believe that the benefits to the United States and to Americans in gaining this information is critical and justifies the expense of the residential real estate rule.

In fact, we believe that ensuring that shell companies purchasing financial—purchasing residential real estate in a way that has not been detected can actually skew home prices, which is another justification for why this rule is—we believe is justified. We do expect—we are planning for it to come into effect in December.

Mr. WILLIAMS of Texas. Okay. Last question really quick.

The residential real estate transfers rule, like the Beneficial Ownership reporting requirements, will affect a large number of small businesses.

As we saw for the Beneficial Ownership Information reporting requirements, millions of small businesses in the United States were largely unaware that they had to comply and were even unaware of the existence of FinCEN.

My concern is that similar as before, small businesses, like title companies, will not be educated on those requirements and unfairly punished for something they are unfamiliar with.

So, Director, quickly, this new residential rule shifts a heavy burden on title companies, many of which are small businesses, and given the complexity of the rule, what has FinCEN done to educate and prepare these companies and has FinCEN engaged directly with title professionals and issued any public guidance to help them understand and comply?

Ms. GACKI. Thank you, Representative Williams, and thank you for another excellent question.

We have been working with title companies on education, but if we determine that more time is needed for them to be able to implement this rule, we will certainly explore methods and ways to give them that additional time to ensure a responsible implementation of this rule.

Mr. WILLIAMS of Texas. Thank you very much. I yield my time back.

Chairman DAVIDSON. Thank you, Mr. Williams.

I now recognize the gentleman from Kentucky, Mr. Barr, who is also the chairman of the Subcommittee on Financial Institutions, for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman.

Director Gacki, thank you for your service.

FinCEN is responsible for issuing guidance for section 314(b) of the Patriot Act which allows financial institutions to share information with one another regarding activities that may involve money laundering or terrorism.

Only 3,626 banks out of the approximately 9,148 banks and credit unions nationwide are actually registered to share information, and in the Commonwealth of Kentucky only 47 financial institutions out of 178 participate in 314(b) data sharing.

Director Gacki, I have heard from community banks in Kentucky that there is a lack of clarity with the current guidance on the safe harbor on what is permissible to share.

If FinCEN's guidance better outlined what data is covered under the safe harbor and promoted more fraud information sharing, it is likely more institutions would participate.

What is FinCEN doing to increase the uptake in this data sharing?

Ms. GACKI. Representative Barr, thank you for that excellent question.

The 314(b) program is an important one for FinCEN, and we want to ensure that financial institutions are leveraging the information-sharing potential involved in that.

To the extent your banks in Kentucky or banks elsewhere are asking for greater clarity on the safe harbor, I can commit that it is something we will look into and explore providing it.

This is something that we use our FinCEN Exchange events to ensure is well understood, but if greater guidance is needed here, I will certainly look into it.

Mr. BARR. Thank you very much for your attention to that concern.

Also, if there is one complaint or concern that community financial institutions raise with me, it is the prevalence and increased prevalence of fraud in our financial system.

You noted in your written testimony that cyber-enabled fraud remains elevated and increased reports of fraud and cybercrime, we are seeing upticks in that reporting every single year. Elder financial exploitation, government benefits fraud, digital asset investment scams, account takeover attacks, AI-enabled fraud. So lots of theft.

You have talked a little bit about this in your testimony, but can you amplify FinCEN's focus on this and how you can help financial institutions that want to do right by their customers and limit their exposure to fraud?

Ms. GACKI. Absolutely, Representative Barr.

So I think making sure that financial institutions have the tools they need to help detect it, whether through alerts, advisories, financial trend analyses, through Exchange events where we bring

law enforcement together with financial institutions and public-private events to ensure that there is a direct communication to act as that critical juncture between law enforcement and banks of all sizes, financial institutions of all sizes, to ensure their data—that they are looking for what law enforcement needs and helping protect their customers and in turn the American people. That is absolutely something.

I should also note that another thing that FinCEN does is we also have our own targeting authority through special measures to look at foreign actors of primary money laundering concern that are engaging in fraudulent activity.

We took one action this past year against Huione Group based in Cambodia which was being used as a vector for elder financial exploitation, for pig butchering, and the like. We issued a notice of proposed rule that we hope to make final soon.

That was a way in which we could look at a critical external node for fraud and stop it and help financial institutions detect it in their own systems.

Mr. BARR. Thank you.

My final time, there is a narrative that and critics of the innovation in crypto and digital assets that the movement of transactions to the blockchain creates additional fraud risks and risks for criminal activity.

Can you share FinCEN's views on how the movement of transactions to the blockchain actually could assist in law enforcement in preventing fraud, criminal activity, money laundering, and the like?

Ms. GACKI. Thank you, Representative Barr. I know that I have very little time.

I can tell you that, yes, the blockchain actually brings transparency, and with the right tools you can use it to leverage, to really help detect illicit transactions for law enforcement and I am happy to engage with you.

Mr. BARR. Thank you. I yield back.

Ms. GACKI. Thank you.

Chairman DAVIDSON. Thank you, Mr. Barr.

The gentlewoman from California, Mrs. Kim, is now recognized for 5 minutes.

Mrs. KIM. Thank you, Chairman Davidson.

I want to thank Ms. Gacki for joining us today.

Last year FinCEN finalized the residential real estate transfer rulemaking that required title insurers to provide FinCEN with the names of the individuals who purchased a home valued more than \$300,000 in southern California and utilized certain forms of payment.

I wanted to know, in southern California, especially in Orange County where I represent, the medium home price there is over \$900,000, almost a million, and that placed a high burden on many of my constituents who own small family run title insurance companies.

In FinCEN's economic analysis of the residential real estate reporting rule, they estimate that the first year compliance cost could reach close to \$560 million.

Can you talk about how FinCEN would tailor your approach to this issue, so California's small businesses are not unfairly burdened by duplicative or low-value reporting requirements?

Ms. GACKI. Thank you, Representative Kim, for that question.

We are working very closely in the implementation of the residential real estate rule with organizations that represent title companies to ensure that the requirements are well understood and that they are implemented in as cost-effective and efficient manner as possible. To ensure that small businesses, like the title companies in southern California, have adequate resources and knowledge to implement this is certainly something we will explore to ensure they have enough time and resources.

Mrs. KIM. In your earlier exchange with my colleagues, you talked about GTO, Geographic Targeting Orders. You said that it is a temporary tool that is used by law enforcement and the success of it made it permanent but the comments and the feedback that I am hearing from my constituents about that are that there is such little understanding about how that information that FinCEN is collecting is actually helpful.

So can you talk about how FinCEN is utilizing the data from the real estate GTO?

Ms. GACKI. Absolutely. Thank you, Representative Kim.

So the data is made available and accessible to law enforcement users at local, State, Federal, and national security professionals across the country.

We have almost 25,000 law enforcement users across 400 different agencies in the United States at all levels accessing this information.

This provides critical tip and lead information that has proven vital to successful prosecutions for crimes such as narcotics trafficking, to include fentanyl, for fraud, for terrorist-related actions across the country.

I would be happy to give you more specific details in a follow up conversation.

Mrs. KIM. All right. Let us talk about that.

The residential real estate rule, once again, places much of the reporting responsibility on title companies, and there are over 90 percent of the companies being small businesses.

I want to ask you what steps you are using. I know it was already discussed regarding the education, regarding preparing the industry for that complex rule. You did say FinCEN is doing your best to educate the industry.

I would like to take you up on that offer and see if you can come to my district and have a roundtable discussion with my constituents, my title insurance companies in my district. That would be very helpful, and I am happy to put together a roundtable discussion with you.

Ms. GACKI. We would welcome that opportunity. Thank you very much.

Mrs. KIM. Great. All right.

However, I remain concerned that the expansion of the residential real estate rulemaking nationwide will only hurt these family owned small businesses, and the implementation of the nationwide

GTOs, which starts on December 1, seems like far too little time to give these small businesses time to prepare.

To that end, I would like to submit this letter that I received from the American Land Title Association into the record, and it highlights their concerns with the timeline and the impacts that this will have on the title industry.

I hope you will consider delaying—review this and delay the implementation of this nationwide GTO and continue to work with the industry so we can find effective and efficient ways to fight the money laundering.

Chairman DAVIDSON. Without objection.

[The information referred to can be found in the appendix on page 66.]

Mrs. KIM. Thank you. Yield back.

Chairman DAVIDSON. The gentlewoman's time is expired.

The gentleman from Illinois, Mr. Foster, who is also the chairman of the Subcommittee on Financial Institutions, is now recognized for 5 minutes.

Mr. FOSTER. Thank you, Chair Davidson and thank you for joining us, Director Gacki.

Director Gacki, in November of last year FinCEN issued an alert warning for financial institutions about the increase in identity fraud schemes associated with the use of deepfakes and created with Generative AI tools.

Criminals are using Gen AI to cheaply mass produce false identity documents and circumvent live identity verification and authentication methods in online transactions.

I appreciate FinCEN's efforts to raise awareness of these scams and I encourage you to do more, because it is clear that Gen AI and the deepfakes that they produce will continue to become more believable and accessible as time goes by.

Now, I believe the best tool that we have at our disposal today to verify identities online is a form of secure digital ID, and the tool at hand is the mobile driver's licenses currently being issued by several States, and, in fact, many countries—most countries—including all countries of the EU.

Digital IDs can allow consumers to prove they are who they say they are in online transactions. A verified credential attached to a secure mobile device creates a reliable system that is extremely difficult to fake.

I believe this technology would go a long way toward stopping identity fraud in the banking system and also with fraud in government benefits.

It is, however, my understanding that many financial firms do not feel that they have the regulatory go-ahead to start using digital IDs and digital driver's licenses in their AML/Know Your Customer (KYC) processes and that they need guidance from regulatory agencies like FinCEN to start implementing this technology in online transactions.

I think there is also a Federal role in providing Federal standards for what States are providing adequate digital driver's licenses, and some may need improvements.

My question is, do you expect FinCEN will take steps to provide the clarity, regulatory clarity, for firms to start using these for KYC purposes in online transactions?

Ms. GACKI. Thank you, Representative Foster, for that excellent question. I also want to thank you for your focus on this issue across many years.

I want to note that this is certainly something that FinCEN is looking at. Questions of identity are critical to our work on fraud, and the misuse of identity, whether it is using Generative AI or less sophisticated techniques, is something that we are very much focused on and looking to ensure that we are providing the best guidance we can to financial institutions.

I would like to—I want to commit that I will work with my Federal banking agency colleagues to look at what further guidance we can provide to financial institutions on this matter.

This past year we did work with our other financial—with our Federal banking agency colleagues to work on how—to adjust how financial institutions can adjust their processes, including in terms of collecting and verifying taxpayer identification numbers and use of customer identification programs.

I look forward to looking at this more closely and seeing what we need to modernize in terms of guidance for financial institutions going forward.

Mr. FOSTER. Thank you.

I think there is also an important Federal role that is not yet—does not yet exist, which is to verify—to specify which cell phones are actually safe to deploy digital IDs on them, because it is well-documented that certain early model cell phones had a secure enclave that was not, in fact, secure, meaning that someone could go and hack your cell phone and impersonate your digital driver's license, which obviously would be a disaster if someone used them.

So we will need at some point probably a Federal agency, or someone they delegate it to, to call balls and strikes on this version of a cell phone is okay, it has got an adequately secure enclave, this one cannot be used.

That is sort of being done by Apple in its ecosystem by just saying: We are not supporting the iOS once phones get old enough. The Android system is a complete—it is less organized and it will be difficult to do that, but this is an important role.

If you can, for the record, come back and give us some suggestions on what is needed there to specify when we can trust the silicon in different versions of cell phones and where that Federal agency is best housed, because right now the Department of Defense (DOD) does some of it and other agencies do some of it, but there is not an organized standard Federal way to do that, and I think it is a missing piece here.

Thank you. My time is up.

Chairman DAVIDSON. Thank you, Mr. Foster.

The gentleman from Tennessee, Mr. Ogles, is now recognized for 5 minutes.

Mr. OGLES. Thank you, Mr. Chairman.

Thank you to the director for being here and answering the questions so thoroughly.

I do want to perhaps emphasize what may be the key takeaway as you hear everyone and I want to compliment or echo Mr. Foster here in a moment.

When you look at—Mr. Sessions asked about the data retention period, Mr. Williams asked about the notion of will you delete data that otherwise would no longer be collected. I would also take that a step further; if you collected data and there has been an investigation and someone has been cleared, then will that data be deleted because it is no longer necessary?

We have seen Federal agencies, like Treasury, have some security breaches, security issues. So the idea that this data is somehow impenetrable or safe I think is a bit of a misnomer when we have seen systems all across our government, quite frankly, have failures in that security.

We know that China and other adverse hostile entities and nations are trying to get access to this data.

So I think it is important that we address this data issue, this data retention issue, and have very clear parameters—and, quite frankly, aggressive parameters—in deleting that data versus housing it in perpetuity because of the risk associated therein.

Again, even in your own comments you talked about data security and the issues with trafficking and fentanyl and such. That is not your average small business owner who is having to report and suddenly has a vulnerability out there.

With that, thank you for addressing those, and we look forward to getting that information back from you.

Now, we have seen roughly 100,000 Americans die every year from drug overdoses, most from fentanyl, and Treasury itself has linked Mexican banks and cross-border cash-flows to the cartels financing that flow and that poison.

How many American overdose deaths can be traced back to the laundering networks running through Mexican banks like CiBanco, Intercam, or Vector and why is FinCEN still granting them extensions instead of cutting them off from the U.S. financial system immediately?

Ms. GACKI. Thank you, Representative Ogles, for those comments and for that excellent question.

I do not have an answer on the number of deaths that can be traced back to these financial institutions. It is certainly something that I can—we can try to estimate but I will say that any death would be too much.

Mr. OGLES. Sure.

Ms. GACKI. What we found in publicly calling out these three financial institutions as a primary money laundering concern is we made a very public case as to how they have supported cartel financing.

The extensions we have granted in terms of the effective date have, as we have noted in public, because we have been working so closely with the Mexican Government, which has taken over those financial institutions, including replacing the heads of their compliance departments at these financial institutions.

It is important when we take—when we took action against these financial institutions that we also made sure that any innocent people, to include innocent Americans, innocent Mexican citi-

zens, were able to extricate their funds from these institutions, and that is what the time period has—a delayed implementation was able to accomplish.

Meanwhile, we have been working very closely with the Mexican Government to ensure that these financial institutions are being effectively regulated at the local level in Mexico and that any further money-laundering concerns have been removed.

Mr. OGLES. I appreciate that but I also want to give caution, and we have seen that most, if not all, of the institutions in Mexico are infected with cartel operatives. So this idea that they are going to self-regulate is, I think, somewhat laughable.

At the end of the day, this is about outcomes. Are you ceasing the flow of illegal funds into the United States and back to Mexico which is flooding our streets and killing our kids? If you are not, then you need to shut it down.

Whether you like the President or not—I happen to be an ally and advocate for the President—crime has come to a halt in this city because the President had a will to do so.

The former administration said we could not secure the border. In a matter of days, the border was secured.

We have to have the will to show Mexico, the cartels, and any of their associates that if you mess with the United States of America, we will shut you down. Period. Again, they are not necessarily our ally when they are allowing the killing of our children and flooding our streets with illicit drugs.

With that, Mr. Chairman, I yield back.

Chairman DAVIDSON. Thank you, Mr. Ogles.

The gentleman from Illinois, Mr. Casten, is now recognized for 5 minutes.

Mr. CASTEN. Thank you, Mr. Chairman.

Thank you for being here.

I want to follow up on the discussion you had with Mr. Liccardo around crypto ATMs.

Mr. Chairman, I would ask unanimous consent to enter into the record a Chicago Sun-Times article titled “Chicago’s crypto ATMs are magnets for drug-dealing and scams on older adults.”

[The information referred to was not submitted prior to printing.]

This has been a particular issue in Illinois, but obviously nationwide. I think in 2024 the FBI received more than 10,000 complaints about crypto ATMs and reported more than \$246 million in losses.

In August, FinCEN published a notice that emphasized the irreversibility of crypto transactions on ATMs and noted that there is a high noncompliance with anti-money-laundering laws among the operators of crypto ATMs.

At a high level, can you give any sense of what you are seeing as far as the trends in suspicious activity reporting specific to crypto ATMs that we should be monitoring?

Ms. GACKI. Thank you, Representative Casten, for that question.

I will say that crypto ATMs, like other financial institutions, are subject to the Bank Secrecy Act, and some are more compliant than others.

We are seeing, however, as we noted in the alert, high use of certain crypto ATMs as a critical way of defrauding Americans.

So it is something we are looking at very closely. I do not have an estimate in terms of the industry but outreach to that industry and ensuring that industry is as compliant as possible is one of our key objectives.

Mr. CASTEN. Okay. I am particularly interested as you dig through, and maybe we can follow up offline, about the impact on seniors.

I represent Chicago suburbs, which, given the way Chicago is laid out, means that I have about 40 mayors who I have to keep in touch with lots of little, small towns and one of them has a very low tax base. It is one of these towns that depends fundamentally on the revenue from a couple convenience stores and liquor stores and not a lot of larger tax base in the community.

Even in that tricky financial situation, the convenience store operator said they removed the bitcoin ATM because the owner said it just broke his heart how many seniors he saw walking in there every day and putting money into the machine and then coming back later and saying this money has disappeared.

We have had at least 20 States that have adopted or are considering laws and regulations on crypto ATMs. Illinois did just enact a new law to require that operators at least impose daily transaction limits.

Would you support similar Federal requirements on ATMs to at least slow down some of the rush of money before we can act?

Ms. GACKI. Thank you, Representative Casten.

It is something I am going to need to look into and take back. I can absolutely commit that it is something that I will look into and work with Treasury leadership on an approach.

Mr. CASTEN. Okay. I know you had an exchange with Mr. Barr against Huione, if I am pronouncing that right. A part of what scares me about this—and I think we have done a terrible job this term in Congress—is we have allowed all of these transactions to operate overseas. The mixers are overseas; the transactions are overseas. It is great if we have the SAR, but then we do not have a way of getting in, right?

I guess with the time that is left, is there specific statutory authority that you currently lack that would allow you to go after the bad guys?

Like, I am not talking about going after the good guys but if you see that crime has happened, if you see that these pig butchering scams, where are you limited in your ability to prosecute that Congress can be helpful?

Ms. GACKI. Thank you, Representative Casten.

One idea that was in the report to the President on the Digital Assets Working Group, and you saw it with our action on the Huione Group, is we used an authority under section 311 of the Patriot Act.

That was actually built for a different era when the greatest special—the special measure that we used that was available to us was to cutoff correspondent payable bank accounting, which does not really factor in, in the virtual asset space but rather some newer authorities targeted to Russian illicit finance or synthetic opioids trafficking, 2313a, 9714, they allow us to prohibit transactions—all transactions—involving a group like Huione.

Now, we used the 311 authority on Huione to great effect and we are able to—and it is a very powerful authority. I am very proud of that action but the ability to use—to prohibit transactions involving fraud in other respects would be a way that we could modernize this authority. Regardless, my team very much looks forward to working with you on that.

Mr. CASTEN. Okay. I see I am out of time. I believe Mr. Himes has been active on the section 311 piece. Let us talk offline about how we might tweak that and improve it.

Appreciate it and yield back.

Chairman DAVIDSON. Thank you.

I would like to recognize the gentlewoman from Florida, Ms. Salazar, for 5 minutes.

Ms. SALAZAR. Thank you, Mr. Chairman.

Wonderful to be here with you, Ms. Gacki.

I am Marie Salazar from Florida—27 District representing the city of Miami. I am sure that you are familiar that there is a lot of business between Miami and the regime on the island of Cuba, and we have discovered that 11 companies in my district who are blatantly, openly breaking the Cuban embargo, an embargo that has been codified in Congress, meaning it is the law.

These companies are doing business with the Cuban regime, giving them oxygen so they can feed the repressive apparatus.

I just sent a letter to the Secretary of the Treasury and to Mr. Rubio, Department of State, asking them to investigate and to shut them down.

I wanted to ask you to please help us and stop this madness, because you cannot be dealing—you cannot be taking money from Miami and from the Cuban exile community and be sending it to the Cuban regime to beat on the people that are trying to be free.

Do you think I could have your word for you to be able to help me and your office to do something about this? I mean, I am going to be forwarding to you the letter, but I really would like your commitment on the record.

Ms. GACKI. Thank you, Representative Salazar.

For many years, I worked at the Office of Foreign Assets Control, including as the director, prior to coming to FinCEN, so I am very familiar with our restrictions on dealing with the Cuban regime.

I commit to you that FinCEN will certainly take a look at this information and see how we can support investigations, whether at the Office of Foreign Assets Control (OFAC) or other parts of the U.S. Government.

Ms. SALAZAR. They are violating the embargo. You cannot do that, because that is United States law.

Now, another issue that is highly concerning to me as a United States citizen and as the Representative of the city of Miami.

Back in June your office put on the blacklist three Mexican banks. One of the banks is called CiBanco.

This is a very touchy subject, because I am concerned, not so much about CiBanco, but about the American banking system.

There has been no proof shown of money laundering from those people. I have met and spoken with their attorneys, I have investigated, and there is no proof. I am not saying that there is, but

they have been asking for proof, and your office has not shown why these people need to be on that list.

The owner lost the bank, \$400 million, just because we, the Americans, put him on the blacklist. We have a lot of weight internationally. In our system, we are innocent until proven guilty.

Are you not concerned? I mean, I would be. I am terrified that this could happen to any bank in my district or any bank in the United States.

Please tell me and do not tell me this is under investigation; we cannot talk about it.

Ms. GACKI. Thank you, Representative Salazar.

I stand by FinCEN's actions against the three financial institutions. CiBanco, Intercam, and Vector made very detailed public cases in orders issued under authority given to us by Congress, the Fentanyl Sanctions Act as amended by the FEND Off Fentanyl Act, and we showed—

Ms. SALAZAR. I know you are doing your job. I know that you have to look for the bad guys, but my concern is that you could have made a mistake that could be repeated, and that is not the American way of doing business.

Ms. GACKI. I understand.

Ms. SALAZAR. Simple terms.

Ms. GACKI. I understand.

Ms. SALAZAR. How come there is no proof that they—you insisted on keeping that bank. I have no interest in the bank, but it is just the principle.

Ms. GACKI. We followed the law set forth in the FEND Off Fentanyl sanctions act, as amending the Fentanyl Sanctions Act, and found a basis on which to call these three financial institutions of primary money laundering concern. We worked through—

Ms. SALAZAR. Why did you not show the proof?

Ms. GACKI. We publicly issued it in orders when we issued these orders and would be happy to share them with you.

Ms. SALAZAR. I read them. They are not—it is not enough, and you know that.

So what I am saying is that how can we in the banking system make sure that we are not going to have a little bank put on the blacklist and then the owner of that bank loses their assets and the bank?

Ms. GACKI. Now, I want to clarify that this authority is only targeted at—is only—can only be used against foreign sources of money laundering. They are called primary money laundering concerns, whether they are jurisdictions, classes of transactions, or primary money laundering concern. I respectfully disagree. I believe we have made the necessary legal cases against these banks.

Ms. SALAZAR. I understand what you are saying, but I think the message I need to send as the chairman of the Western Hemisphere Subcommittee within the House Foreign Affairs Committee—

Chairman DAVIDSON. The gentlelady's time is expired.

Ms. SALAZAR [continuing]. is that we, the Americans, we carry a lot of weight, and we need to be more careful because our reputation is at stake.

Chairman DAVIDSON. The gentlelady's time is expired.

Ms. SALAZAR. Thank you, Mr. Chairman.

Thank you, Madam.

Chairman DAVIDSON. The gentleman from Iowa, who is the vice chairman of the subcommittee, Mr. Nunn from Iowa, is recognized for 5 minutes.

Mr. NUNN. Well, thank you, Chairman Davidson. Appreciate you holding this very important hearing today.

Director Gacki, thank you so much for coming out to Iowa. While we may be—you are under the Biden Administration, you are now serving under the Trump Administration, I want to say I appreciate you hearing from folks in our district and coming with me and holding a roundtable to actually be able to discuss some of the things that are working.

Today we are going to talk about some of the things that are challenges.

When you came out, we talked about the Corporate Transparency Act. We talked about the policing of over 32 million small businesses and the heavy impact that was placed on them, everything from \$8,000 per small business to be able to reach compliance, and if they failed, we are talking about a \$500-a day-fine, in some cases up to 2 years imprisonment for failure.

Now, you got some “Iowa nice” feedback on that, and I appreciate you being there to hear from them but it will be no surprise to you I would like to talk about some of the red tape that is impacting us today.

Right now FinCEN receives close to 20 million CTRs and 5 million SARs. These are financial reporting requirements. Challengingly, it is believed that most of that information that was done by financial institutions, including very small institutions, was never used.

To make matters worse, it was found that these can take over 21 hours to complete each one of those.

So let us put this in real world terms. In Main Street, Iowa, that means we have folks spending upwards of 533 million hours filing reports for FinCEN and the Federal Government.

I would like to ask, do we have any perspective on how many of those reports resulted in actual prosecutions?

Ms. GACKI. Thank you, Representative Nunn and I want to thank you again for welcoming me and my team to Iowa.

So one of the key objectives of this administration that we are focused on is reforming the Bank Secrecy Act regime, the AML/CFT regime in the United States, to ensure that it is risk-based and focused on the highest threats impacting our law enforcement and national security, and that law enforcement is directing its resources to those highest priority threats.

Mr. NUNN. Understood.

Ms. GACKI. And part of that is taking a look at reporting, the reporting that we gained. We work very hard to try to ensure that we are engendering that feedback loop between law enforcement and financial institutions to show that the reporting is being used. I think that it is not just prosecutions that have it, but that this reporting helps—

Mr. NUNN. Director Gacki, I appreciate that.

Here is the reality. We did this with CTA. We went after 40,000 bad actors, but we snared 32 million Americans in the process.

My concern here is we are looking at 25, 26 million reports. How many arrests were made as a result of this reporting? Can you just give me a number?

Ms. GACKI. Sir, I am sorry, I do not have the number off the top of my head.

Mr. NUNN. Okay. That is fair.

Let me ask this. Can you commit to publishing the effectiveness of those numbers?

Ms. GACKI. Certainly, I can. What we do in an annual report that we put out is we try to—

Mr. NUNN. I am going to look at the last year's numbers, and I am going to compare them to 26 million and the 533 million hours of reporting. We need to do some analysis on this.

The other part is our community banks are drowning in red tape while cartels are clearly laundering billions in fentanyl dollars. We need to focus on the real results, not on the compliance reports requirements coming out of banks. Let us agree to go after the bad actors.

I want to quickly get to the Treasury hack that occurred earlier this year when the Chinese Communist Party went after Treasury systems.

Who at Treasury was fired for allowing the Chinese into Treasury systems?

Ms. GACKI. I am sorry, sir, I do not have a response to that question.

Mr. NUNN. Okay. The hacks showed exactly why sensitive small business ownership data that does not belong on government systems was intentionally hacked. There is no indication that anyone was held accountable.

If this happened to one of my small banks or my small credit unions, those guys would be out on the street and there would be a full inspection into what happened. I have not seen that happen at Treasury.

So here is my ask right now. For those banks and lending institutions that have data on your systems that were hacked by the Chinese that I think are arbitrarily being kept on data servers, are you willing to help us commit to deleting those before another breach occurs?

Ms. GACKI. Sir, I am happy to make sure that the information that we collect and protect is held to the highest security standards. I am aware of no breach of the Bank Secrecy Act data that we protect.

Mr. NUNN. Well, let us look and see the after-action of what happened with the Chinese, because I have seen no accountability to be able to actually hold whether that is true or not. I look forward to opportunities to work together on that.

Finally, Director Gacki, I think one of the things we have worked on together is the Guard Act, making sure money laundering does not take place. I would like to thank you for giving our team technical assistance on going after this, protecting seniors, and helping our local and State law enforcement.

Is there anything you would like to add about what we are doing to help protect through the Guard Act?

Ms. GACKI. I would just like to thank you for your focus on an important issue in the Guard Act and just want to—if you need any further technical assistance, we are happy to supply it.

Thank you.

Mr. NUNN. Appreciate to working together.

Thank you, Mr. Chair. I yield the remainder of my time.

Thank you, Director.

Chairman DAVIDSON. Thank you, Mr. Nunn.

I would like to ask unanimous consent to submit for the record a report by the Independent Community Bankers of America, “The Financial Crimes Enforcement Network: Recommendations for Better Coordinated and More Effective Policies and Enforcement.”

Without objection.

[The information referred to was not submitted prior to printing.]

Chairman DAVIDSON. We will pause for a swap out on microphones. We have a failing microphone.

[Audio malfunction in hearing room.]

Chairman DAVIDSON. The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you, Mr. Chair.

Director, do you know—have you heard about in July how Senator Wyden announced that the Treasury Department has Suspicious Activity Reports on Jeffrey Epstein’s financial network details? I think thousands of transactions totaling \$1.5 billion.

Ms. GACKI. Thank you, Representative Tlaib.

I am familiar with Senator Wyden’s communication.

Ms. TLAIB. Among the largest transactions are two that JPMorganChase reported with Russian banks for as much as \$100 million. Are you aware of that one?

Ms. GACKI. I am aware of Senator Wyden’s communication, yes.

Ms. TLAIB. Can you tell the committee more in regard to—I mean, yesterday it was revealed that—just yesterday—that Chase employees knew of these suspicious transactions for more than a decade and they were ignored. Are you familiar with that?

Ms. GACKI. Thank you, Representative Tlaib, for these questions.

Given the sensitivity of the data that we obtain through the Bank Secrecy Act, to include these SARS, I want to assure you that Treasury is taking this very seriously.

Ms. TLAIB. We, as committee members, can we have access to that information? It should be public, correct?

Ms. GACKI. This is highly sensitive—

Ms. TLAIB. Can you be subpoenaed for the records?

Ms. GACKI. We are working with Representative Comer to ensure that we provide—

Ms. TLAIB. Okay. Well, I am going to yield the rest of my time, Director, to my Ranking Member Beatty, she would like to put a motion, because I think the Financial Services Committee should also have oversight in regard to any banking institution.

As somebody that serves on Oversight, sat at a roundtable with girls that were as young as 13 years old who asked us to follow the money, and I think it is our responsibility as Members of Congress to do that.

With that, I yield the rest of my time to Ranking Member Beatty.

Mrs. BEATTY. Thank you, Congresswoman Tlaib.

Mr. Chairman, pursuant to clause 2(m) of House rule XI and clause 2(k)(6) of the House rule XI, I move that this committee issue a subpoena to the Secretary of Treasury to return to the majority and minority of the Subcommittee on National Security, Illicit Finance, and International Financial Institutions of the Committee on Financial Services and the Committee on Financial Services all complete and unredacted documents related to Jeffrey Epstein or individuals and entities associated with Jeffrey Epstein, including but not limited to wire transfers, bank accounts, and other transactions, other accounts, account holders that were party to any such transactions, Currency Transactions Reports, Suspicious Activity Reports, and other Bank Secrecy Act data, any documents related to a description or review of the network of Jeffrey Epstein's conducted by any party, including but not limited to any law enforcement investigation and/or investigations or review by any other party, and any document or review that addresses any connections to any Russian-based financial institutions, individuals, and entities, including but not limited to entities that are currently under United States or allied sanctions.

Chairman DAVIDSON. The gentlelady has moved to authorize a subpoena.

For what purpose does the gentleman from Oklahoma seek recognition?

Mr. LUCAS. Mr. Chairman, I seek a point of order on the motion.

Chairman DAVIDSON. Point of order has been reserved. The committee will suspend and consider the pertinence of this motion.

[Discussion off the record.]

Chairman DAVIDSON. The subcommittee will now consider the motion offered by Representative Beatty to authorize a subpoena.

Does the gentleman from Oklahoma insist on his point of order?

Mr. LUCAS. Mr. Chairman, I do not insist on my point of order.

Chairman DAVIDSON. For what purpose does the gentleman from Oklahoma seek recognition?

Mr. LUCAS. Mr. Chairman, I move to table the motion.

Chairman DAVIDSON. The gentleman has moved to table the motion. The motion is not debatable, and the question now occurs on the motion to table.

Those in favor shall signify by saying aye.

All those opposed shall signify by saying nay.

In the opinion of the chair, the ayes have it.

Mrs. BEATTY. I request a roll call vote.

Chairman DAVIDSON. A recorded vote is requested.

All those in favor of a recorded vote, raise your hand.

A sufficient number having raised their hand, a recorded vote is ordered. We will now take the vote on the motion to table, and we will suspend until the clerk has set things in motion to do that.

[Discussion off the record.]

Chairman DAVIDSON. The clerk will call the roll.

The Clerk. Mr. Lucas?

Mr. LUCAS. Yes.

The Clerk. Mr. Sessions?

Mr. SESSIONS. Aye.  
 The Clerk. Mr. Barr?  
 [No response.]  
 The Clerk. Mr. Williams?  
 Mr. WILLIAMS. Aye.  
 The Clerk. Mrs. Kim.  
 [No response.]  
 The Clerk. Mr. Ogles?  
 Mr. OGLES. Aye.  
 The Clerk. Mr. Nunn?  
 Mr. NUNN. Aye.  
 The Clerk. Mrs. McClain?  
 [No response.]  
 The Clerk. Ms. Salazar?  
 [No response.]  
 The Clerk. Chairman Hill.  
 Chairman HILL. Aye.  
 The Clerk. Ranking Member Beatty?  
 Mrs. BEATTY. No.  
 The Clerk. Mr. Gottheimer?  
 Mr. GOTTHEIMER. No.  
 The Clerk. Mr. Vargas?  
 [No response.]  
 The Clerk. Mr. Foster?  
 Mr. FOSTER. No.  
 The Clerk. Mr. Gonzalez?  
 [No response.]  
 The Clerk. Mr. Torres?  
 [No response.]  
 The Clerk. Mr. Casten?  
 Mr. CASTEN. No.  
 The Clerk. Mr. Liccardo?  
 [No response.]  
 The Clerk. Ranking Member Waters?  
 Ms. WATERS. No.  
 The Clerk. Chairman Davidson?  
 Chairman DAVIDSON. Yes.  
 The Clerk. Ms. Salazar?  
 Ms. SALAZAR. Yes.  
 The Clerk. Yes.  
 Chairman DAVIDSON. Would the clerk read how each member voted.  
 The Clerk. Chairman Davidson, aye. Mr. Lucas, aye. Pete Sessions, aye. Mr. Williams, aye. Mr. Ogles, aye. Mr. Nunn, aye. Ms. Salazar, aye. Chairman Hill, aye. Ranking Member Beatty, no. Mr. Gottheimer, no. Mr. Foster, no. Mr. Casten, no. Ranking Member Waters, no.  
 Chairman DAVIDSON. Has any member not voted or wished to change their vote?  
 Ms. WATERS. Parliamentary inquiry.  
 Chairman DAVIDSON. The ranking member is recognized for a parliamentary inquiry.  
 Ms. WATERS. I want to make sure of what we are voting on or what has been attempted to be tabled.

Is this a motion that this subcommittee issue a subpoena to the Secretary of the Treasury to return to the majority and minority of the Subcommittee on National Security, Illicit Finance, and International Financial Institutions of the Committee on Financial Services all complete and unredacted documents related to Jeffrey Epstein or individuals associated with Jeffrey Epstein, including but not limited to wire transfers, bank accounts, and other transactions, other accounts, and account holders that were parties to any such transactions——

Chairman DAVIDSON. Would the gentlelady yield for an answer?

It is not a question on the subpoena. It is a question on tabling the subpoena.

The clerk will report.

The Clerk. The ayes are eight and the nays are five.

Chairman DAVIDSON. A majority having voted in favor, the motion to table is agreed to.

I would like to thank Director Gacki for her testimony today.

Without objection, all members will have five legislative days to submit additional written questions for the witness to the chairman. Questions will be forwarded to the witness for her response.

Ms. Gacki, please respond no later than October 14, 2025.

This hearing is adjourned.

[Whereupon, at 12:08 p.m., the subcommittee was adjourned.]



## **APPENDIX**

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### **MATERIALS SUBMITTED FOR THE RECORD**

## Congress of the United States

Washington, DC 20515

September 8, 2025

The Honorable Scott Bessent  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania NW  
Washington, D.C. 20220

Dear Secretary Bessent,

Thank you for your efforts to reduce the tax and regulatory burdens on the private sector. The economic policies of the Trump administration will provide businesses, particularly Main Street mom-and-pop businesses, with certainty to grow and invest in our communities.

One major area of concern and uncertainty for small businesses is the burdensome implementation of the Corporate Transparency Act (CTA). The CTA was quietly inserted in the 2021 National Defense Authorization Act, at the height of the COVID pandemic.<sup>1</sup> By enacting the CTA, Congress imposed one of the most expansive small business regulations in history as an amendment to a must-pass bill to fund our military.

The CTA only applies to small businesses, those with fewer than 20 employees and under \$5 million in revenue. These small businesses are the mom-and-pop shops in small towns and big cities across America that are the foundation of our communities. The CTA wrongly associates our family members, friends, and neighbors who own small businesses with criminal actors, terrorists and drug traffickers. This is wrong.

The CTA is intended to fight money laundering, a well-intentioned goal. However, the reality is that drug traffickers like El Chapo or criminals with shell companies will not file their beneficial ownership information with the Financial Crimes Enforcement Network (FinCEN). These criminals do not fear the harsh civil and criminal penalties—up to a \$10,000 fine and 2 years in prison—under the CTA. However, the 32.6 million law-abiding small business owners who do the right things and pay their taxes on time will register with FinCEN.

The result of the CTA is tens of billions of dollars in compliance costs without stopping the criminal activity it was intended to target. Small businesses are rightly enraged by this new mandate and fear that their information will be targeted by criminals, politically motivated individuals, or cyberattackers. This justifiable concern is due to the fact that state, federal, and international law enforcement can access this information without a subpoena or warrant.

Thankfully, President Trump recognized the absurdity of collecting vast amount of beneficial ownership information. He called the law invasive, outrageous, and an economic menace.<sup>2</sup> We agree with the President and believe he could not be more right. However, we are concerned that a future administration could revive the CTA to increase red tape and compliance burdens on small businesses.

We are grateful for the President's leadership to reduce regulatory burdens on small businesses. As Congress works to provide long-term relief from the CTA, we urge the Department of Treasury and FinCEN to

<sup>1</sup> TITLE LXIV—ESTABLISHING BENEFICIAL OWNERSHIP INFORMATION REPORTING REQUIREMENTS, William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Public Law 116-283, January 1, 2021, <https://www.congress.gov/116/plaws/publ283/PLAW-116publ283.pdf>

<sup>2</sup> @realDonaldTrump, Truth Social, March 2, 2025, <https://truthsocial.com/@realDonaldTrump/posts/114096106742782827>

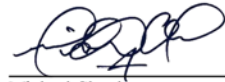
promulgate a final rule that exempts U.S. businesses from the CTA. We also acknowledge that millions of U.S. small businesses have already registered with FinCEN. This data must be immediately destroyed to protect the privacy of small business owners.

Small businesses are the foundation of our communities. The CTA threatens their existence and treats small businesses as criminals. We look forward to working with you to eliminate the \$1.8 trillion of burdensome red tape from the Biden administration, including one of the most burdensome small business regulations in history—the Corporate Transparency Act.

Sincerely,



Warren Davidson  
Member of Congress



Michael Cloud  
Member of Congress



Robert F. Onder, Jr.  
Member of Congress



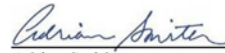
Earl L. "Buddy" Carter  
Member of Congress



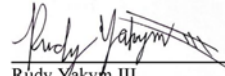
Daniel Webster  
Member of Congress



Jim Banks  
United States Senator



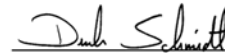
Adrian Smith  
Member of Congress



Rudy Yakym III  
Member of Congress



Tim Moore  
Member of Congress



Derek Schmidt  
Member of Congress



Tracey Mann  
Member of Congress



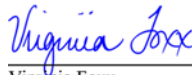
Mark B. Messmer  
Member of Congress



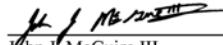
Rich McCormick, MD, MBA  
Member of Congress



Gabe Evans  
Member of Congress



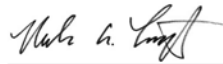
Virginia Foxx  
Member of Congress



John J. McGuire III  
Member of Congress



Brad Finstad  
Member of Congress



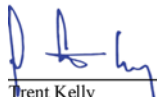
Nicholas A. Langworthy  
Member of Congress



Erin Houchin  
Member of Congress



Byron Donalds  
Member of Congress



Trent Kelly  
Member of Congress



Jefferson Shreve  
Member of Congress



Dan Meuser  
Member of Congress



Troy Downing  
Member of Congress



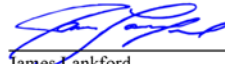
Nancy Mace  
Member of Congress



Tommy Tuberville  
United States Senator



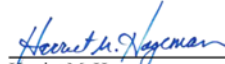
Michael S. Lee  
United States Senator



James Lankford  
United States Senator



Michelle Fischbach  
Member of Congress



Harriet M. Hageman  
Member of Congress



Nick LaLota  
Member of Congress



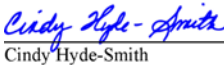
Jay Obernolte  
Member of Congress



Tim Sheehy  
United States Senator



Dusty Johnson  
Member of Congress



Cindy Hyde-Smith  
United States Senator



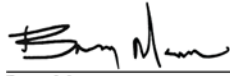
Ashley Hinson  
Member of Congress



Pete Stauber  
Member of Congress



Marlin A. Stutzman  
Member of Congress



Barry Moore  
Member of Congress



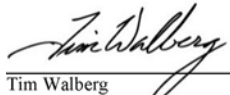
Richard Hudson  
Member of Congress



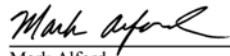
James C. Justice  
United States Senator



Diana Harshbarger  
Member of Congress



Tim Walberg  
Member of Congress



Mark Alford  
Member of Congress



Rick W. Allen  
Member of Congress



Brian Babin, D.D.S.  
Member of Congress



Troy Balderson  
Member of Congress



Andy Biggs  
Member of Congress



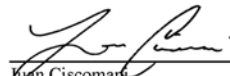
Sheri Biggs  
Member of Congress



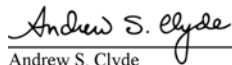
Kat Cammack  
Member of Congress



Mike Carey  
Member of Congress



Juan Ciscomani  
Member of Congress



Andrew S. Clyde  
Member of Congress



Scott DesJarlais, M.D.  
Member of Congress



Julie Fedorchak  
Member of Congress



Russell Fry  
Member of Congress



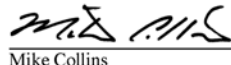
Brandon Gill  
Member of Congress



Sam Graves  
Member of Congress



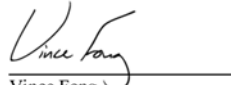
Kevin Hern  
Member of Congress



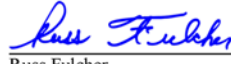
Mike Collins  
Member of Congress



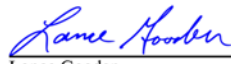
Jake Ellzey  
Member of Congress



Vince Fong  
Member of Congress



Russ Fulcher  
Member of Congress



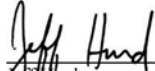
Lance Gooden  
Member of Congress

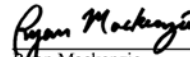


Marjorie Taylor Greene  
Member of Congress



Wesley Hunt  
Member of Congress

  
 Jeff Hurd  
 Member of Congress

  
 Ryan Mackenzie  
 Member of Congress

  
 Ralph Norman  
 Member of Congress

  
 Jimmy Patronis  
 Member of Congress

  
 David Rouzer  
 Member of Congress

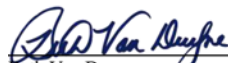
  
 Michael A. Rulli  
 Member of Congress

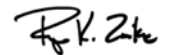
  
 Maria Elvira Salazar  
 Member of Congress

  
 David Schweikert  
 Member of Congress

  
 Keith Self  
 Member of Congress

  
 Jason Smith  
 Member of Congress

  
 Beth Van Duyne  
 Member of Congress

  
 Ryan K. Zinke  
 Member of Congress

  
 Riley M. Moore  
 Member of Congress

  
 Mary E. Miller  
 Member of Congress




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Max L. Miller  
Member of Congress




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Michael T. McCaul  
Member of Congress




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Marsha Blackburn  
United States Senator




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Ted Budd  
United States Senator




---

Vern Buchanan  
Member of Congress




---

James E. Risch  
United States Senator




---

Rand Paul  
United States Senator

## Enclosure

cc: President Donald J. Trump  
The White House

The Honorable Kevin Hassett, PhD  
National Economic Council

The Honorable Andrea Gacki  
Financial Crimes Enforcement Network



September 9, 2025

## **The Financial Crimes Enforcement Network: Recommendations for Better Coordinated and More Effective Policies and Enforcement**

The Independent Community Bankers of America, representing community banks across the nation with nearly 50,000 locations, appreciates the opportunity to provide this statement for the record for today's hearing: "Evaluating the Financial Crimes Enforcement Network." Community bankers strongly support the role of FinCEN in preventing the financial system from being used to fund criminal activities and money laundering of illicit proceeds. FinCEN's work is best accomplished through a set of balanced, effective, and coordinated measures.

This statement addresses two broad topics related to FinCEN rules and enforcement: collection of beneficial ownership information (BOI) and the need to update reporting thresholds under the Bank Secrecy Act. We believe that our recommendations will rationalize and strengthen data collection, striking an appropriate balance between law enforcement and avoidance of intrusive, prescriptive, and counter-productive data collection mandates.

### **Beneficial Ownership Information**

Recent years have seen two major developments in anti-money laundering (AML) regulation, the 2018 Customer Due Diligence (CDD) rules and the 2020 Corporate Transparency Act (CTA).

The core feature of both the CDD rules and the CTA is the collection of beneficial ownership information (BOI). Criminals have exploited the anonymity that legal entity ownership has provided to engage in a variety of crimes such as money laundering, corruption, fraud, terrorist financing, and sanctions evasion. Making legal entities more transparent by requiring identifying information of natural-person owners will likely deter such abuses.

### *The CDD Rules*

Since the CDD rules became effective in 2018, community banks and all financial institutions have been required to conduct and document customer due diligence on all beneficial owners of certain legal entity customers when they open new accounts.

While we agree that such transparency is important, we strongly disagreed in 2018 and continue to oppose bank collection of BOI, an ineffective means of creating transparency and an unnecessary burden for community banks. We recommend that BOI be collected and verified at the time a legal entity is formed by either by FinCEN or other appropriate federal or state agency. This solution would provide uniformity and consistency across the United States. Making the formation of an entity contingent on providing BOI directly

to the appropriate agency would create a strong incentive for equity owners and investors to provide such information. Additionally, periodic renewal of an entity's state registration would provide an efficient and effective vehicle for updating beneficial ownership information.

Furthermore, information regarding beneficial owners could be more easily shared between law enforcement and government agencies when collected by the appropriate state or federal agency rather than between banks and law enforcement. Privacy laws do not permit banks to share personal information with a government agency absent a subpoena or similar directive. Information should be collected by the party that can make the most effective use of it to deter the criminal use of legal entities. This is the government.

For banks, collection of BOI is difficult to implement and an onerous and inefficient task for both the customer and the employee. Front-line bank staff are required to conduct several additional intermediate steps during the account-opening process to ensure they have a reasonable belief of the true identity of each beneficial owner. While the ownership interest and management responsibility of a business may be straightforward in certain cases and specified in a legal organizational document in other cases, certain legal structures make determining ownership equity extremely difficult. Obtaining this information and assessing the risk requires a sophisticated understanding of various legal structures and ownership interests that is well beyond the training of a typical community bank loan officer.

#### *The Corporate Transparency Act*

On January 1, 2021, the Corporate Transparency Act was signed into law. The CTA requires FinCEN (i) to issue rules requiring reporting companies to submit certain information to FinCEN about their beneficial owners; and (ii) to maintain this information in a confidential, secure, and non-public database. While the CTA did not repeal the requirement that FIs collect that information from their customers, it did require FinCEN to revise its existing CDD rules to reduce any burdens on FIs and legal entity customers that are unnecessary or duplicative.

However, in March of this year, Treasury announced that domestic reporting entities are no longer required to submit their BOI to FinCEN. Unfortunately, the burden of duplicitous and unnecessary BOI collection requirements for banks and their legal entity customers remains intact. ICBA's position remains: BOI should be collected at the time an entity is formed. ICBA strongly urges FinCEN to withdraw the requirement that banks collect BOI and rely instead on their risk-based monitoring procedures. We believe that this would be the best way to implement the CTA in accordance with the intent of Congress.

#### **Bank Secrecy Act Reporting Thresholds**

Current reporting thresholds under the Bank Secrecy Act are significantly outdated and capture far more transactions than originally intended. The currency transaction report (CTR) threshold of \$10,000 was set in 1972 and has not been adjusted since that time. Similarly, suspicious activity report (SAR) thresholds have not been adjusted since becoming effective in 1992. CTR and SAR filings are a primary source of community bank compliance burden and expense, diverting resources that could be better directed toward community lending. Treasury is required by the 2020 Anti-Money Laundering Act to conduct a study on whether it is appropriate to raise these thresholds. As of 2025, neither threshold has been adjusted.

A recent Government Accountability Office (GAO) report, also required by the Anti-Money Laundering Act of 2020, found that:

- Law enforcement only accessed 5.4 percent of the 167 million CTRs in the BSA portal filed between 2014 and 2023.
- If adjusted for inflation, today's CTR threshold would be more than \$72,000.
- Using an inflation-adjusted threshold would have reduced the number of CTRs filed by at least 90 percent annually since 2014.

To address these findings, GAO recommended that Treasury work with FINCEN to reduce the number of unused CTRs by raising the reporting threshold.

ICBA strongly supports **the Financial Reporting Threshold Modernization Act (H.R. 1799)**, sponsored by Representative Barry Loudermilk. This bill would effectively implement the GAO recommendation by raising the currency transaction reporting (CTR) and Suspicious Activity Reporting (SAR) thresholds to \$30,000 and \$10,000 respectively and index the CTR threshold for inflation every five years prospectively. These updated thresholds would result in more targeted, useful information for law enforcement while allowing community banks to redirect resources toward serving their communities.

#### Closing

Thank you for convening today's hearing. There is much at stake for criminal deterrence and the integrity of our financial system in FinCEN's enforcement of BSA/AML regulations. We urge your attention to the adverse consequences for community banks and their customers outlined above.

In particular, we look forward to working with this committee to advance H.R. 1799 without further delay to create more effective SARs and CTR and provide relief for community banks. In addition, we urge this committee to craft beneficial ownership reporting that effectively and efficiently detects and deters the creation of shell companies for criminal purposes while removing the redundant and burdensome requirement that community banks collect BOI from their customers.

[Home](#) / [News](#) / [Press Releases](#)

## Fraud on ActBlue: New Report Details Potential Illegal Activity on the Democrat Platform

April 2, 2025 [Press Release](#)

WASHINGTON, D.C. — Today, the House Judiciary Committee, the Committee on House Administration, and the House Committee on Oversight and Government Reform released a joint interim staff report titled, "[Fraud on ActBlue: How the Democrats' Top Fundraising Platform Opens the Door for Illegal Election Contributions](#)." This report reveals that ActBlue made its fraud-prevention rules "more lenient" twice in 2024—even though there is extensive fraud on the platform, including from foreign sources.

Internal documents show that ActBlue executives and staff are aware that both foreign and domestic fraudulent actors are exploiting the platform but do not take the threat seriously. In fact, they attempted to hide the changes to avoid sparking discussions about fraud on the platform. For example, ActBlue's training guide for new fraud-prevention employees instructed them to "look for reasons to accept contributions," rather than err on the side of flagging suspicious donations. Internal communications further reveal that, rather than seeking to reduce or eliminate fraud, ActBlue's chief fraud-prevention official was willing to accept 10 percent more fraud while focusing on DEL. Additionally, in a thirty-day window during September and October 2024, ActBlue detected 237 separate donations made from foreign IP addresses using domestic prepaid cards.

The Committees remain deeply committed to protecting the integrity of American elections and will continue investigating to inform potential legislative reforms aimed at improving and strengthening our democracy. This oversight is crucial to ensure that American elections are free, fair, and decided by Americans alone.

Read the full joint interim staff report and appendix [here](#).

Chairmen Jim Jordan (R-OH), Bryan Steil (R-WI), and James Comer (R-KY) also sent a [letter](#) to the CEO of ActBlue requesting additional documents and transcribed interviews with two ActBlue staff members. ActBlue's internal turmoil, lack of a functioning legal team, possible retaliatory actions, and failure to take fraud seriously raise new questions about the platform's ability to deter fraud and comply with federal election law.

### [Read excerpts of the letter:](#)

"The Committee on House Administration, the Committee on the Judiciary, and the Committee on Oversight and Government Reform are charged with upholding fundamental American civil liberties and protecting the integrity of American elections. To that end, we continue to investigate ActBlue's fraud prevention policies and practices, which may allow bad actors to make fraudulent political donations, including from foreign sources. New reporting indicates that several ActBlue executives recently resigned amid allegations of 'internal retaliation' while the last remaining lawyer on ActBlue's staff is 'on leave' without access to email or other internal systems. We write today to request additional documents regarding ActBlue's compliance with applicable federal laws and regulations, and to request transcribed interviews with two ActBlue staff members.

"As a political action committee (PAC), ActBlue must take a variety of steps to comply with federal election law. ActBlue must make filings with the Federal Election Commission (FEC), place 'disclaimer' and 'authorization' notices on solicitations, and comply with laws and regulations governing the handling of 'illegal' or 'questionable' contributions.

"Recent staff resignations and internal turmoil at ActBlue raise serious questions about ActBlue's ability to fulfill these ongoing legal obligations. Reporting in the New York Times indicates that at least seven senior staff members, including ActBlue's 'highest-ranking legal officer,' have resigned since February 21, 2025. Amid this wave of resignations, [redacted], the last remaining lawyer in the ActBlue general counsel's office, 'went 'on leave' and was stripped of his access to email and other internal systems after he appeared to make allegations of 'internal retaliation.' The 'growing pattern of volatility and toxicity stemming from [ActBlue's] current leadership' and the kneecapping of ActBlue's legal team may be hindering ActBlue's ability to comply with federal election law. Indeed, ActBlue's union reportedly told the company that 'those of us who work with our legal team in our day-to-day do not have clear direction on how to proceed with our work in their absence.'"

"These developments are even more concerning in light of reporting that ActBlue has maintained poor anti-fraud practices that may have allowed bad actors to make fraudulent political donations, including from foreign sources. Fraudulent political donations corrupt American elections and could amount to interstate criminal conduct.

"ActBlue's internal turmoil, lack of a functioning legal team, possible retaliatory actions, and failure to take fraud seriously raise a host of new questions about the platform's ability to deter fraud and comply with legal requirements. Therefore, the Committees require additional documents and information. To further our oversight, please provide the following documents and information from January 1, 2020 to the present:

1. Documents and communications sufficient to show which staff members are responsible for ensuring ActBlue's compliance with applicable federal laws, including but not limited to the Federal Election Campaign Act (FECA);
2. All documents and communications referring or relating to whistleblowers, retaliation against whistleblowers, and actual or alleged misconduct by ActBlue staff, including but not limited to all documents and communications referring or relating to [redacted] going 'on leave';
3. All documents and communications referring or relating to the resignation of former Vice President for Customer Service Alyssa Twomey; and
4. All documents and communications referring or relating to the resignations of staff in ActBlue's Office of the General Counsel, including but not limited to former General Counsel Darin Hurwitz."

Read the full letter to Act CEO Regina Wallace-Jones [here](#).



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September 17, 2025

The Honorable Warren Davidson  
Chairman – House Financial Services  
Subcommittee on National Security, Illicit  
Finance, and International Financial  
Institutions  
United States House of Representatives  
2113 Rayburn House Office Building  
Washington, DC 20515

The Honorable Joyce Beatty  
Ranking Member – House Financial  
Services Subcommittee on National  
Security, Illicit Finance, and International  
Financial Institutions  
United States House of Representatives  
2079 Rayburn House Office Building  
Washington, DC 20515

**Re: Hearing Entitled: Evaluating the Financial Crimes Enforcement Network**

Dear Chairman Warren Davidson, Ranking Member Joyce Beatty, and Members of the Committee:

Democrats Abroad (DA) is the official Democratic Party arm for Americans living outside the U.S. With 200,000 members, we are the largest Americans-overseas organization. We recognize the importance of FinCEN's mission to combat money laundering and terrorist financing, but we would like to make you aware of the frequent complaints from our members living overseas, and present our regulatory policy proposals.

An estimated nine million Americans live outside the U.S., more than most government officials realize.<sup>1</sup> These Americans suffer from an outdated stereotype that only rich Americans live overseas. Based on Democrats Abroad research, the top reasons that Americans move abroad is for family, work, or education and many live in countries with taxes higher than in the USA.<sup>2</sup> IRS statistics from 2022 confirm that 80% of tax returns filed from abroad had an income of \$100,000 or less.<sup>3</sup>

Since the passage of the Currency and Foreign Transactions Reporting Act (more commonly known as the Bank Secrecy Act) in 1970, U.S. citizens living abroad (“non-residents”) have increasingly become caught up in ongoing efforts against tax evasion and malicious actors. While we recognize that battling money laundering and terrorist financing are critical priorities, substantial adjustments to FinCEN Form 114 – the Report of Foreign Bank and Financial Accounts or “FBAR” – are needed to

<sup>1</sup> The U.S. Department of State's Bureau of Consular Affairs. (2020, January). Consular Affairs By The Numbers. Retrieved April 5, 2022, from <https://travel.state.gov/content/dam/travel/CA-By-the-Number-2020.pdf>

<sup>2</sup> Democrats Abroad Report “Once Uncomfortable, Now Suffocating: A 2022 Update on Tax and Financial Access Issues of Americans Abroad.” [https://www.democratsabroad.org/2022\\_report](https://www.democratsabroad.org/2022_report)

<sup>3</sup> IRS Individual income and tax data, by state and size of adjusted gross income. <https://www.irs.gov/pub/irs-soi/22in53oa.xlsx>

ensure that the impact on ordinary law-abiding citizens is proportional to the financial law enforcement benefits.

Currently, FBAR reporting is **redundant, disproportionate to risk, and fails to take into account the necessity of holding foreign bank accounts when residing outside of the United States.**

The FBAR duplicates other overlapping data reporting mechanisms, including IRS Form 8938, reporting by Foreign Financial Institutions on Form 8966, and the automatic data exchanges facilitated by the FATCA Intergovernmental Agreements ("IGAs"). At the time of its introduction in the 1970s, automatic reporting was not yet a concept, nor was international tax cooperation in the advanced state that exists today. For a number of years, the National Taxpayer Advocate has called for an examination of the duplication in reporting requirements and a harmonization of approaches.

**At the same time, enforcement efforts are generally disproportionate**, with FinCEN exercising little discretion and often pursuing statutory-maximum penalties even for infractions deemed non-willful.<sup>4</sup> This results in highly regressive penalties that disproportionately harm the middle and working class. In some cases, fear of excessive penalties is cited as a barrier to becoming compliant for previous non-filers. Though statutes may authorize high penalties, significant discretion should be exercised to take into account the financial means of the taxpayer and whether or not the individual is compliant with tax obligations. FBAR enforcement should serve as a deterrence to non-reporting rather than acting as a revenue driver.

Our proposed reforms in Appendix I are intended to reduce paperwork burdens for both the public and FinCEN, align reporting to accounts that are large enough to pose a substantial risk relating to financial crimes, and ensure that enforcement serves a public benefit. Please see the appendices for our FBAR reform recommendations and additional information on the adverse impacts on non-resident citizens.

Please do not hesitate to contact us with any questions about the information and recommendations provided here.

Sincerely,

Martha McDevitt-Pugh  
International Chair  
Democrats Abroad  
[chair@democratsabroad.org](mailto:chair@democratsabroad.org)

Rebecca Lammers  
Chair, Taxation Task Force  
Democrats Abroad  
[Rebecca\\_Lammers@democratsabroad.org](mailto:Rebecca_Lammers@democratsabroad.org)

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<sup>4</sup> See Appendix VI: Egregious FBAR Cases

## Appendix I: FBAR Policy Recommendations

In order of priority, we advocate for:

1. **Eliminating the FBAR filing requirement for non-resident U.S. citizens altogether or excluding accounts held by individuals in their country of residence from FBAR reporting.** Taking into account the recent decision in *Aroeste v. U.S.*, which confirmed that green card holders with dual residency are not required to file FBARs<sup>5</sup>, we note that no similar exception exists for U.S. citizens who are residents and taxpayers of other countries. The Secretary has authority under 31 U.S. Code § 5314(b) to grant non-resident U.S. citizens the same exemption from filing obligations.
2. **Customizing thresholds to take into account “geographic risk.”** The motivations and justifications for holding non-U.S. accounts differ greatly between U.S. citizens residing in the U.S. and those living abroad. Americans abroad need local bank accounts in order to receive salaries and make payments for local bills, rent, mortgages, etc. If the reporting requirement for non-resident citizens continues, then the reporting threshold should be raised to \$400,000 (consistent with IRS Form 8939) and adjusted for inflation going forward.
3. **Adjusting FBAR reporting thresholds to \$80,000**, which accounts for inflation in the 50 years since FBAR’s introduction, to be followed thereafter by annual inflation adjustments.
4. **Improving the proportionality of enforcement/penalties for FBAR violations and clearly defining willful versus non-willful criteria.** This has long been a point of feedback from the IRS National Taxpayer Advocate.<sup>6</sup>
5. **Excluding accounts under a de-minimis threshold**, even when the reporting obligations are triggered based on aggregate foreign bank account balances.
6. **Restoring paper FBAR filings and improving e-filing options to allow popular tax-filing software and IRS Direct File to include FBAR e-filing.** We have received reports from seniors living abroad who struggle to file the FBAR, given that there is no paper-file option and it has to be e-filed. Many are forced to pay an accountant to file the FBAR for them, and in some cases, we’ve heard of accountants charging \$100 per account, imposing a significant burden on vulnerable citizens.<sup>7</sup>
7. **For non-resident U.S. citizens, excluding accounts where they have only signatory authority on the account but no beneficial interest.** This will ensure that Americans abroad are not excluded from work or community leadership roles that may require being added as a signatory.

<sup>5</sup> 22-682 - *Aroeste et al v. The United States of America et al*  
<https://www.govinfo.gov/app/details/USCOURTS-casd-3/22-cv-00682/USCOURTS-casd-3/22-cv-00682-1>

<sup>6</sup> National Taxpayer Advocate 2021 Purple Book Recommendation #35  
[https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20\\_PurpleBook\\_04\\_ReformPenInts\\_35.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2021/01/ARC20_PurpleBook_04_ReformPenInts_35.pdf)

<sup>7</sup> *Once Uncomfortable, Now Suffocating: A 2022 Update on Tax and Financial Access Issues of Americans Abroad*, Pg. 13-14  
[https://www.democratsabroad.org/2022\\_report](https://www.democratsabroad.org/2022_report)

## Appendix II: FBAR Causes Undue Burden on U.S. Citizens Abroad

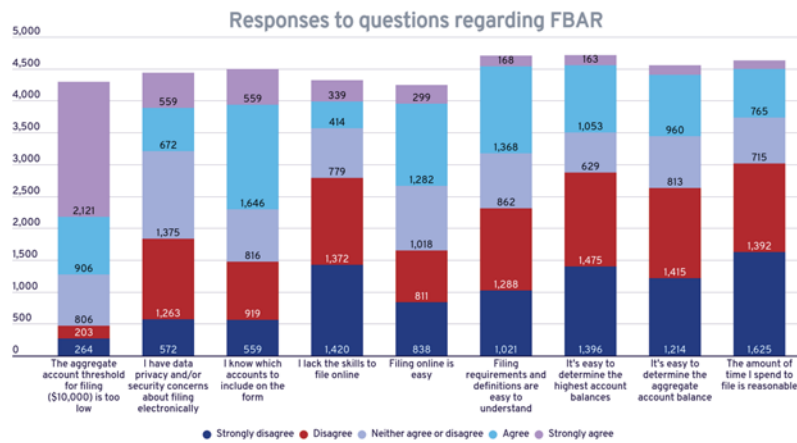
FBAR information collection from U.S. citizens who reside outside the United States is an undue burden for the following reasons:

- Filing thresholds have not been revised in almost 50 years and are inordinately low. Once an individual has triggered the filing requirement as a result of having aggregate financial assets greater than \$10,000, then all non-U.S. financial accounts must be declared, with no de minimis exemption. For instance, even dormant accounts with zero balances must be reported.
- Awareness of the FBAR filing requirement is low among low and middle income citizens residing abroad. Filing follows a multi-step online process that is completely separate from tax return preparation and filing, and many professional tax preparers do not routinely ask questions that would identify whether an individual has a filing requirement.
- The filing requirements and definitions are incomplete and difficult to understand. For an ordinary individual reading the instructions provided with the form, it is difficult to determine whether reporting of certain account types (such as non-U.S. pensions, prepaid transit cards, or cashless payment apps) is required or not. Professional tax preparers are often hesitant to offer advice on these questions, other than to say that conservatism is prudent given the extraordinarily high penalties for compliance failures, even if non-willful.
- FBAR filings are largely duplicative with the information collected on other IRS forms such as Form 8938 ("Statement of Foreign Financial Assets"), Form 8621 ("Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund"), and Form 3520A ("Annual Information Return of Foreign Trust with a U.S. Owner").
- Finally, FBAR's requirement for information on accounts for which the U.S. citizen does not have a beneficial interest but only signature authority is also a major cause of misunderstanding and unintentional compliance failures. It also leads overseas corporations to remove U.S. citizens from positions of authority over financial matters, limiting career opportunities for those impacted.
- The Government Accountability Office (GAO) has called attention to the overlap and redundancy of information being fed to the Treasury and called for consolidation and simplification to relieve the burden on Americans abroad<sup>8</sup>.

<sup>8</sup> Foreign Asset Reporting, Actions Needed to Enhance Compliance Efforts, Eliminate Overlapping Requirements, and Mitigate Burdens on U.S. Persons Abroad, [GAO-19-180], April 2019 <https://www.gao.gov/products/gao-19-180>

### Appendix III: Democrats Abroad 2022 Report - FBAR

An April 2022 Democrats Abroad survey of 6,903 Americans living outside the U.S. indicated that confusion abounds about FBARs. Almost 30% were unaware of the requirement to file an FBAR.<sup>9</sup> This situation reflects the complexity of information-reporting requirements that low and middle income Americans abroad face related to ordinary banking, investment, and pension products that may be viewed as “foreign” to the United States, but are far from “exotic investments” and simply a part of ordinary financial life in any individual’s country of residence. Survey findings related to the FBAR are summarized below.



<sup>9</sup> Once Uncomfortable, Now Suffocating: A 2022 Update on Tax and Financial Access Issues of Americans Abroad, Pg. 13-14  
[https://www.democratsabroad.org/2022\\_report](https://www.democratsabroad.org/2022_report)

#### **Appendix IV: Treasury has Statutory Authority to Modify the FBAR**

Without evidence of serving any purpose for combatting money laundering and terrorist financing activities, administering the FBAR regime is consuming resources that could be deployed to other activities and has not shown the practical utility that is required to justify its continuation.

The statutory authority for the FBAR filing requirement is found in 31 U.S. Code § 5314(a) and begins with the statement: “Considering the need to avoid impeding or controlling the export or import of monetary instruments and the need to avoid burdening unreasonably a person making a transaction with a foreign financial agency, the Secretary of the Treasury shall require a resident or citizen of the United States or a person in, and doing business in, the United States, to keep records, file reports, or keep records and file reports, when the resident, citizen, or person makes a transaction or maintains a relation for any person with a foreign financial agency.”

Under 31 US Code § 5314(b), the Secretary can prescribe:

- to which countries FBAR should apply
- a “reasonable classification of persons subject to or exempt from a requirement under this section or a regulation under this section”
- “the magnitude of transactions subject to a requirement or a regulation”
- “the kind of transaction subject to or exempt from a requirement or a regulation”
- “other matters the Secretary considers necessary”

These available authorities should be used to relieve this redundant burden on both Americans abroad and on FinCEN itself. **The Treasury Department should modify the regulations in 31 CFR § 1010.350** to help FinCEN achieve proportionality while simultaneously providing relief for non-resident citizens and improving FBAR’s effectiveness as a law enforcement tool.

### Appendix VI: Egregious FBAR Cases

**Patricia d'Addario:** d'Addario, an elderly, disabled woman married to a Canadian, moved to Canada in 1988. She spent a cumulative \$42,000 for professional U.S. tax preparation and never owed U.S. taxes due to the exclusion and credits. In 2009, she saw a newspaper article referring to FBAR, voluntarily disclosed, and paid another \$24,000 in accountant fees to become compliant. She was assessed a **\$78,000** FBAR penalty. Reference: [https://www.aaro.org/images/Banking/Link\\_26\\_Patricia.pdf](https://www.aaro.org/images/Banking/Link_26_Patricia.pdf)

**Donald Dewees:** Dewees is a U.S. citizen residing in Canada since the 1970s, who faced significant penalties from the IRS for failing to file required international tax forms. Upon realizing his non-compliance, he attempted to rectify the situation by participating in the IRS's Offshore Voluntary Disclosure Program (OVDP) in 2009. However, after the IRS assessed a substantial penalty of **\$252,480** for his failure to file FBARs from 2003 to 2008, Dewees withdrew from the OVDP. Subsequently, the IRS imposed a **\$120,000** penalty for his Form 5471 non-compliance, calculated at \$10,000 for each year missed, as authorized under 26 U.S.C. § 6038(c). Reference: Donald Dewees v. United States, Docket No. 17-5274, United States Court of Appeals for the District of Columbia Circuit

**Tuncay Saydam:** Tuncay Saydam, a naturalized U.S. citizen from Turkey, spent his professional career as a computer science professor and consultant in Turkey, Switzerland, and the U.S. He relied on a well-known tax preparation firm that lacked expertise in international tax matters and, as a result, failed to inquire about his foreign bank account reporting obligations. Saydam was later penalized **\$545,000** for willfully failing to file FBARs, a penalty he subsequently challenged as excessive and unconstitutional. Reference: United States v. Tuncay Saydam, Docket No. 4:22-cv-07371

**Carolyn Buff:** Carolyn Buff, a dual U.S.-French citizen, left the United States in the early 1990s and pursued a career as a human rights lawyer for the United Nations and as a consultant. Her work took her to France, Switzerland, Belgium, the former Yugoslavia, Haiti, Africa, and the Middle East. Despite filing regular tax returns, she was assessed a **\$60,000** non-willful penalty for failing to report her non-U.S. bank accounts. Remarkably, she only became aware of the DOJ's summons to collect the FBAR penalties after discovering it while searching her own name on the internet. Buff had relied on her father's apartment in New York City as her correspondence address, but she lost access to it following his passing. Reference: United States v. Carolyn Buff, Docket No. 23-1070, United States Court of Appeals for the Second Circuit

**Eran Shemesh:** Eran Shemesh, a dual U.S.-Israeli citizen, moved to the United States in 2000. In 2010, he opened a non-interest-bearing checking account at an Israeli bank. He later attempted to comply with reporting requirements by filing delinquent FBARs but was assessed a **\$31,475** penalty for non-willful failure to file them. Reference: United States v. Eran Shemesh, Docket No. 2:20-cv-16305, United States District Court for the District of New Jersey



September 9, 2025

The Honorable Warren Davidson  
Chairman  
House Financial Services Committee  
Subcommittee on National Security, Illicit Finance, and International Financial Institutions  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Joyce Beatty  
Ranking Member  
House Financial Services Committee  
Subcommittee on National Security, Illicit Finance, and International Financial Institutions  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Davidson, Ranking Member Beatty, and Members of the Subcommittee:

On behalf of the American Land Title Association (ALTA), I respectfully submit this letter for the record regarding the Financial Crimes Enforcement Network's (FinCEN) Anti-Money Laundering Regulations for Residential Real Estate Transfers Rule (the Rule). Given where the industry is from a readiness standpoint, the number of resources that have not been published by FinCEN, and industry questions and concerns that need to be addressed, we believe FinCEN should delay the effective date of this rule and return it to the drawing board to address the issues discussed in this letter.

The title industry is working diligently to get ready to implement the Rule on December 1. We have hosted thousands of hours of education, designed new materials and tools to aid compliance, and generated dozens of questions for FinCEN. Despite all this preparation, we are not confident that the industry will be ready by December 1, if for no other reason than FinCEN has not finalized the reporting form. This means no one has been able to do any testing or training with the actual process, and time is running out to do so effectively. With the current December 1 implementation date, the industry needs to start screening transactions and collecting data on October 1 given that many deals may have 60-day closing periods. That is less than one month from today's hearing.

While readiness is the most acute concern given the timing, the industry is also concerned about the burden this rule places on small businesses across the country. ALTA represents an industry comprised of more than 17,000 title insurance companies operating across the nation, with over 90% being small, family-owned businesses. Collectively, the title industry contributes



over \$30 billion annually to the U.S. economy and supports over 150,000 professionals—including title agents, underwriters, abstracters, and real estate attorneys—who play a unique role in promoting confidence in the real estate market by proactively identifying and resolving issues before closing, protecting consumers from fraud, and safeguarding the property rights of homeowners. The Rule imposes substantial costs and burdens upon title companies—particularly small businesses. FinCEN’s midpoint estimate for the cost of compliance with this Rule is \$559.4 million. Based on its estimate of 850,000 reports to be issued per year, this means title companies will bear roughly \$500 of additional expense per transaction that is reported.

While these numbers are excessive, they are doubly concerning because they are irrationally low. The Rule estimated three types of compliance costs: (1) costs to determine who should report, and to perform the reporting itself (inclusive of costs to collect and review the necessary information); (2) costs for reporting persons to train employees; and (3) costs related to recordkeeping. We believe that FinCEN severely underestimated the costs of implementing this complex rule including training, technology needs and staff time to collect, report and retain the required information. For example, FinCEN believes that since the final rule does not require the title company to retain the report after it’s filed that the cost of record keeping will be minimal (one hour of staff costs and ten cents of record processing). However, they fail to recognize that many reporting persons invariably will retain sensitive information, particularly if they wish to defend against downstream FinCEN claims of failure to file required reports. They therefore will incur substantial costs to ensure that customer information is safely obtained and stored securely. The information that the Rule requires to be maintained is the most sensitive information, namely the full legal name, address, citizenship, and IRS identification number (usually a Social Security Number) for an entity’s beneficial owners. This is the most valuable information for criminals and identity thieves, and the cost of protection is way more than ten cents per record.

The enormous size of the costs alone is concerning; however, it’s particularly challenging given the speculative nature of the Rule’s purported benefits. FinCEN attempts to justify the burdens of its industry cost estimates by purportedly quantifying the Rule’s otherwise intangible value to law enforcement and the public. Specifically, FinCEN states that “it might be inferred that a tacit expectation underlying this rulemaking is that the rule will generate intangible benefits worth over \$500 million per year.”<sup>1</sup> That number is untethered to any concrete reality or analytical process. It is unjust to place the immense burden of this rule on small businesses across the country when the purported benefits are speculative and unexplained.

Further, the information that this rule seeks to collect, the beneficial ownership information (BOI) of entities transferring residential real estate, has been deemed not valuable by FinCEN in its recent revision of the larger Beneficial Ownership Reporting Rule.<sup>2</sup> FinCEN also stated that the burden of reporting this information for domestic small businesses was too great and outweighed any benefit. Under the Anti-Money Laundering Regulations for Residential Real Estate Transfers Rule, title companies are being asked to collect this same information from the

<sup>1</sup> FinCEN, *Anti-Money Laundering Regulations for Residential Real Estate Transfers*, 89 Fed. Reg. 70258 (August 29, 2024).

<sup>2</sup> FinCEN, *Beneficial Ownership Information Reporting Requirement Revision and Deadline Extension*, 90 Fed. Reg. 13688, 13691 (March 26, 2025).



same entities that FinCEN deemed unjustified. Additionally, the other information, aside from the BOI, that would be collected under the Rule is already collected by other financial institutions. FinCEN could access this information from these institutions, instead of asking small title companies to spend money to collect this same information again.

ALTA has voiced concerns to FinCEN directly about the lack of preparedness ahead of December 1 but has received no indication that they intend to delay or reverse course. Attached you will find our comment letters to FinCEN throughout the rulemaking process. We believe that FinCEN should delay the implementation of the Rule and return it to the drawing board to ensure that any effort to combat money laundering in real estate is properly scrutinized to determine if the benefits truly outweigh the burdens placed on those responsible for complying.

Thank you for your attention to this important issue and for your continued leadership in supporting a stable and secure real estate market. The title insurance industry stands ready to work with Congress to support efforts that continue to combat criminal activity, protect consumers, and advance the American Dream of homeownership.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Morton", is written over a faint, large, stylized background graphic that resembles a shield or a map of the United States.

Chris Morton  
Chief Executive Officer  
American Land Title Association

cc: The Honorable French Hill  
The Honorable Maxine Waters

Enclosures:



April 16, 2024

Policy Division

Financial Crimes Enforcement Network

P.O. Box 39

Vienna, VA 22183

Re: Docket Number FINCEN- 2024-02565; RIN 1506-AB54: Anti-Money Laundering Regulations for Residential Real Estate Transfers

Director Gacki,

The American Land Title Association<sup>1</sup> (ALTA) shares the concern about the use of real estate for money laundering. However, we believe that aspects of Financial Crimes Enforcement Network's (FinCEN) proposed rule are overly burdensome and costly. In this comment letter, ALTA recommends a number of changes to the scope of the rule and data requested that will make this rule more effective and manageable for the person on whom the responsibility for reporting lies and improving the value of reports for law enforcement. Further, the recommended changes are designed to align the data sought by FinCEN in the proposal to data that is already available to title and settlement professionals or easier to obtain. Lastly, we request FinCEN provide guidance allowing agents and others obligated to report under the rule to submit incomplete reports without risk of penalty where there has been a good faith attempt to obtain the required information, but the parties have not been willing to provide it.

ALTA is the national voice of the title and settlement industry. The title and settlement industry protects homebuyers and homeowners through the safe transfer of real estate. According to the Small Business Administration, more than 90% of title companies are considered small businesses. Depending on the state, real estate settlement will usually be conducted by title professionals, escrow agents or attorneys.

These comments are guided by ALTA's experience with the Geographic Targeting Orders (GTOs) that have been in place since 2016. We appreciate the collaboration we've had with FinCEN in the GTO

<sup>1</sup> ALTA represents title insurers, title agents and attorneys that provide peace of mind to Americans by insuring their property rights and closing their real estate transactions. Our members range from small, one-county operations to large national title insurers in the United States. The mission of ALTA is to improve the skills and knowledge of providers in the real property transaction, effectively advocate member concerns, and standardize products for industry use.



effort. For this rule to be successful, continued collaboration will be needed to help effectively prepare the 16,000 title companies, the industry's 155,000 employees and 1.5 million real estate agent customers.

#### **The Real Estate Transaction Process**

While there are many hallmarks and similarities among real estate transactions across the country, the process can differ based on state and local customs and practices. This letter uses more general nomenclature. However, the reality is the closing process and verbiage is different among each state and even within a state.

The real estate transaction process starts with a seller (or transferor) contracting with a real estate agent to market their home for sale to the public through listing on a multiple listing service. Sellers can also elect to list their homes for sale by owner or through a nonpublic listing. A buyer will often be contractually represented by their own real estate agent. Both agents may conduct some due diligence on their clients related to their identity and will often obtain some verification of funds or financing from the buyer to determine their budget and the likelihood they will obtain credit if necessary to purchase the home. Since agents typically get paid from the proceeds of a completed sale, they are incentivized to ensure the sale will not fall through for lack of funds or other reasons such as the buyer being on the Specially Designated Nationals and Blocked Persons List or the seller's identity being fraudulent. Given the heightened awareness and risk for identity theft and seller impersonation fraud, this upfront diligence is critical. When a buyer finds a home to purchase, the agents will negotiate a price and other terms. Once those terms are accepted, a formal real estate purchase and sale agreement is executed.

A real estate purchase and sale agreement<sup>2</sup> is a written contract between the buyer and seller outlining the terms and conditions of a property sale. In residential real estate transactions, standard contracts are typically produced by state and local Realtor® associations. These contracts include dozens of conditions and contingencies including contingencies related to financing, appraisals, and status of title. They also establish any amount deposited with either the real estate agent or title company to serve as earnest money or a good faith deposit to show a buyer is serious. Relevant to this proposed rule, the contract will often state it is for a residential sale or whether there is a financing contingency. Most critically for this rule, that agreement also specifies a closing date. For all cash transactions, the period between contract execution and closing is typically very short and can be less than seven days. If any term of the agreement is not met (including closing not occurring on or before the set day), the parties can declare a breach and the seller may be able to cancel the contract and retain any earnest money deposit provided by the buyer.

The first time the title or settlement company gets involved is when the purchase and sale agreement is executed, and the parties open the file with the settlement provider. Settlement agents are the independent third party to the transaction whose only interest is to ensure the

<sup>2</sup> Compare [https://virginiarealtors.org/wp-content/uploads/dlm\\_uploads/2018/12/Virginia-REALTORS-Form-600-Residential-Contract-of-Purchase-2019-07-Fillable.pdf](https://virginiarealtors.org/wp-content/uploads/dlm_uploads/2018/12/Virginia-REALTORS-Form-600-Residential-Contract-of-Purchase-2019-07-Fillable.pdf) and [https://www.nvar.com/docs/default-source/pdfs/standardized-forms/2023-july-standard-forms-updates/k1321ed---residential-sales-contract.pdf?sfvrsn=7cd3690c\\_4](https://www.nvar.com/docs/default-source/pdfs/standardized-forms/2023-july-standard-forms-updates/k1321ed---residential-sales-contract.pdf?sfvrsn=7cd3690c_4)



integrity of the transaction.<sup>3</sup> In the title industry, the terms “real estate closing” and “real estate settlement” are used interchangeably depending on local practice. Both terms refer to the process of executing legally binding documents transferring interests in real estate. The manner for conducting a real estate settlement varies depending on the locality. A closing agent is typically an attorney, or an employee of a title or escrow company. In roughly a dozen states, closing a real estate transaction is the practice of law. The closing agent acts as a neutral clearinghouse for the transaction, collecting all the necessary documentation, including the deed, mortgage (if applicable), title and homeowners’ insurance policies, payoffs (if there are liens on the property that must be released) and pest inspection reports, just to name a few of the many tasks performed. In many states, the settlement agent must be licensed by the state to perform these functions. This person also handles the exchange of monies, including any earnest money deposit, mortgage funds, and personal funds of the parties.

Once a file is opened by the title and settlement company, they will review the contract to determine any relevant timelines for contingencies and closing. They will also begin the process of determining title insurability either by conducting a title search (if they are a title company) or obtaining a title commitment (if they are a non-title attorney or escrow agent). The title company’s due diligence is focused on ownership and other interests related to the land. They will review public land records and work with the parties to obtain evidence suggesting the seller is the owner of the real property and has the capacity to transfer it to the buyer and that there are no outstanding debts or liens that must be resolved prior to the transfer. This process is focused on determining whether a title is marketable, and the investigation ends there. It does not require any due diligence regarding the buyer’s beneficial ownership or finances.

Once the title company determines its willingness to insure the title and all contingencies are satisfied, the settlement will be scheduled, and transaction documents will be drawn up. At settlement, the property is transferred by the execution and exchange of a number of documents, most notably a transfer instrument (called a deed), a document creating a lien (either called a mortgage or deed of trust depending on state real estate law), and some affidavits related to the requirements of the lender or title company. After the execution of documents, the settlement agent will forward payments related to the transaction including payoffs to previous lenders, other lien holders, tax collectors and municipalities. Additionally, the relevant transaction documents will then be submitted for recordation with the local land records office. This is necessary to perfect the exchanged interests against third parties under the system established pursuant to state recording acts. After recordation, final copies of the transaction documents and a title insurance policy will be transmitted to the customers.

This short overview of the real estate transaction process is intended to show that the only data relevant to the completion of the transaction is either contained in sales and purchase agreements or obtained from public land records. The only identity verification performed is through the notarial process to determine the authenticity of signatures on a document as needed under state real estate law. Settlement agents do not verify (nor do they have any ability to verify) the source of

<sup>3</sup> *Citizens National Bank of Roswell v. Davison*, 229 U.S. 213, 223 (1913); *Bell v. Safeco Title Ins. Co.*, 830 S.W.2d. 157 (Tex.App. 1992).



funds provided for settlement. Nor would they need to collect beneficial ownership of an entity acquiring title information for the purpose of underwriting the title insurance policy.

**FinCEN's \$450 Million Cost Estimate is Both Overly Burdensome and Unfortunately Underestimated Based on Industry Experience**

At the outset, we are concerned about the extremely high price tag of this proposed rule. FinCEN's economic analysis estimates this rule will cost our industry \$453.9 million annually (\$476.2 million in the first year). This comes out to almost \$500 per real estate report based on FinCEN's estimate that 850,000 reports will be filed annually. Those amounts are excessive both in total and on a per transaction basis. It is especially difficult to justify these high costs when the analysis can't estimate a corresponding economic benefit and states, "FinCEN is unable to quantify the economic benefits of the proposed rule."

As noted in the analysis, the settlement industry is small-business oriented. As previously noted, more than 90% of the industry qualifies as a small business under the Small Business Administration criteria. However, to put an even finer point on it, according to ALTA's membership data, roughly 93% of title companies have \$1 million or less in annual gross revenue. According to the Census Bureau, 80% have fewer than 10 employees.<sup>4</sup> These extremely small businesses are not well positioned to absorb this additional cost.

While the rule is extremely costly, we believe the economic analysis does not capture the whole picture for the industry. FinCEN estimates initial year training costs at \$44.3 million or 75 minutes per employee.<sup>5</sup> This is based on an estimate that each employee in a number of industries related to settlement will need over an hour of training to reach an understanding of compliance. Even with estimating these training costs, FinCEN's initial year cost estimates are too low.

Industry experience with implementing new rules, specifically TILA-RESPA Integrated Disclosures (TRID) in 2015, is that the employees will need two levels of training. First, employees will need at least 75 minutes to 120 minutes of training to learn the requirements of the rule. Then, depending on staffing decisions around completing reports, some staff will need specific hands-on training of at least two hours to learn how to complete the report properly. Additionally, the industry will need to conduct several one-hour training sessions for real estate agents both prior to the rule and within the first year to help smooth out the process. When factoring in these realities, the cost of upfront training is likely to more than double.

On the ongoing cost estimate, FinCEN doesn't estimate any necessary technology costs, but that is unrealistic. Given the scope of the rule, industry likely will need new code and technology to flag potentially reportable transactions and to collect sensitive data from customers. Since settlement agents will need to rely on real estate agent partners to collect much of the data, new technologies and processes will likely be necessary to reduce the risk of sensitive information being shared via potentially unsecured email. Additionally, the expanded requirement to collect and store sensitive

<sup>4</sup> 2021: ECNSVY Business Patterns County Business Patterns

<sup>5</sup> Department of the Treasury, Financial Crimes Enforcement Network, February 16, 2024, <https://www.federalregister.gov/documents/2024/02/16/2024-02565/anti-money-laundering-regulations-for-residential-real-estate-transfers>



personal information may lead the industry to face higher than average increases in cyber insurance and/or data protection technologies.

#### Recommendations for FinCEN

Below we provide several recommendations that will lower the expected cost and burden on industry while leading to higher quality and more useful data for law enforcement.

#### FinCEN Should Exempt Certain Low-Risk Transfers from the Rule

We suggest FinCEN alter the proposed rule to exclude a number of low-risk transactions such as gratuitous or zero-dollar transfers and estate planning transactions. Not only will this drastically reduce the number of potentially reportable transactions and thus the cost burden, but it will also ensure Real Estate Reports are more relevant to law enforcement. Further, reporting these transactions is likely duplicative since the mechanics of these deals mean that they are connected to another transfer that was subject to a mortgage company's or bank's AML obligations or Suspicious Activity Reporting.

Gratuitous transfers are transfers where there is little to no consideration paid for the exchange. They are more akin to a gift and often done to aid in tax planning, estate planning, charitable activity and converting use of a house for a business or rental.

Moreover, because the statutory authority for the proposed rule is the anti-money laundering obligations imposed by the Bank Secrecy Act on "persons involved in *real estate closings and settlements*,"<sup>6</sup> it is unclear whether gratuitous estate-planning or charitable transactions fall within the scope of FinCEN's authority to impose reporting requirements. The plain meaning of a real estate "closing" or "settlement" is "the final transaction between the *buyer and seller*, whereby the conveyancing documents are concluded and the *money and property transferred*."<sup>7</sup> In the absence of a mutual exchange of value between a grantor and grantee of an interest in real property, it is unclear whether such a transfer involves a real estate closing or settlement.

The most common example of a gratuitous transfer is the use of revocable trusts for estate planning. To avoid the cost and time-consuming nature of probate many homeowners will enact an estate plan where they place the real estate in a revocable trust shortly after acquiring it. Often these transactions happen very close in time to when the owner purchases the home with mortgage financing and goes through the mortgage company's AML process. This is a relatively common practice in states such as California, Florida and Nevada. Thanks to the limitations of the Garn St. Germain Act<sup>8</sup>, those properties are often encumbered by that mortgage financing. Given the revocable nature of the trust, the owner will have to remove the property from the trust any time they wish to refinance or take out additional debt.

These transactions present lower money laundering risks because they go through additional layers of review during the mortgage process. These properties were originally purchased in the name of

<sup>6</sup> 31 U.S.C. § 5312(a)(2)(U) (emphasis added), first added to the BSA by the Anti-Drug Abuse Act of 1988, § 6185, P.L. 100-690, 102 Stat. 4354-4355.

<sup>7</sup> *Closing*, BLACK'S LAW DICTIONARY (10th ed. 2014) (emphasis added) (noting that "closing" is "also termed *settlement*").

<sup>8</sup> Garn St. Germain Act, Congressional Record, 1983 <https://www.congress.gov/bills/97th-congress/house-bill/6267>



an individual and are still controlled by that individual. As the proposed rule notes, sales to natural persons are not the focus of this rule. While not every county has electronic deed record access, there are a number of commercial data services that provide digital access for the majority of the country. When law enforcement is investigating a property that is owned by a revocable trust, they will know its settlor—that is, the person who created and controls the trust—because they can find the prior deed to see the true owner.

Further, since the underlying home was first purchased using mortgage financing and likely still has some outstanding mortgage, law enforcement will be able to contact the servicer to obtain more information. Also, given the need to move the property in and out of a trust or entity for various financing purposes, there is a high risk that there would be duplicate or triplicate reports filed involving the same parties and properties, thereby reducing the effectiveness of the data for law enforcement.

More generally, requiring information about the beneficiaries of a revocable trust is likely of dubious law enforcement value. Notably, a revocable trust is “the functional equivalent of a will.”<sup>9</sup> It is therefore an “ambulatory” instrument, which means that, like a will, it is capable of being unilaterally modified by the settlor of the trust at any time, including changing its beneficiaries or revoking the trust entirely.<sup>10</sup> Settlers of most revocable trusts are the sole or primary beneficiaries. As noted above, their identity is already a matter of public record at the time they deed the property to the trust. However, a settlor has the ability to change the trust beneficiaries at any time after the precise moment of any real estate “closing” or “settlement” in which the trust was created. Thus the proposed rule will be ineffective to identify any beneficiaries to the trust named after that time.

Another example is the need for a corrective title document. Often, if a title company discovers a title defect, that company will attempt to fix the issue by filing new deeds or other documents in the public land records. For example, if there is a mistaken acknowledgment that accompanies the deed, a new deed will be prepared, executed and recorded to correct the mistake. This could result in a transaction being reported twice.

ALTA suggests two changes to the rule to address this specific issue. First, FinCEN should add a nominal dollar threshold (such as \$1,000) since a majority of these transactions are gratuitous. As we have said previously, a single national price is easier to implement than differing thresholds across the country. However, having no threshold unnecessarily brings into coverage these low-risk gratuitous transfers.

Second, FinCEN should amend § 1031.320(b)(2) to include exemptions for both a transfer where the transferor is the managing or sole member of a transferee entity and a transfer where the transferor is the settlor of a transferee trust. We suggest adding the following exclusions to § 1031.320(b)(2)

- A transfer where the transferor is the managing or sole member of a transferee entity;
- A transfer where the transferor is the settlor of a transferee trust;

<sup>9</sup> Unif. Trust Code, Art. 6, General Comments (Unif. L. Comm’n 2023) (already enacted in 35 states and the District of Columbia); Restatement (3d) of Trusts §§ 25, 63.

<sup>10</sup> *Id.* §§ 602(a), 603.



- The recordation of a deed or other document in the public record to correct an error in an existing public record or a cloud on the title;
- A transfer where the transferee is a qualified intermediary for purposes of 26 USC § 1031.

#### **FinCEN Should Eliminate the Need to Report Redundant Information**

We believe FinCEN's guiding principle in finalizing this rule should be to only require the reporting person to report information that is traditionally collected in the process of the real estate transaction. There are four areas where FinCEN should reduce the cost and burden of reporting by altering its requirements in a manner that will improve law enforcement's ability to utilize the data.

First, FinCEN should remove the requirement to report beneficial ownership information (BOI) that is already being collected by FinCEN pursuant to the Corporate Transparency Act (CTA). Our experience with the GTOs shows that the collection of BOI is the most burdensome and costly part of this rule. BOI data is also the riskiest data to store. This is especially concerning given that FinCEN is already collecting this data.

Under the proposed rule, the reporting person must collect and report BOI data for transferee and transferor entities. As FinCEN notes, "where possible, FinCEN has aligned the proposed rule's definitions of beneficial ownership with those contained in the CTA and its implementing regulations."<sup>11</sup> The definitions of who qualifies as a beneficial owner and the exemptions for entities not subject to reporting requirements are essentially identical. Thus, it's hard to see how this obligation will yield law enforcement any additional information than they already possess.

Further, the BOI data submitted by the entity pursuant to CTA would be more helpful to law enforcement because its accuracy is governed by additional safeguards and legal obligations on the people forming the entities and is subject to being updated over time.

ALTA believes that eliminating the reporting of BOI data or allowing the reporting of a FinCEN ID, if available, in lieu of BOI reporting, would reduce the burden on industry while providing law enforcement with more useful data. This would also seem to better comply with the intent of the CTA, which requires FinCEN to reduce the burden of due diligence rules in light of the establishment of the BOI collection system.

Second, FinCEN should alter the trust reporting requirement to align with the data typically found on a trust certificate issued under state law. Under the Uniform Trust Act<sup>12</sup> promulgated by the Uniform Law Commission and enacted in 35 states, a trustee is authorized to issue a certification of trust containing much of the information sought under this proposed rule. While the form can differ in each state, the certification of trust<sup>13</sup> includes basic information about the trust like the trust's name and date of execution, trustee's name and authority, and settlors' personal information. The trustee issues a certification under penalty of perjury much like the affidavit

<sup>11</sup> 89 FR 12434

<sup>12</sup> <https://www.uniformlaws.org/committees/community-home?CommunityKey=193ff839-7955-4846-8f3c-ce74ac23938d>

<sup>13</sup> See generally, VA. CODE (1950) § 64.2-804.



contemplated under proposed § 1031.320(e)(3). We suggest that FinCEN amend proposed 1031.320(e)(2) to state, "For each transferee trust in a reportable transfer, the reporting person shall report the information provided by the trustee on a certification of trust issued under the law of state where the real property is located or the following information."

Third, FinCEN should alter the payments related information required under 320(h) to align with the information typically provided by a financial institution, such as a receipt of a wire transfer. Under the proposed rule, the reporting person must provide the total purchase price for the real estate and the amount, method, financial institution, payor and account number for each individual payment accepted for settlement.

State laws limit the types of payment methods settlement agents can accept when conducting a real estate transaction. Under those state "good funds" laws, the settlement agent can only accept funds that have fully and irrevocably settled and collected into their account. This typically limits settlement agents to requiring payments be made via wire transfer or cashier's checks, with wire transfers being the most common payment method. When a settlement agent receives a wire transfer the receipt provided by their financial institution does not provide all of the data requested under this proposed rule. While the items provided on the receipt vary, they typically include only the name of the payor, the originating bank, and the input/output accountability data (IMAD/OMAD) or a Federal Reserve reference number. Notably, if the sender's account number is provided, then it is normally redacted to the last four digits. Likewise, when a cashier's check is used, the underlying remitter's bank account that is used to pay the bank is not typically provided.

Since settlement agents only accept payments via banking products that are already subject to anti-money laundering programs, it's hard to envision the value of providing this data as part of this proposed rule. However, it's additionally burdensome when the payment information is not limited to the information available from the settlement agent's financial institution following deposit. We suggest limiting 320(h) to just the amount of total consideration paid. If some payment information is necessary, it should be limited to the information obtained from the face of a check or the originating bank's name and the IMAD/OMAD or reference number for a wire transfer or ACH.

Fourth, ALTA recommends eliminating the reporting of seller or transferor data under this proposal. It's unclear why this data would be valuable to law enforcement. If a seller is an individual, their identity would be indicated in the public land records since they would be listed on the deed. Since these records are easily accessible by law enforcement using commercial services called title plants, the value of additional reporting beyond their name under this proposed rule is questionable. For sellers that are entities, the requirements are also duplicative since their BOI data will be in FinCEN's BOI system and a report will have been filed when they bought the home. For these reasons, we recommend removing the transferor reporting requirements under 320(f) or limiting them solely to the reporting of the transferor's name and address.

#### **Other Sections Where FinCEN Should Clarify the Rule's Obligations**

Beyond alterations to the underlining rule requirements, we recommend the following changes to the rule's language to make the proposal easier for reporting persons to understand and utilize.



First, FinCEN should update 320(b)(1) to utilize the definition of the term “residential real property” under (j)(7). As currently drafted (b)(1) is confusing and contains typographical errors. Further, it is odd to have a definition of residential real property and not use it in the proposed rule’s core coverage provision.

Additionally, we believe the core provision of 320(b)(1) needs to limit the determination of whether a property is residential to the information contained in the real estate purchase contract. Under the proposed rule, a property is residential if it contains a structure built for 1-4 family usage or is vacant land for which a permit has been issued for the construction of a structure built for 1-4 family usage. Whether or not a property is residential (per the rule’s definition) is not relevant for the issuance of a title insurance policy or the closing of the loan. It is not something that would become apparent from a standard title search and is typically only gleaned either from the purchase contract or the mortgage documents. Likewise, the definition for “vacant land” hinges on the issuance of a permit or zoning allowance. Title professionals will only check zoning and permit records if they are providing specific coverage for those issues pursuant to a policy endorsement. Put another way, if agents must conduct due diligence beyond that found in the purchase contract, then it will add additional cost to the transaction and the report.

ALTA suggests amending (b)(1) to read as follows:

Reportable transfer.

(1) Except as set forth in paragraph (b)(2) of this section, a reportable transfer is a transfer where the sales agreement states there is a transfer of residential real property, to a transferee entity or transferee trust where such transfer does not involve an extension of credit to a transferee that is:

(i) (A) Secured by the transferred residential real property; and

(B) Extended by a financial institution that has both an obligation to maintain an anti-money laundering program and an obligation to report suspicious transactions under this chapter.

Second, ALTA recommends changing the requirements for entering into a designation agreement under 320(c)(3). The currently drafted provision is unworkable because it requires entering into a separate agreement for each individual transaction. For agents to have some level of cost savings for using an agreement, they need to have a level of certainty about the volume of transactions another party will report under an agreement. This is best done by allowing companies to enter blanket agreements with partners to cover transactions where they are likely to be in the reporting cascade such as a title insurer agreeing to do reports for an agent if they are providing title insurance in the transaction.

Third, FinCEN should allow the reporting person to rely on a representation from the transferee entity that the transferee entity is subject to one of the exemptions in 320(j)(10). Without the ability to rely on the transferee’s representation, the settlement agent must engage a lawyer to determine the status of any transferee entity claiming an exemption. This will further increase the expense outlined in the analysis. We recommend updating 320(3) to say:



The reporting person may rely upon information provided by the transferee or their representative for purposes of determining if a transferee is a transferee entity or transferee trust under paragraph (j)(10) of this section or the reporting obligations described in paragraph(e)(1) and (e)(2) of this section, provided the transferee or their representative certifies in writing, to the best of their knowledge, the accuracy of the information.

Fourth, FinCEN should provide guidance about the reporting of beneficiary information when a beneficiary is a minor. As discussed above, the use of revocable trusts for estate planning is common in some markets. Often the beneficiaries will be minor children of the settlor. Parents of those children may be unwilling to share their children's sensitive personal information including their social security number or citizenship status. FinCEN should exempt reporting where a party or beneficial owner is a minor.

#### **FinCEN Needs to Provide an Explicit Good Faith Attempt Protection**

As our experience with the GTOs proved, it is not always easy to collect information from a buyer and their representatives when there is not a direct legal obligation for them to provide such information. Non-financed transactions typically have shorter periods between execution and settlement of the purchase and sale agreement. This makes it difficult to collect information prior to the settlement since the majority of data required under the GTO (i.e. beneficial ownership information) is not needed for the settlement or the underwriting of title insurance.

In our collaboration with FinCEN, title companies have received informal guidance to submit incomplete reports under the GTOs without the risk of penalty under the Bank Secrecy Act. We urge FinCEN to provide an explicit provision in this proposal outlining a similar good faith attempt protection.

We recommend adding a new subparagraph to outline this protection.

#### **320(n) Good Faith Attempt**

No penalty may be imposed with respect to any incorrect or incomplete Real Estate Report except upon a showing that the reporting person did not act in good faith in the collection of information from the transferee and transferor.

Additionally, subparagraph (k) should be amended to include guidance to select an option of "not applicable" (N/A) or "not provided by transferee or transferor" when the information is unavailable or irrelevant.

#### **One Year Implementation Period is Necessary**

If a rule is finalized, we recommend at least a full year implementation period from the date of publication of the final rule. Under the current GTOs, we have worked with FinCEN to provide a one-month period for onboarding new counties during an expansion. This ramp-up period is necessary to train staff in those locations. However, the one-month period has only been feasible given the limited nature of previous GTO expansions. The proposed rule's nationwide coverage will require significant education and training for operations in the over 3,000 counties not currently covered by the GTO.



We have also learned during GTO implementation that one size fits all training doesn't work. This is because of the uniqueness of real estate transactions in each state and within a state. While there are many similarities in transaction roles and processes, each county will have some unique practices that will need to be understood to effectively implement the proposed rule. With the GTOs, FinCEN dedicated resources to working closely with the industry including cohosting training webinars and establishing procedures for answering transaction-specific questions.

Thus, for training to be effective and ensure FinCEN receives valuable data in the first year, we believe FinCEN must provide a year's implementation period and dedicate specific resources to assisting with training and answering questions for the industry.

#### **FinCEN Should Not Continue to Expand the GTOs During the Rulemaking Process**

Given the complexities of implementing this proposed rule and the differences between the proposed rule and the GTOs, we request that FinCEN refrain from expanding the GTOs during the pendency of this rulemaking. We further recommend that FinCEN allow the GTOs to expire during the six months prior to the effective date for this rulemaking. This will aid in reducing confusion for settlement agents and their staff during the implementation phase and avoid unnecessarily duplicative spending on compliance.

#### **Conclusion**

As the title industry has done since 2016, it stands ready to help law enforcement in investigating the use of real estate for money laundering. While no one is happy to spend more money on non-revenue producing requirements, we have been heartened to hear the value of the data provided by the industry has been to law enforcement. Obviously, this value will decrease as the rule expands to the whole country and must make sure this rule is carefully tailored to ensure the cost is equivalent to any public benefit. We believe these changes outlined in the letter significantly move in this direction. We look forward to working with FinCEN as it works to produce a regime that is clear, not unduly burdensome or duplicative, and safeguards United States real estate.

ALTA appreciates the opportunity to comment. Please reach out to Steve Gottheim, General Counsel, at [sgottheim@alta.org](mailto:sgottheim@alta.org) should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Gottheim", is written over a large, faint, light-blue watermark of a shield.

Steve Gottheim

General Counsel



January 13, 2025

Policy Division  
Financial Crimes Enforcement Network  
P.O. Box 39  
Vienna, VA 22183

Re: Docket Number FINCEN-2024-0019 and Office of Management and Budget (OMB)  
control number 1506-0080

Director Gacki,

The American Land Title Association<sup>1</sup> (ALTA) appreciates Financial Crimes Enforcement Network's (FinCEN) continued engagement with the title industry as we work to implement the Anti-Money Laundering Regulations for Residential Real Estate Transfers final rule. This letter provides a number of specific changes to the draft report form that, if not accepted, will make compliance with this rule significantly more onerous and costly for settlement agents required to file these reports. It will also make the data collected significantly less valuable for FinCEN and its law enforcement partners.

Overall, ALTA believes the report form is overly complex and cumbersome. As discussed in the notice, the form contains 111 distinct fields of which you expect 60 percent to be completed in a transaction. As has been our experience with reporting transactions under the Geographic Targeting Orders (GTOs), we believe the length of the form, use of non-industry specific terminology and lack of clear instruction will overly burden reporting persons and lead to an unnecessarily increased call volume for FinCEN's support services. Additionally, the lack of clear instructions for industry on utilizing automated interfaces (application programming interfaces or APIs) to push data into the Bank Secrecy Act (BSA) filing system makes it difficult for industry to use technology to reduce costs.

<sup>1</sup> ALTA represents title insurers, title agents and attorneys that provide peace of mind to Americans by insuring their property rights and closing their real estate transactions. Our members range from small, one-county operations to large national title insurers in the United States. The mission of ALTA is to improve the skills and knowledge of providers in the real property transaction, effectively advocate member concerns, and standardize products for industry use.



For example, once settlement agents have the data they collected, they need an efficient way to provide this data. It is burdensome to rekey much of the data that may already exist in closing software into a website or webpage and substantially raises costs, time and effort.

Ideally, FinCEN should allow an API for the collection of this data. We need a technology partnership that will allow the ability to provide an efficient solution for the transmission of data from the operations as well as a resource/pass-thru for its agents. This solution would further allow for the validation of the settlement agent entity and the ability to return confirmation and/or proper error handling for the submissions. The industry needs a new tool or process, rather than a rehash of the GTO reporting. FinCEN should assist the industry in capitalizing on its available technology to improve efficiency.

Given these concerns, we offer the following suggested changes to the real estate report form to improve usability for settlement agents.

**Remove requirements that *all* fields be completed before submission is allowed:**

The preamble to the final rule acknowledges that reporting persons<sup>2</sup> will need to rely on information provided by the buyer, seller and their representatives to complete a report. There are relatively few (approximately 35) of the 111 fields that reporting persons will have available in their files or that they can readily obtain from someone other than the buyer, seller and their representatives (parties). As discussed in our meeting on November 22, 2024, there will be a high number of reports where some required piece of information is unavailable to the reporting person. This is true today under the current GTOs. Other than to call FinCEN for guidance, there is no instruction on what the reporting person can do to complete the form, nor an option to leave the relevant fields blank.

Beyond scenarios where the reporting person cannot obtain all required information, there may also be situations where the reporting person feels that they cannot comfortably rely upon the information provided by the parties. Given the liability provided under the BSA, reporting persons must have an avenue for submitting reports when they do not have all the information or cannot rely on the information provided by the parties.

Taking into account the practicalities discussed above, mandatory fields should be limited to fields related to the reporting person's own information and to the basic transaction details readily available to reporting persons. These would include fields 1-22 and the legal names of the parties.

Additionally, Field 3 should not include the direction, "must be blank unless otherwise directed by FinCEN." Instead, FinCEN should prepare a Frequently Asked Question to provide samples of notes for reporting persons to provide in different scenarios that can be entered in Field 3.

**Provide allowances for reporting persons to indicate information that could not be collected:**

The final rule allows reporting persons to reasonably rely on the information provided by the parties to the transaction. This is in recognition of the fact that reporting persons have no independent ability to obtain information about the parties and their financing details. As with the GTOs, the

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<sup>2</sup> For the purposes of this letter, the term reporting person(s) refers to settlement agents or any other individual required to, and held liable for, completing the real estate reporting form.



sensitivity of much of this information will make it likely that many parties will refuse to provide some of this information. For example, buyers and sellers will likely hesitate to provide citizenship information. Further, reporting persons are going to be cautious about aggressively pushing for some required information due to anti-discrimination laws like the Fair Housing Act.

Likewise, given the repeated warnings about real estate wire fraud<sup>3</sup> and seller impersonation scams, parties are rightfully concerned about providing their bank account numbers as presently required in Part V. This data is largely unnecessary since existing state laws require parties to fund transactions using bank payments which are already subject to Anti-Money Laundering (AML) and Suspicious Activity Report (SAR) review, such as wire transfers and certified checks.

Reporting persons need an avenue to report the transaction while acknowledging the parties' lack of cooperation. Under the GTOs, when parties refuse to provide data, the reporting person will usually get instruction from FinCEN's BSA call center to file the incomplete report and file a suspicious activity report. A similar allowance is needed here that does not require contacting FinCEN's BSA call center or the filing of a separate suspicious activity report. Requiring reporting persons to obtain instruction from FinCEN's BSA call center before filing will overwhelm the system given the high volume of expected reports.

Providing the flexibility within the form for the reporting person to identify the reason a field is not complete – such as allowing the reporting person to select “not provided by party”, “N/A,” or “exempt” – will enable the reporting person to demonstrate their willingness to comply with the rule and assist FinCEN to identify why a field was not able to be completed.

**Separate Part III, Transferee Information, into two separate sections, one for Entities and one for Trusts:**

Part III in its current form will lead to confusion and possibly inaccurate reports being filed. In combining information required for both entity and trust transferees, FinCEN expects reporting persons to discern which data fields apply and which do not apply to the particular party for which they are reporting information. A much clearer approach would be to create a Part III for Transferee Entities and a Part IV for Transferee Trusts. This will ensure that information is reported accurately and efficiently in these cases.

**Utilize widely recognized real estate industry terms instead of phrases like transferee, transferor and reporting person**

One of the biggest challenges with implementing this rule will be training the employees of over 17,000 settlement agencies across the country. The overwhelming majority of these businesses are small businesses, with the average settlement agency having fewer than 5 employees and reporting \$500,000 in gross revenue or less. Utilizing more widely recognized terminology instead of the phrases currently used in the rule will make the report easier to train on and complete.

To this end, we request you update the form to use additional terms to ease understanding. Terms like transferee should also have the parenthetical “(buyer)” added to conform to traditional

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<sup>3</sup> <https://www.fincen.gov/news/news-releases/fincen-analysis-business-email-compromise-real-estate-sector-reveals-threat>



nomenclature. Likewise, add the parenthetical "(seller)" when using the term transferor. Another example is adding "(sale price)" when discussing total consideration paid.

**Allow for the uploading of pertinent documents and adequate character counts:**

A number of fields require information that may be voluminous or already captured in a separate document. One example of this is the property's legal description. This information can be multiple paragraphs or pages depending on the property. It would be more efficient to just require the reporting of the tax parcel number and property address, while only requiring the legal description if those are not available. However, if FinCEN does feel they need the legal description, then you should ensure that settlement agents can copy and paste from the deed or upload a copy of the deed to avoid unnecessary re-keying. In such cases where uploading a document is not possible, the form's fields should permit unlimited characters to permit accurate and complete reporting of available information.

Additionally, in trust transactions the rule acknowledges that roughly a dozen fields can only be completed by obtaining a copy of the trust certificate. Thus, the reporting person should be able to upload the trust certificate in lieu of completing fields containing similar information such as the legal name of the trust, its address and settlor.

**Add form logic when the report is completed online:**

Given the large number of fields that may not be needed depending on the transaction, FinCEN should employ generic "if/then" logic to remove or gray out fields that are not applicable. For example, if on question 23 the reporting person states the transferee is an entity, then all the fields or options only relevant to trusts should be removed or made unavailable for selection.

Additionally, for beneficial ownership fields, FinCEN should add a "same as above" check box for addresses. Often the address for the beneficial owners of a trust is the same as another reported address (like the property address).

ALTA appreciates your consideration of all of these suggestions. We believe they will reduce the overall complexity of this reporting obligation and, over time, reduce the high cost of this regulation while effectively meeting its objectives. Please reach out to Steve Gottheim, General Counsel, at [sgottheim@alta.org](mailto:sgottheim@alta.org) should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Gottheim".

Steve Gottheim  
General Counsel



July 7, 2025

Policy Division  
Financial Crimes Enforcement Network  
P.O. Box 39  
Vienna, VA 22183

Re: RIN 1506--A854 Agency Information Collection Activities; Submission for OMB Review;  
Comment Request; Real Estate Reports

Director Gacki,

The American Land Title Association<sup>1</sup> (ALTA) continues to believe that the single most important improvement the Financial Crimes Enforcement Network (FinCEN) can make to its Real Estate Report form is to allow reporting companies to either file incomplete forms or adding an option to denote which information fields were not provided by the customer.

Without some guidance to settlement agents about how to handle transactions where customers refuse to provide requested information compliance with the Anti-Money Laundering Regulations for Residential Real Estate Transfers will be significantly more difficult if not in some instances impossible. As you note, the Real Estate Report form includes up to 111 potential fields for completion in a transaction. While less will likely be needed in most transactions, all transactions will still require settlement agents to collect extremely sensitive data about customers like citizenship, addresses and social security numbers. This is the type of information we are constantly imploring customers not to share due to the risk of cybercrime and fraud. It is quite foreseeable because it happened as the industry implemented the real estate Geographic Targeting Orders (GTOs) that customers will refuse to provide the information, leaving settlement agents in a compliance limbo.

Like with the GTOs FinCEN must put out formal guidance to settlement agents allowing settlement agents to file incomplete reports in these instances without penalty. This can be

<sup>1</sup> ALTA represents title insurers, title agents and attorneys that provide peace of mind to Americans by insuring their property rights and closing their real estate transactions. Our members range from small, one-county operations to large national title insurers in the United States. The mission of ALTA is to improve the skills and knowledge of providers in the real property transaction, effectively advocate member concerns, and standardize products for industry use.



achieved by either allowing Real Estate Reports to be filed without all applicable fields completed. It could also be done by adding options to some or all fields that contain personal information, allowing the settlement agent to report that the customer refused to provide the data. Providing this option about which data fields customers refuse to share will provide FinCEN with truly actionable information about suspicious activity in all cash real estate transactions.

ALTA continues to appreciate your engagement with the title industry as we work to implement the Anti-Money Laundering Regulations for Residential Real Estate Transfers final rule. As we get closer to December 1, 2025 we will need more resources to help get the industry ready. In the coming weeks, we will share frequently asked questions we are getting at our compliance training events. Our tech vendors will need to connect with your team to start testing batch filing (and encourage you to develop APIs) to ease data transmission. We will also share many of the educational resources we are developing for the broader real estate community. Our experience shows that to get this right we need FinCEN to be part of the broader effort explaining this rule the other 1.5 million real estate professionals, attorneys, developers, accountants and others that counsel buyers on real estate transactions. Without that cooperation the data collected will be significantly less valuable for FinCEN and its law enforcement partners, and the hundreds of millions of dollars spent by the industry on compliance will be a waste.

ALTA appreciates your consideration of all of these suggestions. Please reach out to Steve Gottheim, General Counsel, at [sgottheim@alta.org](mailto:sgottheim@alta.org) should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Gottheim", written over a light gray background.

Steven Gottheim  
General Counsel



Statement for the Record  
of

AARP

on

Hearing Entitled: Evaluating the Financial Crimes Enforcement Network

before the

United States House Committee on Financial Services  
National Security, Illicit Finance, and International Financial Institutions Subcommittee

September 9, 2025

AARP Points of Contact:  
Clark Flynt-Barr, Director of Government  
Affairs, Financial Security  
([cflyntbarr@aarp.org](mailto:cflyntbarr@aarp.org))

AARP is deeply grateful to the Committee for convening this important hearing, “Evaluating the Financial Crimes Enforcement Network,” and for your leadership in examining the growing threat of scams and financial fraud targeting older Americans. This issue is of critical national importance, and we commend the Committee for recognizing the urgent need to explore community, state, and federal strategies to prevent exploitation and protect victims.

The Financial Crimes Enforcement Network (FinCEN) plays a vital and irreplaceable role in the federal government’s response to elder financial exploitation. As the nation’s financial intelligence unit, FinCEN is uniquely positioned to detect, analyze, and disrupt illicit financial activity through its oversight of Bank Secrecy Act (BSA) reporting and its coordination with law enforcement and financial institutions. FinCEN’s advisories, alerts, and trend analyses have helped illuminate the scope and complexity of elder fraud, including romance scams, account takeovers, and theft by trusted individuals. Its leadership in promoting Suspicious Activity Report (SAR) filings and developing red flag indicators has empowered financial institutions to identify and report exploitation more effectively. Moreover, FinCEN’s Rapid Response Program and interagency partnerships have proven essential in recovering stolen funds and preventing further victimization.

Preventing scams and strengthening financial security are core to AARP’s mission. We have long worked to educate consumers, support victims, and improve detection and prevention across industries. We look forward to continuing our collaboration with Congress and federal agencies like FinCEN to advance policy solutions that protect older adults and hold perpetrators accountable.

Fraud in America is at crisis levels. The Federal Bureau of Investigation’s (FBI) numbers show a dramatic increase from the \$800 million in [fraud losses in 2014](#), to 2024, when hardworking Americans had [\\$16.6 billion stolen](#) from them. This is almost a 2000 percent increase in fraud losses over the past decade. And that is likely a very low estimate. In a 2024 [report](#), the FTC estimated the true overall 2023 fraud losses, adjusted for underreporting, was \$158.3 billion for consumers of all ages and \$61.5 billion for older adults.

Transnational organized crime groups are operating openly abroad, [siphoning hard-earned money](#) out of our local communities and economies. These funds—meant for housing, healthcare, and family—are instead lining the pockets of overseas fraud rings. [An AARP study in 2021](#) showed that 9 in 10 Americans encountered a fraud attempt in 2020, and 1 in 7 lost money. Given the steady rise in fraud, even more Americans are likely to report losses in 2025.

Older adults are disproportionately affected, reporting [average losses](#) of \$83,000—more than four times the average loss across all age groups. These crimes often target individuals on fixed incomes, and in some cases, victims lose not just their savings but their homes. One recent case reported to AARP’s Fraud Watch Network Helpline involved a Florida man in his sixties who lost over \$400,000—the proceeds from the sale of his home—to cybercriminals. He went from financial stability to the brink of homelessness in a matter of seconds.

Fraud affects people of all backgrounds. Our Helpline makes clear that scammers do not discriminate based on age, income, geography, or education. And the financial toll is only part of

the story—two-thirds of victims report significant emotional or health impacts. The stigma and victim-blaming associated with fraud further compound the harm and discourage reporting, making it harder to understand the true scope of the crisis.

Criminals have professionalized their operations, using advanced technologies and psychological manipulation to exploit victims. It is essential that we shift the narrative to place responsibility where it belongs—on the perpetrators, not the victims. AARP has developed resources to help professionals use trauma-informed language and support victims with compassion and dignity.

In this statement, we will highlight AARP's initiatives to combat fraud, including our Fraud Watch Network Helpline, consumer education efforts, and policy advocacy to strengthen protections and support law enforcement. We urge Congress to continue investing in FinCEN's capabilities and to recognize its indispensable role in safeguarding the financial well-being of older Americans.

#### ***AARP's Fraud Prevention Work***

While fraud awareness and prevention has always been a priority for AARP, our fraud prevention work has grown over time as we have heard from our members that fraud is a top concern for them and their financial security. The AARP [Fraud Watch Network](#) was created in 2013, and our fraud prevention work through our state offices has grown significantly in recent years.

AARP works with victims of fraud through our Fraud Watch Network, which offers resources to arm consumers with the knowledge needed to spot and avoid scams. The Fraud Watch Network Helpline is a free resource available to people of any age; you do not have to be an AARP member to use the service. In 2024, the AARP Fraud Watch Network Helpline fielded over 100,000 calls from concerned Americans reporting attempted frauds and scams, as well as those recounting their traumatic experiences of fraud victimization, and the theft of their personal information and/or finances.

For example, just last month, Roger, an 85-year-old, called the Helpline to share his experience. Roger had over \$150,000 stolen from him in a tech support scam. A criminal called him, posing as an Apple representative, and told him the only way “to protect” his money from hackers was to convert and send his money in gold. Another man, Carlos, who is in his 70s, was defrauded by a friend he made in his senior exercise class. This “friend” appears to be part of a network that stole more than \$650,000 from the man. Unfortunately, there are countless more stories just like these. In June of this year, the Helpline received multiple reports from older adults who had formed friendships and romances online with criminals who stole over \$100,000 in each case. These are just a few of the many, many devastating stories our Fraud Watch Network Helpline staff and volunteers hear from older adults every day.

AARP provides extensive community outreach through the Fraud Watch Network and our 53 AARP state offices. We hold events in communities to raise awareness about different types of fraud and scams. We also partner with law enforcement, regulatory agencies, and Attorneys General to host webinars, tele-townhalls, trainings, and other fraud prevention and awareness

events. We have more than 800 volunteers nationwide who deliver fraud education in their communities and work directly with victims of fraud. Each year we reach hundreds of thousands of AARP members and non-members alike from coast-to-coast with our locally driven outreach efforts.

AARP has a Fraud Resource Center and writes extensively about fraud in the [AARP Magazine](#) and [AARP Bulletin](#). Articles and resources include recent fraud news, information about common scams, trends in fraud, and how to recognize and avoid common scams, as well as resources to assist victims of fraud and their families when they encounter scams. We also have [videos](#) that break down how scams work and how to keep yourself safe from criminals. Recent articles have included, “[3 Key Things to Know About Scams in 2025](#)” and “[I Never Thought My Dad Would Become a Romance Scam Victim. Don’t Make My Mistake](#)” and “[SIM Swapping: Scammers Hijack Smartphones and Steal Thousands](#)”. These publications reach millions of Americans and fraud-related articles are some of our most-read and well-received – an indication of how worried our members are about fraud.

AARP launched a weekly podcast called [The Perfect Scam](#) in 2019 to highlight the different types of fraud and scams that we were hearing about from our members and callers to the Fraud Watch Network Helpline. Our host introduces listeners to those who have experienced scams firsthand, as well as leading experts who pull back the curtain on how scammers operate. In December 2023, the *New York Times* [highlighted](#) the scam podcast as a top resource to “deepen your understanding of how liars and con artists operate.” Recent episodes have focused on credit card scams, rental scams, gold bar scams, pet scams, charity scams, time share scams, arrest warrant scams, military benefit scams, romance scams, and job posting scams, among many others. Most of these stories come directly from victims we have worked with on the Helpline who want to share their story to help others avoid similar experiences.

The AARP Fraud Watch Network has also developed a free program to provide emotional support to fraud victims and their friends and relatives. AARP’s [Fraud Victim Support Group](#) provides individuals with an online forum to meet and interact with others who have experienced similar events. Our sessions are a safe environment to give and receive valuable feedback and support from others who are on the road to emotional healing and recovery. Group sessions are confidential and led by trained facilitators who offer fraud education and understanding to participants, as well as time for meaningful peer-to-peer sharing and support. Participants don’t have to be the primary victim of a fraud to participate— family members, partners or friends of a fraud victim are welcome and encouraged to participate. Experiencing fraud can be devastating, and these types of safe spaces can be very valuable to victims and their loved ones in processing and recovering from the trauma it causes.

AARP also runs a program called *BankSafe*, which trains employees at financial institutions to detect fraud and financial exploitation. [BankSafe](#) works with the financial services industry to help them stop financial exploitation *before* the money leaves customers’ accounts. The program encourages those in the financial services industry to voluntarily adopt research-proven interventions, policies, and procedures that effectively prevent exploitation. Researchers from the Virginia Tech Center for Gerontology have [studied](#) the impact of training bank and credit union staff to spot and prevent financial exploitation. In 2018, a [Virginia Tech study](#) with over 2,000

frontline employees in 11 states (including Minnesota and Vermont) found that employees who took the BankSafe training saved 16 times more money than those without the training. Based on these findings, we estimate that BankSafe policies, interventions, and procedures have, to date, prevented more than \$450 million from being stolen from consumers.

In addition to our fraud prevention awareness, industry collaboration, and victim support services, AARP conducts research on fraud to inform our work and the public at large. According to a 2025 AARP survey on the [Fraud Crisis in America](#) that surveyed American adults (those 18 and older), adults of all ages worry greatly about fraud (37 percent), but this fear is even more pronounced among adults ages 50+ (44 percent). The survey also demonstrated that people continue certain behaviors that put them at a higher risk of becoming the victim of fraud. For example, while most adults reported that they rarely or never answer unknown phone calls, texts, or friend requests, over a third of adults (36%) reported that they usually or always answer one or more of these unknown communications. The survey also looked at how adults were maintaining the security of their devices and online accounts, including the use of VPNs and two-factor authentication, downloading free apps and/or taking online quizzes on social media, and using different passwords on all accounts.

AARP's comprehensive approach to fraud prevention—spanning education, advocacy, direct support, and industry collaboration—demonstrates our steadfast commitment to safeguarding the financial well-being and peace of mind of older Americans. Through continued community engagement, we can work to ensure that everyone is equipped to recognize, resist, and recover from scams—protecting not only personal assets, but also restoring trust and security across our communities.

#### *Victim Experiences of Fraud and Scams*

AARP hears directly from victims about the types of scams they are experiencing and how they evolve. We will outline some of the most common types of scams impacting older adults and how they work. Just as the types of scams we see are varied, we see criminals use a variety of different methods to approach their victims, as well as payment methods used to steal their money. Of note, AARP has seen texting, social media, email, phone as the most common venues for criminals to reach their victims as older adults increasingly use text messaging, email, and social media, which makes them increasingly accessible to criminals.

In one example of a scam that started on social media, a woman received a Facebook message from a Brazilian singer she admired who began a long correspondence with her. The woman eventually decided to leave her husband for him. She had given him their life savings — \$300,000 — before learning he was a fraud. Another victim told the Fraud Watch Network that they had been contacted on social media by an account impersonating her friend. They “worked me for 1 year gaining my trust. Then out of the blue, recommended a program called Christian Against Poverty (CAP) that can help with my finances by enrolling me in a grant program from the government. It piqued my interest so I contacted them directly thru Facebook with the recommendation of my “friend.” There, the bad actor told me I can get a lot of money but I needed to send money to be enrolled. So I did. Then the bad actor said don’t tell anyone, not even your family. I mailed the amount of money asked of me. Once cashed, the bad actor

stopped responding from CAP messenger and my so-called friend is no longer responding as well. The money went to a rental office in Virginia, the phone number provided to me was someone else's hacked account, the "pay to" line was an attorney who I suspect is also hacked. They were trying to get my bank info but my son got wind of this secret and stopped it before it got worse."

Criminals prey on people during times of high stress or need, which makes them vulnerable to becoming a victim. For example, a woman in North Carolina was attempting to leave her abusive husband. She was contacted by someone on social media who promised to "help her" escape. She provided her SSN, bank account, driver's license and paid \$1500 with her debit card (money she was saving to leave). The scammer then disappeared with her information and money. In another case, a 73-year-old woman in Delaware was looking for help for her terminally ill grandson. She was contacted by a "minister" who said he could cure her grandson. She sent him \$110,000 through a payment app to cure him. The "minister" then disappeared with her money.

Computer pop ups continue to be used by criminals, particularly in tech support scams. A 76-year-old woman called the Fraud Watch Network from California. She received a pop-up on her computer from Microsoft. She called the phone number and was told that someone with her information had been viewing and selling child pornography. She gave them access to her computer, her SSN and bank account. They sent someone to her house who drove her to buy \$79,000 in gold coins and also instructed her to send \$21,000 in cash through the mail. They informed her someone else was coming to her home to pick her up and take her to the bank to remove \$400,000 from her retirement account. They texted and called her repeatedly and scared her.

Another victim, 76-year-old woman in California, received a pop-up on her computer from Microsoft. She called the phone number and was told that someone with her information had been viewing and selling child pornography. She gave them access to her computer, her SSN and bank account. They sent someone to her house who drove her to buy \$79,000 in gold coins and also instructed her to send \$21,000 in cash through the mail. They informed her someone else was coming to her home to pick her up and take her to the bank to remove \$400,000 from her retirement account. They texted and called her repeatedly with threats.

Payment methods like gift cards remain very popular with criminals. In one example, a victim told AARP that Health and Human Services agents called them and claimed they had hundreds of thousands dollars awarded to me. In order to collect the alleged "award", the "agents" "claimed all kinds of charges like delivery charge, safe purchases, issues with paperwork not being completed, imposter tried to collect my money, IRS certificate money needed, payment for PCV and insurance and on and on. [They even sent] photos of the FedEx delivery truck being stopped by ATF. I paid in Apple Gift cards in the amount of \$22,000. This has been an 8-month ordeal. I never received a cent. They still owe me for 3 safes that said they needed to purchase to deliver the money in."

Criminals adapt to new technologies and AARP has seen a large increase in cryptocurrency as the requested payment method. Cryptocurrency is more widely accessible, but not widely understood, and there has been a lot of "buzz" around it in recent years. It is also easier to move

large quantities of money quickly via cryptocurrency than other assets, including via cryptocurrency ATMs, which allow people to insert cash and then send cryptocurrency to a digital wallet address (in the case of scams, to the wallet of a criminal). One victim told AARP, “A friend of mine who said she lives in Boston introduced me to [website]. Over several weeks, I transferred 85,000 to this company. My returns were significant. Currently, my “balance” is \$230,273.70. When I tried to do a withdrawal, I was stopped by the website. They said I needed to give them 38000 for capital gains taxes. I then did further research. My brother is an attorney, and he determined that they were a pig butchering site.”

Another cryptocurrency investment scam victim, an 84-year-old man in Minnesota, lost millions in a cryptocurrency scam. He was forced to sell his house and became estranged from his sons who tried to tell him he was being scammed. In what is becoming increasingly common, the victim was re-victimized in a “recovery” scam. After he learned the fraud had occurred, the man received a call from someone claiming to be a “hacker” who could get his money back. He sent him \$400,000 to retrieve his money but hasn’t heard from the hacker since. He still believes he can get his money back and that his family will forgive him.

A recent Helpline case using cryptocurrency involved a 69-year-old Greenfield, Ohio, woman who started a romance online with a gentleman who said he was an American architect in Cape Town, South Africa. He told her he was stuck there because his investors were late paying him on a building project. He provided a LinkedIn profile, and a copy of his passport. She opened a bank account that he wanted her to use to convert his funds into crypto when he received them. She became suspicious that this was a scam when she tried to verify that he was in fact a licensed architect in Massachusetts as he had claimed and was not able to. Our Helpline volunteers helped her compile a complete report that she could send to law enforcement and helped her identify where to report the crime.

Celebrity impersonation cases continue to also be quite common. A Nevada resident called the Helpline to report their neighbor was being defrauded. “He was contacted initially on Facebook by someone claiming to be Elon Musk and has sent thousands (I don’t know the exact amount) in Apple gift cards to these varmints. The criminals have promised him a new Cybertruck that has been “on its way” to him at least seven times since this started right after the election. It would be here, but “customs” keeps holding it at state lines in AZ, NM, and TX. They have also sucked thousands out of him to “invest” in Tesla stock which will supposedly grow into a fortune because of this “insider information.” Tonight, I saw him send his entire monthly Social Security to this criminal (\$2500) in Apple cards... The phone number he’s talking with is a Nigerian number.”

Magis, who reached out to AARP’s Fraud Watch Network, experienced a complex bank impersonation scam and was made to believe that her bank’s fraud investigators were seeking to help her address fraud in her accounts. They told her that her stolen identity was being used by foreign cybercriminals who used it to buy child sexual exploitation materials, murder people, and sell body parts. The impact grew to affect her retirement account, and more than \$1 million was stolen throughout the scam. She faces a substantial loss of Social Security retirement benefits due to the withdrawals from her retirement accounts, which put her income in the highest

withholding category. Magis has suffered significant stress and faces the possibility of losing her home and becoming homeless.

Kate, a suburban Philadelphia widow did not plan to date again until a handsome “surgeon” asked to be her Facebook friend. Soon “Tony” became romantic and professed his love. Though the two never met in person, Tony talked about marriage, said he purchased a ring and asked her to look for a house for them near where she lived. All the while, he kept prodding her for gift cards — and promising he’d repay her. He even provided her with a password for a purported bank account with a \$2 million balance. The two were to meet for the first time in December 2020; he said he’d fly to Philadelphia International Airport. She had her hair and nails done and waited at home in her best dress for his call. A bottle of wine was chilling. Hours passed, without a word from him. A day later, Kate got a call from a man who claimed to be a lawyer saying Tony had been arrested at the airport because someone planted drugs in his luggage. Tony was said to be confined to a Philadelphia jail and needed \$20,000 for bail— money she did not have. Later, Tony called and messaged to urge her to get the money somehow, even if it meant lying to her family. She refused. But her reservations melted away when he complained about the “awful” food in jail and asked for small sums, which she sent. Then Tony’s story got even more improbable. He called saying he was in Jordan; he said he’d been released so he could raise the bail money. She said that wasn’t the way it worked: You don’t get out of custody to raise bail. Finally, she saw the romance for what it was — phonier than a \$3 bill. Though Tony was fake, her heartbreak was real. What hurt most, she said, was “losing his love and losing the family I thought I was going to have and what my new future was going to be... That is much harder to deal with than losing the money.” She ended up losing everything she owned — including her home — in the coldhearted scam that played on her emotional vulnerability and kindness.

#### ***Financial and Emotional Impact of Fraud on Victims***

Through our initiatives with the Fraud Watch Network, AARP frequently hears directly from victims about the profound effects fraud has had on their lives. These individuals recount how scams have caused financial devastation and emotional turmoil, highlighting the severe consequences of such crimes. Family members share the ripple effects on their households. Our work also reveals the emotional toll on first responders and victim service providers who assist these victims. Fraud significantly impacts our communities, and it is crucial to understand its various effects.

This financial loss can result in greater reliance on credit cards, which can lead to debt and impact the victim’s credit score, making it more difficult for them to obtain loans, mortgages, or rent an apartment. Victims may lose their home and be forced to move in with family members or friends. They may become reliant on social safety nets, and this can strain community resources. Victims have reported that where their retirement accounts have been drained by criminals, this has affected their Social Security benefits, as retirement account withdrawals can result in higher income brackets and greater taxes on both their lost retirement funds and their benefits.

There are also serious emotional ramifications of fraud. Victims report feeling frustration, anger, mistrust, and sadness after experiencing fraud – and some unfortunately commit suicide.

According to a FINRA [study](#), two-thirds of fraud victims reported experiencing at least one non-financial cost of fraud to a serious degree. These included severe stress (50%), anxiety (44%), difficulty sleeping (38%), and depression (35%). Victims who lose more money are more likely to incur more non-financial costs. These emotional impacts of fraud often lead victims to not report that crimes have been committed against them because of the guilt and shame they may feel. This contributes to significant underreporting to law enforcement, resulting in an unclear picture of the true scope of the problem and where to focus investigative efforts.

Despite growing awareness of financial fraud, our societal response often compounds the harm victims experience. AARP's June 2022 report, [Blame and Shame in the Context of Financial Fraud](#), highlights how language in media and everyday conversation subtly blames victims—phrases like “duped” or “fell for it” suggest culpability and diminish the seriousness of the crime. This framing not only discourages victims from reporting fraud but also isolates them emotionally. According to the report, while 85% of Americans believe fraud can happen to anyone, over half still view victims as blameworthy. Such attitudes reflect cultural biases, including assumptions about older adults being less tech-savvy or cognitively impaired, even though data shows younger adults report fraud more frequently. The emotional manipulation used by criminals is sophisticated and deliberate, often triggering victims to make decisions based on trust and urgency rather than logic.

Changing how we talk about fraud is not just a matter of compassion—it's a matter of justice. When scams are treated like the crimes they are, victims are more likely to report them, law enforcement is more likely to act, and prosecutors are more likely to pursue cases. AARP's report calls for a shift in narrative: replacing headlines like “Americans Swindled in \$13M Wine Investment Scam” with “Criminal Stole \$13 Million in Wine Investments” reframes the issue from victim error to criminal intent. Victims deserve empathy, not judgment. As one former prosecutor noted, the emotional toll of fraud can be so severe that some victims “move into a state of depression that they can't ever get out of.” By ending the cycle of shame and blame, we can better support victims, strengthen family relationships, and ensure fraud is recognized and prosecuted as the serious crime it is.

**HERE ARE EXAMPLES OF WHAT TO SAY:**

**INSTEAD OF THIS:**

How could you fall for that?

**SAY THIS:**

**This isn't your fault — you experienced a crime.**

**INSTEAD OF THIS:**

How much money did you give them?

**SAY THIS:**

**How much did the criminal steal?**

The story of one victim who reached out to the Helpline, Mo, does a good job of highlighting the emotional impact of fraud. Mo was the victim of a devastating investment scam that resulted from meeting someone online who eventually convinced him to invest in cryptocurrency. The criminals involved stole millions from Mo and his family. He continues to beat himself up for the damage this has caused to his marriage and his two children. He has suicidal thoughts, but also realizes he needs to be around for his family. He constantly asks himself, “how could I be so dumb and stupid?” This is unfortunately a very common experience for fraud victims.

In another story, a Los Angeles woman talks about the impact of being targeted by a criminal impersonating a TV journalist she admired. She had sent him a message telling him she liked his work when she found his social media profile online. In the end, the criminal impersonator stole \$70,000 from her via wire transfer, gift cards, and Bitcoin. She was left with \$500 to buy groceries and pay her bills. She said, “I’m crying every day. I don’t know what to do. And I’m taking money out of my retirement and my savings that I had saved for years.” At one point her thoughts turned suicidal. She drove herself to a hospital, where she was quickly admitted. When she told the psychiatrist on duty her story, he said, with sympathy, “You’ve been scammed.” She’s been dealing with the emotional fallout ever since.

Fraud support services are an important component in helping victims process and recover from fraud. AARP’s Fraud Watch Network serves a very important role for victims, as one of the few resources with people willing to listen and help victims process what has happened to them, as well as help them report the crime. Many of the victims share with our Helpline volunteers that they have no one in their lives who will understand what is happening and they are embarrassed to talk to them about it. We cannot allow victims’ horrible experiences to leave them alone and isolated. More than anything, they need support – and until families and friends understand this, AARP and other victim support groups will be there to help them recover. Not only do we need to focus on victim support, but we must support families too. We hear from many families that even when they are supportive and compassionate to their loved ones, they themselves have significant guilt or confusion on why this happened. We hear from grandchildren whose grandparents have been a victim of a grandparent scam have survivors’ guilt and need support. Understanding the emotional impact of fraud is critical to changing how we respond to victims.

The ripple effects of fraud can destabilize entire households. Promises to help children or grandchildren financially may be broken, and retirement plans may be derailed. Some family members take on debt or postpone their own retirement to support the victim, while others face emotional fallout, including anger, shame, and isolation. Many scam victims over age 60 report relationship problems with friends or family as a result. Experts emphasize the need to break the silence surrounding scams. Open dialogue, victim support groups, and family counseling can help relatives process their emotions and avoid blaming the victim.

Carisa K. shared how her 73-year-old mother lost \$300,000 in a sophisticated help desk scam. The funds had been earmarked for family support—home down payments and college tuition for grandchildren—but were instead stolen through emotional manipulation and deceit. Carisa, a costume designer in New York, spent hundreds of hours trying to recover the money and manage the fallout, including the possibility that her mother may need to sell her home to cover tax liabilities. This story is emblematic of a broader trend: a [2023 Gallup poll](#) found that 15% of

Americans had a household member deceived by a scam in the previous year—more than those affected by theft or burglary.

Criminologists and psychologists note that family members often become “secondary victims,” experiencing emotional strain, financial loss, and disrupted relationships. When scams strike, adult children may find themselves suddenly responsible for their parents’ finances, care, and emotional well-being. In another case, Rory M. discovered that his dying mother had been victimized by multiple romance scams totaling \$800,000. The secrecy surrounding the fraud robbed him and his sister of the chance to say a proper goodbye. Instead of spending her final days in peace, the family was consumed by confusion, legal paperwork, and emotional distance. Rory later joined a support group and came to understand that his mother wasn’t at fault—her money was stolen, and the weapon was emotional manipulation.

#### ***FinCEN’s Role in Combatting Elder Fraud and Elder Financial Exploitation***

Elder financial exploitation (EFE) is a rapidly growing threat to the financial security and dignity of older adults. According to FinCEN’s [Financial Trend Analysis: Elder Financial Exploitation \(June 2022–June 2023\)](#), financial institutions filed over 155,000 suspicious activity reports related to EFE, representing more than \$27 billion in suspicious transactions—both actual and attempted. These figures underscore the scale of the problem and the importance of FinCEN’s leadership in identifying, analyzing, and responding to these threats.

FinCEN’s work is foundational to the federal government’s efforts to combat elder fraud and elder financial exploitation. Through its advisories, data analysis, and coordination with financial institutions, FinCEN has helped illuminate the typologies of elder scams and theft, including account takeovers, often involving remote access and compromised credentials; romance and tech support scams, which prey on emotional vulnerability and digital confusion; theft by trusted individuals, including adult children and caregivers, which is often underreported and harder to detect.

Account takeovers are one of the most frequent forms of elder financial exploitation reported to FinCEN. These incidents typically involve unauthorized access to an older adult’s financial accounts—such as bank, investment, or credit card accounts—through compromised credentials, guessed passwords, or remote access tools. Scammers often impersonate legitimate service providers, tricking victims into granting access to their devices or online banking platforms. Once inside, perpetrators initiate fraudulent transactions, change login credentials, or issue new cards, effectively locking victims out of their own accounts. FinCEN’s data shows that financial institutions frequently respond by closing compromised accounts and issuing new credentials, but the damage—both financial and emotional—is often already done.

Romance and tech support scams exploit emotional vulnerability and digital confusion, making older adults particularly susceptible. FinCEN’s role in highlighting these scams and associated red flags is key to keeping older adults safe. FinCEN has issued multiple advisories and other [resources](#) to help stakeholders identify and report romance and relationship investment scams, which are increasingly used to exploit older adults. These include advisories, alerts, and analysis on topics like mail theft-related check fraud as well as a tactic known as “pig butchering.” These

findings underscore the complex and evolving nature of romance scams and the critical need for vigilance and coordinated response across financial institutions and law enforcement.

Elder financial exploitation committed by trusted individuals—such as adult children, caregivers, or financial advisors—is particularly insidious and often underreported. Unlike scams perpetrated by strangers, these cases involve people who have direct access to the victim’s finances and personal trust. FinCEN’s [analysis](#) reveals that adult children are the most frequently identified perpetrators, often living near the victim and using their proximity to facilitate unauthorized transfers, withdrawals, or purchases. Caregivers may exploit their access to checkbooks, debit cards, or online banking credentials. Because the perpetrators are known to the victim, these crimes can go undetected for long periods and are less likely to be reported due to fear, shame, or familial pressure. The emotional toll of betrayal compounds the financial harm, making this form of exploitation especially damaging.

FinCEN’s guidance has empowered financial institutions to better detect and report elder fraud and elder financial exploitation, and its collaboration with other agencies—highlighted in the [Interagency Statement on Elder Financial Exploitation](#)—has advanced best practices in governance, employee training, transaction holds, and the use of trusted contacts. Moreover, FinCEN’s support for voluntary reporting, its [Rapid Response Program](#) for fund recovery, and its coordination with law enforcement and Adult Protective Services (APS) demonstrate the need for a comprehensive approach to protecting older adults. These efforts are not only vital for victims but also help financial institutions mitigate reputational and compliance risks.

AARP urges continued congressional support for FinCEN’s work in combatting elder fraud and elder financial exploitation. This includes:

- Sustained investment in FinCEN’s analytical and technological capabilities;
- Continued interagency collaboration to streamline reporting and response;
- Expansion of public awareness and consumer education initiatives;
- Strengthening protections for financial institutions and employees who report suspected EFE;
- Ensuring strong supervision of financial institutions responsible for detecting and stopping illicit activity.

AARP urges Congress to continue its strong support for FinCEN as a frontline agency in the fight against elder fraud and financial exploitation. This support should include sustained investment in FinCEN’s analytical and technological infrastructure to ensure it can keep pace with increasingly sophisticated financial crimes targeting older adults. Continued interagency collaboration is essential to streamline reporting mechanisms and accelerate coordinated responses across federal, state, and local entities. Public awareness and consumer education initiatives must also be expanded to empower older Americans and their caregivers with the knowledge to recognize and avoid scams. Additionally, Congress should strengthen legal protections for financial institutions and their employees who report suspected elder financial exploitation, ensuring they can act without fear of liability or retaliation. Finally, robust oversight and supervision of financial institutions is critical to ensure they are effectively detecting, reporting, and preventing illicit activity, particularly as fraudsters increasingly exploit digital platforms and remote access tools to target vulnerable populations. FinCEN’s leadership in these

areas is indispensable, and continued congressional support will help safeguard the financial well-being of millions of older Americans.

#### *AARP's Fraud Advocacy Work*

AARP works actively across the states to protect consumers—especially older Americans—from fraud and scams. Through advocacy and collaboration, AARP has supported state laws and regulations tackling real estate scams, cryptocurrency kiosk fraud, suspicious financial transactions, and gift card fraud, providing model policies and practical protections that strengthen safeguards for consumers at the state level. Here we highlight several advocacy issues AARP has undertaken at the state level that align with the work that FinCEN does.

##### *Allow financial institutions to hold suspicious transactions*

AARP has played a key role in advancing “report and hold” legislation across the United States, aimed at protecting older adults from financial exploitation. Report and hold laws empower financial institutions to temporarily delay transactions when they suspect financial exploitation. These laws are vital because they create a critical pause in the transaction process, allowing time for investigation and intervention before funds are irreversibly lost. The goal of these laws is to prevent irreversible financial harm, especially in cases involving elder fraud. AARP has worked with partners like North American Securities Administrators Association (NASAA) to develop model legislation. This model has served as the foundation for report and hold laws for securities adopted [in nearly every state](#), with roughly half extending these protections to banks and credit unions in addition to investment firms.

A [recent survey](#) by the American Bankers Association found that banks in states with report and hold laws actively use them and overwhelmingly support longer hold times. Notably, 43 percent of banks in states with report and hold laws said they had used them to prevent elder financial exploitation and 90 percent of banks in states without such laws expressed interest in adopting them. In 2025, [Idaho](#) and [Maine](#) both passed bills allowing financial institutions to briefly freeze a transaction or disbursement from a vulnerable adult’s account if they suspect that person is being exploited and to report their concerns to authorities. [Vermont](#) established a study committee to propose similar legislation next year.

##### *Improve consumer protections for users of cryptocurrency ATMs/kiosks*

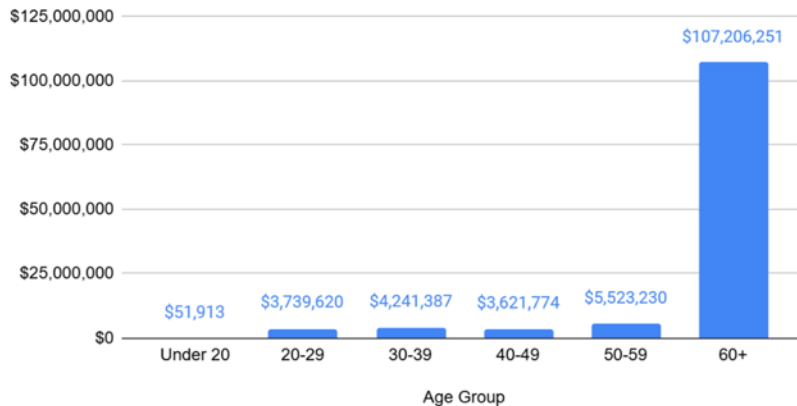
AARP’s Fraud Watch Network has received a major influx of reports from fraud victims about the illicit use of cryptocurrency kiosks (also known as “crypto ATMs,” “BTMs,” or “virtual currency kiosks”). We were pleased to see Director Gacki reference a recent notice that FinCEN put out on cryptocurrency kiosks and the fraud that often occurs leveraging them. We hope FinCEN will consider increasing federal consumer protections for these machines leveraging lessons learned from the states.

Today, there are more than 30,000 cryptocurrency kiosks nationwide. Fraudulent activity targeting older Americans is on the rise, with the [average loss](#) for an adult over 60 losing \$83,000 in 2024. Cryptocurrency kiosks are increasingly used by criminals in their fraudulent

schemes. They can be found in areas frequently accessed by the public like supermarkets, convenience stores, gas stations, bars, and restaurants. Cryptocurrency kiosks look like bank ATMs and allow people to conduct legitimate cryptocurrency transactions, such as sending money to cryptocurrency wallets.

Criminals are using cryptocurrency kiosks to steal hundreds of millions of dollars from Americans each year through fraudulent purchase schemes. Mabel, a 79-year-old, called AARP's Fraud Watch Network to share her story. She searched for a number for Netflix online and instead of finding a legitimate Netflix number, found herself in touch with Netflix impersonators who scammed her. Mabel sent over \$250,000 via a cryptocurrency kiosk. She also purchased gold bars and cashier's checks to be picked up by a courier impersonating a government official. Her life savings was stolen from her. Although she has contacted the police and local media hoping it will help her some way, thus far she has not been able to recover any funds.

### Fraud Reported to the FBI Involving Cryptocurrency Kiosks Disproportionately Impacted Older Americans in 2024



Source: Federal Bureau of Investigation, "Internet Crime Report: 2024," April 2025, [https://www.ic3.gov/AnnualReport/Reports/2024\\_IC3Report.pdf](https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf).

Mabel's story is unfortunately quite common. Criminals – often impersonating government officials or businesses – convince individuals that they must address an urgent financial matter, directing them to withdraw large amounts of cash and put that money into a cryptocurrency kiosk. It is then transferred to a digital wallet controlled by the criminal.

The FBI has shared complaints related to cryptocurrency kiosks by state, including the losses in these complaints. These complaints, which we know are undercounts due to the underreporting of fraud, point to a very concerning trend across the United States. It is important that we put

greater consumer protections in place to ensure these machines are not exploited by criminals to commit fraud against hardworking Americans.

| IC3 Complaints and Losses Involving Cryptocurrency Kiosks by State (2024) |              |              |
|---------------------------------------------------------------------------|--------------|--------------|
| State                                                                     | # Complaints | Losses       |
| Alabama                                                                   | 118          | \$2,409,085  |
| Alaska                                                                    | 48           | \$917,758    |
| Arizona                                                                   | 382          | \$10,750,925 |
| Arkansas                                                                  | 67           | \$869,634    |
| California                                                                | 1061         | \$26,189,993 |
| Colorado                                                                  | 298          | \$5,779,914  |
| Connecticut                                                               | 117          | \$1,893,150  |
| Delaware                                                                  | 38           | \$629,537    |
| District of Columbia                                                      | 47           | \$432,968    |
| Florida                                                                   | 792          | \$21,295,444 |
| Georgia                                                                   | 298          | \$5,339,136  |
| Guam                                                                      | 1            | \$100,000    |
| Hawaii                                                                    | 68           | \$922,022    |
| Idaho                                                                     | 79           | \$1,168,302  |
| Illinois                                                                  | 395          | \$13,501,600 |
| Indiana                                                                   | 161          | \$2,715,727  |
| Iowa                                                                      | 63           | \$1,947,708  |
| Kansas                                                                    | 77           | \$1,247,835  |
| Kentucky                                                                  | 132          | \$1,772,167  |
| Louisiana                                                                 | 120          | \$1,855,247  |
| Maine                                                                     | 55           | \$2,479,867  |
| Maryland                                                                  | 261          | \$5,169,619  |
| Massachusetts                                                             | 275          | \$5,746,501  |
| Michigan                                                                  | 276          | \$6,128,588  |
| Minnesota                                                                 | 166          | \$2,379,520  |
| Mississippi                                                               | 47           | \$684,329    |
| Missouri                                                                  | 188          | \$5,256,109  |
| Montana                                                                   | 45           | \$499,648    |
| Nebraska                                                                  | 50           | \$1,845,198  |
| Nevada                                                                    | 196          | \$5,614,567  |
| New Hampshire                                                             | 53           | \$1,793,316  |
| New Jersey                                                                | 356          | \$11,891,903 |
| New Mexico                                                                | 61           | \$1,254,969  |
| New York                                                                  | 436          | \$4,768,615  |
| North Carolina                                                            | 351          | \$7,740,485  |
| North Dakota                                                              | 17           | \$588,108    |
| Ohio                                                                      | 318          | \$9,694,716  |

| IC3 Complaints and Losses Involving Cryptocurrency Kiosks by State (2024) |              |              |
|---------------------------------------------------------------------------|--------------|--------------|
| State                                                                     | # Complaints | Losses       |
| Oklahoma                                                                  | 108          | \$1,412,225  |
| Oregon                                                                    | 195          | \$3,250,969  |
| Pennsylvania                                                              | 395          | \$6,633,494  |
| Puerto Rico                                                               | 9            | \$213,020    |
| Rhode Island                                                              | 29           | \$348,119    |
| South Carolina                                                            | 200          | \$5,655,482  |
| South Dakota                                                              | 26           | \$415,118    |
| Tennessee                                                                 | 262          | \$4,821,047  |
| Texas                                                                     | 989          | \$19,342,393 |
| United States Minor Outlying Islands                                      | 1            | \$30,000     |
| Utah                                                                      | 148          | \$1,850,334  |
| Vermont                                                                   | 17           | \$2,026,000  |
| Virginia                                                                  | 376          | \$7,255,063  |
| Washington                                                                | 346          | \$10,781,754 |
| West Virginia                                                             | 38           | \$586,340    |
| Wisconsin                                                                 | 173          | \$3,803,169  |
| Wyoming                                                                   | 30           | \$364,583    |

A recent [Notice](#) released by FinCEN on the Use of Convertible Virtual Currency Kiosks for Scam Payments and Other Illicit Activity found there are very serious fraud and money laundering concerns related to these machines. As the FinCEN Notice highlights, “In 2024, the FBI’s IC3 received more than 10,956 complaints reporting the use of CVC kiosks, with reported victim losses of approximately \$246.7 million. This represents a 99 percent increase in the number of complaints and a 31 percent increase in reported victim losses from 2023.”

FinCEN raised serious concerns about the misuse of cryptocurrency kiosks for illicit activities such as fraud, elder exploitation, and money laundering. In the Notice, FinCEN identified several patterns of illicit finance involving cryptocurrency kiosks. These included the use of these machines by transnational criminal organizations to launder drug proceeds, particularly in high-risk areas such as Chicago, where kiosk density had grown rapidly. The kiosks’ ability to facilitate fast, anonymous transactions made them attractive alternatives to traditional bulk cash smuggling.

FinCEN also noted widespread non-compliance among kiosk operators with BSA requirements, including failures to register as MSBs, implement anti-money laundering programs, and verify customer identities. This lack of compliance enabled scammers to direct victims to specific kiosks—sometimes across state lines—to avoid operators with stronger AML controls.

The FinCEN Notice further highlighted the role of cryptocurrency kiosks in facilitating scam payments, especially targeting older adults. Scammers exploited the irreversible nature of cryptocurrency transactions and accepted high transaction fees—often between 7–20%—to quickly extract funds from victims. These schemes frequently involved impersonation tactics, such as posing as tech support or government officials, and guiding victims step-by-step through

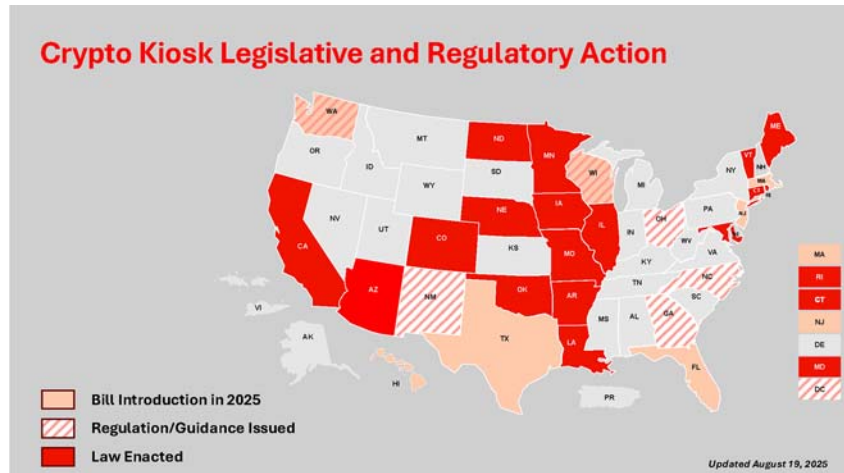
the kiosk transaction process. FinCEN reported that individuals aged 60 and older were disproportionately affected, accounting for the majority of fraud losses linked to cryptocurrency kiosks.

FinCEN also documented deceptive practices by some kiosk operators, including structuring transactions to evade reporting thresholds, using personal or fake business accounts, and misrepresenting their compliance status to financial institutions. These behaviors facilitated money laundering and undermined the integrity of the financial system.

AARP is advocating for important consumer protections that will deter criminals from leveraging cryptocurrency kiosks in their schemes. This will prevent older Americans from losing hard-earned money to criminals. We have supported a number of states in passing legislation that will increase the safety of cryptocurrency kiosks by:

- Implementing daily transaction limits to limit the appeal of these machines to criminals;
- Requiring cryptocurrency kiosk operators to refund transaction fees for transactions related to fraud;
- Posting fraud warning notices and clarify steps people should take if they suspect fraudulent activity;
- Clearly displaying the fees and exchange rate charged;
- Giving receipts with relevant transactional information, which allow law enforcement to investigate immediately; and
- Having customer service lines available to assist fraud victims.

Seventeen states have [passed anti-fraud legislation](#) regulating cryptocurrency kiosks and others have implemented guidance or regulations. Congress should look to the States and draw upon the work they have done. Nationwide protections are necessary to protect consumers from being exploited by criminals and stealing their hard-earned money.



In California, which passed a law implementing a \$1000 daily transaction limit, law enforcement has [testified](#) that multiple cryptocurrency kiosk operators in the state have since seen a substantial reduction in the dollar amounts of transactions attributed to scams, fraud and human trafficking since the limit took effect, demonstrating how effective these measures can be.

### ***Conclusion***

As elder financial exploitation continues to evolve, FinCEN's role in monitoring, analyzing, and responding to these threats remains vital. We urge continued investment in FinCEN's analytical capabilities, interagency coordination, and outreach to financial institutions and the public. We thank Subcommittee Chairman Davidson, Subcommittee Ranking Member Beatty, Chairman Hill, Ranking Member Waters, and the Committee for bringing attention to this important issue and look forward to working with you to turn the tide on criminals committing fraud.

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.



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September 8, 2025

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

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

Dear Chairman Davidson, Ranking Member Beatty, and Members of the Subcommittee:

On behalf of Transparency International U.S., we respectfully submit this statement for the record for the September 9, 2025, hearing on the Financial Crimes Enforcement Network (FinCEN).

We have included two supporting factsheets for the Subcommittee's consideration:

- **Art Market Integrity Act Factsheet** – This factsheet details the vulnerabilities in the high-value U.S. art market, where opaque and anonymous transactions allow corrupt foreign officials, sanctions evaders, and other criminals to launder illicit wealth, and explains how extending anti-money laundering obligations to certain art dealers and intermediaries would address this risk.
- **Facilitators of Fentanyl Act Factsheet** – This factsheet outlines the urgent need to close loopholes that allow corporate formation agents and other corporate service providers to facilitate the laundering of proceeds from fentanyl and other drug trafficking into and throughout the United States.

We thank the Subcommittee for its continued leadership on strengthening U.S. financial integrity and national security, and we welcome the opportunity to provide further information as needed.

Respectfully submitted,

Scott Greytak  
Deputy Executive Director  
Transparency International U.S.  
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## **DIRTY MONEY IN THE ART MARKET UNDERMINES NATIONAL SECURITY**

*CONGRESS MUST PASS THE 'ART MARKET INTEGRITY ACT'*

### **THE PROBLEM**

The U.S. art market is a multi-billion-dollar, high-value financial market that remains outside modern anti-money laundering (AML) safeguards. Unlike banks and many other financial intermediaries, art dealers, galleries, and auction houses are not required to know their customers, keep basic records, or

report suspicious activity. That opacity has been exploited by corrupt foreign officials, terrorist organizations, sanctioned oligarchs, and criminal networks to launder funds and evade sanctions—undermining U.S. national security, distorting markets, and disadvantaging law-abiding businesses.

### **EXAMPLES OF THE PROBLEM**



In 2020, a bipartisan Senate investigation found that Kremlin-linked oligarchs used intermediaries and anonymous transactions in the U.S. art market to move [over \\$18 million](#), evading sanctions and exploiting the sector's opacity.



U.S. auction houses and vendors facilitated purchases by Teodoro Obiang Mangué, the former Vice President of Equatorial Guinea, who laundered hundreds of millions in corruption proceeds. After long-running litigation, the U.S. [secured forfeiture of \\$30 million](#) in U.S.-based assets (including famous pop-culture memorabilia).



U.S. galleries and auction houses were used to acquire art—including works by Van Gogh and Monet—with [funds embezzled](#) from Malaysia's 1MDB sovereign wealth fund, exploiting U.S. markets to launder part of the multi-billion-dollar corruption scheme.



U.S. art dealers and auction houses sold artwork to two U.S. residents who [laundered over \\$1 million](#) and purchased art on behalf of a Channel One Russia television presenter and a sanctioned Russian oligarch—helping them evade U.S. sanctions.

## THE SOLUTION

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The bipartisan *Art Market Integrity Act* would amend the federal Bank Secrecy Act to cover certain intermediaries in the U.S. art market that are uniquely positioned to prevent criminals from abusing the market—such as dealers, galleries, and auction houses. Importantly, the bill uses a **risk-based approach**, using dollar thresholds in order to focus on higher-risk transactions, and exempting lower-risk actors, including artists selling their own work, as well as nonprofits.

Under the Act, covered intermediaries would be required to perform due diligence on their customers, identify the true owners of their corporate customers, and report suspicious transactions to the U.S. Treasury. These basic AML safeguards would help Treasury,

the Department of Justice, and other agencies follow and stop dirty money. Critically, the bill would *not* regulate artistic expression, tax private collections, or apply to small, low-risk artists and nonprofits. Instead, it would ensure that responsible dealers aren't undercut by bad actors willing to look the other way.

Years of bipartisan concern—and repeated U.S. government findings—show that the art market has become a preferred vehicle for laundering illicit funds and evading sanctions. Closing this gap will protect legitimate market participants, align the U.S. with global best practices, and equip law enforcement with the tools they need to crack down on financial crime.

*For more information, please contact Scott Greytak, Deputy Executive Director for Transparency International U.S., at [sgreytak@us.transparency.org](mailto:sgreytak@us.transparency.org).*





## MEET THE UNCHECKED GATEKEEPERS OF THE FENTANYL CRISIS

*Why Congress Must Close a Critical Money-Laundering Loophole*

### BACKGROUND

After years of escalating overdose deaths, 2024 brought a welcome decline. But even as the numbers fell in 2024, synthetic opioids like fentanyl remain the leading cause of drug-related deaths in the United States, and the methods that traffickers use to finance their operations remain dangerously intact.

At the center of many drug trafficking operations are U.S. corporate formation agents—the individuals that help create companies, trusts, and other legal entities that can then be used to move and conceal the money behind drug trafficking operations. The Financial Action Task Force (FATF), the international standard-setting body to combat money laundering, has identified corporate service providers as key

gatekeepers who are vulnerable to misuse by criminals, including drug traffickers. Unlike banks, money transmitters such as Western Union, check cashers, and other financial institutions that provide services that can be used to launder money, corporate formation agents who create companies that can be used for the same purpose are not required to follow any anti-money laundering (AML) rules. No customer due diligence. No recordkeeping. No suspicious activity reports.

Drug traffickers and money launderers know this—and they are exploiting these gaps to form companies, move money, and finance their operations throughout the United States.

### EVIDENCE OF THE PROBLEM

- In April 2025, the Trump Administration's Treasury Department released a [Financial Trend Analysis finding](#) that found that "illicit fentanyl is primarily synthesized, trafficked, and smuggled into the United States by Mexican cartels" and that "precursor chemicals and manufacturing equipment [are] primarily sourced from the People's Republic of China (PRC)." They concluded that "The cartels and associated chemical brokers use **front companies**, money mules, and **U.S.-based intermediaries** to procure fentanyl precursor chemicals from PRC-based suppliers."
- Similarly, the 2025 [National Drug Threat Assessment](#) issued by the Trump Administration's Drug Enforcement Administration determined that "Transnational criminal organizations

(TCOs)—including international drug cartels and other violent criminal groups —threaten the safety of the American people, the national security of the United States and the safety and stability of the western hemisphere,” concluding that “these originations launder millions of dollars in illicit proceeds from criminal activities using Chinese money laundering networks money services businesses, **front and shell companies**....all of which compromise the U.S. financial system and undermine economic security.”

- On March 31, 2025, the Trump Administration's Treasury Department [sanctioned](#) “six individuals and seven entities involved in a money laundering network supporting the Sinaloa Cartel, one of the most notorious and violent drug trafficking organizations in the world, and a U.S.-designated Foreign Terrorist Organization (FTO).” At least one of the individuals sanctioned was determined to have used “a network of **front companies and shell corporations** to obscure the origins of the money it moves from the United States.”
- In another high-profile example, the Zheng drug trafficking organization—run by Chinese synthetic opioid trafficker Fujing Zheng—was found to have manufactured and shipped deadly fentanyl analogues and 250 other drugs to 37 U.S. states by using **shell companies formed in Massachusetts**. Drugs sold by the group were directly tied to fatal overdoses of two people in Ohio.
- In yet another case, a drug trafficking organization allegedly used a **shell company formed in the United States** to send funds to China for the purchase of fentanyl analogues that would later be pressed into pills and sold in the U.S.

#### THE SOLUTION: THE “STOP THE FACILITATORS OF FENTANYL ACT”

The *Stop the Facilitators of Fentanyl Act* would bring much-needed accountability to these critical actors in the U.S. financial system. It is a simple and straightforward measure (less than 25 words of substantive text) that would add corporate formation agents and similar service providers to the definition of “financial institution” under the Bank Secrecy Act. This would provide the Treasury Department with the legal authority to require corporate formation agents and similar service providers to adopt tailored and risk-based AML safeguards, including due diligence, recordkeeping, and suspicious activity reporting requirements.

Overdose deaths may be down from previously historic levels, but fentanyl continues to flood American communities—and drug traffickers continue to use known gaps in our AML laws to finance their operations and reap their profits. Without action from Congress, these traffickers will continue to exploit these gaps to build their financial infrastructure and operate in the shadows. It's time to close this deadly loophole.

*For more information, please contact Scott Greytak, Deputy Executive Director for Transparency International U.S., at [sgreytak@us.transparency.org](mailto:sgreytak@us.transparency.org).*

## Questions for the Record

U.S. House Committee on Financial Services  
 Subcommittee on National Security, Illicit Finance, and International Financial  
 Institutions Hearing, titled: Evaluating the Financial Crimes Enforcement Network  
 September 9, 2025

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**Questions for Director Gacki from Chairman Hill:**

1. On January 1, 2021, Congress enacted the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021. Division F of this Act, known as the Anti-Money Laundering Act of 2020, includes Section 6204. This section requires the Treasury Department, through FinCEN, to submit a report to Congress focused on modernizing the reporting requirements under the Bank Secrecy Act – specifically relating to Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs). This report was due to Congress by January 1, 2022, but has not been transmitted thus making it years overdue. Several FinCEN Directors, including Director Gacki, have stated that the report would be forthcoming “soon,” yet it has failed to materialize.
  - a. Director Gacki, please provide an update on the status of this report, explain the reasons for the delay, and indicate an exact date that Congress should expect to receive it.

**Answer:** FinCEN is carefully reviewing CTR and SAR reporting requirements to minimize unnecessary regulatory burdens and ensure that financial institutions are permitted to focus their resources on reporting vital information that is most useful to law enforcement and national security agencies. CTRs and SARs provide critical intelligence to law enforcement and national security agencies to protect national security by combatting cartels, drug traffickers, human traffickers and smugglers, fraudsters, and terrorists. However, FinCEN recognizes the substantial burden this reporting imposes on industry and that it is critical for institutions to have the ability to direct their compliance resources towards the most significant threats to national security. FinCEN is working closely with Treasury leadership to inform the recommendations that will be set out in the reports required under sections 6204 and 6205 of the Anti-Money Laundering Act of 2020.

2. FinCEN has long faced challenges regarding the efficiency of its processes. There have been well-documented issues surrounding the significant backlogs of unreviewed SARs and CTRs. Given the rapid advances in blockchain technology – which offers immutable records, real-time traceability, and automated compliance via smart contracts – has the agency evaluated the potential of blockchain to modernize and streamline these inefficient processes?
  - a. What steps is FinCEN taking to pilot or study blockchain-based solutions that could

reduce costs, improve transparency, and strengthen the effectiveness of our AML/CFT framework?

**Answer: FinCEN is committed to enhancing our operational efficiencies through the responsible use of new technologies. We recognize the value of blockchain technology in the use of transaction monitoring and continue to foster the assessment and use of such technologies through our private/public partnerships and existing forums, including the Bank Secrecy Act Advisory Group and FinCEN Exchanges.**

3. Regarding the costs associated with FinCEN's Residential Real Estate Rule compared to the anticipated national security benefits, during the hearing Director Gacki stated, "across ten years, we have seen an incredible thirst among law enforcement for this information and this information being used in active and successful law enforcement prosecutions. This drove the decision to make what was a temporary measure [Geographic Targeting Orders (GTOs)] into a permanent measure, widely applicable to be the Residential Real Estate Rule."
  - a. Please provide information pertaining to the successes that law enforcement agencies have achieved over the past decade using GTOs and the results of those successes.
  - b. How have these GTOs improved efforts to combat financial crime?

**Answer: FinCEN will be providing a response to this question in a separate letter.**

4. Director Gacki, under the residential real estate rule, title companies are asked to collect information on the beneficial owners of LLCs that purchase property. Earlier this year, FinCEN adjusted beneficial ownership reporting for domestic entities, noting that many small businesses are legitimate and that certain requirements might not provide significant value for law enforcement.
  - a. Could you share FinCEN's perspective on how that decision relates to the approach in the real estate rule?

**Answer: FinCEN strives to ensure that all its regulations are fit for purpose and appropriately balance regulatory burden with benefit to law enforcement and national security agencies in combating illicit finance and related criminal activity.**

**The Residential Real Estate Rule (RRE Rule) and the Beneficial Ownership Information (BOI) Reporting Rule (BOI Reporting Rule) are two distinct regulations serving narrowly tailored purposes. While both regulations have BOI reporting requirements, these requirements address different illicit finance risks. For instance, the RRE Rule is intended to address illicit finance risks with respect to non-financed, or "all cash," RRE purchases by certain types of legal entities and arrangements. This type of "all cash" real estate activity is**

**inherently at higher risk for money laundering and illicit finance. In contrast, the BOI Reporting Rule, as amended by the March 2025 Interim Final Rule, focuses on collecting ownership information from foreign reporting companies, which present heightened national security and illicit finance risks.**

5. Chinese transnational money laundering organizations have become dominant actors in drug-related money laundering, including fentanyl. The TD Bank enforcement case highlighted major compliance breakdowns in identifying suspicious cash-based activity tied to cartels. In June 2025, FinCEN issued historic orders designating three Mexico-based financial institutions—CIBanco, Intercam Banco, and Vector Casa de Bolsa—as “primary money laundering concerns.”
  - a. How is FinCEN ensuring that financial institutions are appropriately detecting and reporting Chinese underground banking and professional laundering networks?
  - b. Are we receiving any cooperation from China?

**Answer: FinCEN is committed to fighting the scourge of Chinese money laundering networks (CMLNs) and cartels. FinCEN has published various products and supported private and public sector outreach and engagement to highlight the money laundering risks posed by CMLNs and other professional money laundering networks. For example, on August 28, 2025, FinCEN issued an advisory and a Financial Trend Analysis (FTA) to highlight CMLNs as a significant threat to the U.S. financial industry. The advisory urged financial institutions to be vigilant in detecting the use of CMLNs by Mexico-based drug cartels, including several designated as Foreign Terrorist Organizations. The FTA highlighted the scope and breadth of CMLN activity in the United States. Additionally, public-private partnerships and international working groups are key to fostering productive discussions on AML/CTF approaches, as well as details on criminal schemes and typologies such as those employed by CMLNs and other professional money laundering networks. Moreover, in September, FinCEN and Canada’s Financial Transactions and Reports Centre (FINTRAC) convened an Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Symposium in Washington, DC to highlight various international security threats, including combating fentanyl trafficking and recognizing the growing threat of CMLNs in the United States and Canada.**

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**Questions for Director Gacki from Subcommittee Chairman Davidson:****1. CTA/BOI**

- (a) Given FinCEN's March 2025 interim rule, which exempts U.S. companies from Beneficial Ownership Information (BOI) reporting under the Corporate Transparency Act (CTA) and extends associated deadlines, when precisely is the full final rule expected to be issued?

**Answer: The March 2025 interim final rule on revisions to the beneficial ownership information reporting requirements provided the public with 60 days to submit comments on the rule, and comments were due on May 27, 2025. FinCEN received 117 comments on the interim final rule and is in the process of completing a final rule.**

**2. CTRs/SARs**

It has been 53 years since the establishment of the \$10,000 threshold for Currency Transaction Reports (CTRs) in 1972, and 29 years since the \$5,000 threshold for Suspicious Activity Reports (SARs) was set in 1996. Inflation has significantly eroded the purchasing power of the dollar—according to Bureau of Labor Statistics data, \$10,000 in 1972 equates to approximately \$80,000 in today's value. Businesses are incurring substantial compliance costs under thresholds that have not been adjusted for economic realities, thereby diverting resources from addressing contemporary illicit activities. It is imperative and long overdue to index SAR and CTR thresholds to inflation, which would enable more effective enforcement while reducing unnecessary regulatory burdens.

Director Gacki, Section 6205 of the Anti-Money Laundering Act of 2020 (AMLA) explicitly requires the Department of the Treasury—with FinCEN taking the lead—to conduct a study on CTR and SAR thresholds, recommend necessary adjustments, and submit a report to Congress within one year of AMLA's enactment on January 1, 2021. The statutory deadline was January 1, 2022, and this obligation remains unfulfilled.

- (a) What is the reason for the delay in completing this required analysis and report?
- (b) Can you commit to delivering FinCEN's recommendations—along with a concrete implementation plan—to this committee before the end of 2025?

**Answer: FinCEN is carefully reviewing CTR and SAR reporting requirements, including thresholds, to minimize unnecessary regulatory burdens while ensuring that financial institutions are able to focus their resources on reporting vital information to law enforcement and national security agencies. CTRs and SARs provide critical intelligence to law enforcement and national security agencies to protect national security by combatting cartels, drug traffickers, human traffickers and smugglers, fraudsters, and terrorists. However, FinCEN recognizes the substantial burden this reporting imposes on industry and that it is critical for institutions to have the ability to direct their compliance resources**

towards the most significant threats to national security. FinCEN is working closely with confirmed Treasury political leadership to inform the reports' recommendations.

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**Questions for Director Gacki from Rep. Kim:**

1. Director Gacki, how have Congress and the Administration used Title III of the Defense Production Act (DPA) to date to support the reshoring or expansion of domestic manufacturing capacity for critical AI-enabling technologies (e.g., semiconductors, advanced packaging, high-performance computing systems)?

**Answer: Treasury recommends this question be redirected to the Department of War and/or the Federal Emergency Management Administration (FEMA), which leads the Defense Production Act Committee.**

2. Director Gacki, regarding the reshoring or expansion of domestic manufacturing capacity for AI technology, could you describe the funding levels, program outcomes, and any coordination with the DOD's Office of Strategic Capital or the CHIPS Program Office?

**Answer: While Treasury has engaged with OSC and CHIPS to operationally support the execution of these programs, questions about funding levels and program outcomes should be redirected to OSC and CHIPS directly.**

3. Director Gacki, has your office conducted any recent assessments of interagency coordination under the DPA for technology supply chain security, particularly among DOD, DOE, Commerce, and DHS?

**Answer: Treasury has not conducted a formal assessment of interagency coordination under DPA. Treasury's role under Title VII has focused on providing financial mechanisms, guarantees, and coordination to enable other agencies—most notably the Department of War—to carry out DPA investments. Questions about DPA interagency coordination should be redirected to Department of War directly.**

4. Director Gacki, what gaps or duplications exist, if any, in how these agencies use DPA authorities for AI-related investments?

**Answer: The Department of War is the primary agency using Title III authorities, under which it has expanded U.S. capacity for semiconductors, printed circuit boards, advanced packaging, and microelectronics—all foundational to AI, defense systems, and critical infrastructure. The Department of War would be best able to speak to how other agencies are aiding its efforts.**

5. Director Gacki, how does the statutory framework of the DPA enable or limit its use for advancing AI-related industrial base priorities, particularly compared to other tools like the CHIPS Act or IIJA funds?

**Answer: Treasury recommends this question be redirected to the Department of War and/or the Federal Emergency Management Administration (FEMA), which leads the Defense Production Act Committee.**

6. Director Gacki, are there recommended changes Congress could consider to modernize

the DPA for strategic competition in emerging technologies?

**Answer:** The Defense Production Act (DPA) is a critical tool to ensure the United States develops and maintains an industrial base that can mobilize for our national defense, and it is a priority of the Trump Administration's America First agenda to ensure that the U.S. industrial base can meet these needs, especially when it comes to emerging technologies. Treasury will work with our federal agency partners and Congress as DPA reauthorization legislation advances to enhance the DPA and address current and emerging threats.

7. How does China's industrial policy toolkit (e.g., state-directed capital, subsidies, export restrictions) compare to the U.S. government's use of the DPA in the context of strategic competition in AI hardware and infrastructure?

**Answer:** China's industrial policy relies on state-directed, non-market mechanisms—including massive subsidies, state-owned capital, and export controls—to dominate a wide range of industrial sectors like semiconductors and AI infrastructure. By contrast, the United States uses the DPA as a targeted, market-compatible tool, intervening only when specific supply chain vulnerabilities threaten national security. In short, China's approach reflects a centrally managed industrial model, while the DPA operates within a rules-based, private-sector economy that preserves competition and innovation.

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**Questions for Director Gacki from Subcommittee Vice Chairman Nunn:**

1. Director Gacki, I hope that you will collaborate with your colleagues at the Treasury Department as they work on guidance on the Foreign Entity of Concern rules for energy project investment, particularly with respect to the ownership of debt instruments. Clear, workable guidance on these rules would ensure that our adversaries abroad will not benefit from American energy projects, while still allowing our financial institutions to efficiently invest in the future of American energy dominance in states like Iowa. What is the timeline on the guidance and are you involved in the guidance?

**Answer: The Office of Tax Policy at Treasury, and the IRS, are responsible for guidance on the Foreign Entity of Concern provisions and all tax provisions of the One Big Beautiful Bill Act. Treasury is aware of the deadline and is actively working to prepare this guidance.**

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**Questions for Director Gacki from Ranking Member Waters:**

1. The Binance Consent Order provided a civil monetary penalty of \$3,400,000,000, minus a credit of \$2,470,000,000 paid to other agencies. That left \$930,000,000, of which FinCEN agreed to suspend \$150,000,000 pending Binance's compliance. So a total of \$780,000,000 was owed by Binance (assuming that the "Undertakings" were fulfilled, including the retention of a monitor, the closure of U.S. customer accounts, and the submission of a series of reports, by deadlines defined by the Consent Order).
  - a. Has Binance paid the \$780,000,000 to Treasury?
    - i. On what date was that payment completed?
  - b. Were the SAR Lookback Scope Report, the SAR Lookback Report, the AML Program Scope Report, and AML Program Consultant Report submitted?
    - i. On what dates were these documents submitted?
  - c. Were all U.S. users of Binance services confirmed as offboarded?
  - d. Was the Monitor, approved by Treasury, retained by Binance?
    - i. Given that the Consent Order requires the Term of the Monitorship is five years from the date of retention, what was the date of retention?
    - ii. Has the Monitor submitted all of its quarterly progress reports? Have those reports been submitted on time?
    - iii. Has the Term of the Monitorship been terminated early or extended for an additional year?
  - e. If no to questions b, c, or d, did Treasury impose and collect an additional \$150,000,000 from Binance? On what date was that payment completed? (If no, why not?)
  - f. If the total penalty and compliance improvements have not yet been fulfilled, by what date(s) does Treasury expect the actions to occur and what steps are being taken by Treasury (and, perhaps, its partner agencies) to ensure compliance with the Consent Order?
  - g. Has Binance completed the filing with FinCEN of SARs regarding all of the Covered Transactions identified by the SAR Lookback Consultant as ones that would have required a report pursuant to 31 U.S.C. § 5318(g) and implementing regulations?

**Answer: With regards to the Binance Consent Order and the fulfillment of its terms, with the exception of the SAR Lookback Review (which is not yet complete), all of the reports required by the Consent Order that are the subject of your questions have been received within the timeframes established by the Consent Order.**

2. FinCEN has sounded the alarm – as recently as last month – on Chinese money laundering networks, the trafficking of synthetic drugs, and the evasion of Russian sanctions. In every one of these documents – and numerous others – Treasury has pointed to anonymous shell companies registered in the U.S. and abroad that were used to facilitate bad acts (e.g., to commit fraud), launder assets, and/or repatriate the proceeds of crime.
  - a. Are shell companies still a primary vehicle to facilitate bad acts (e.g., to commit fraud), launder assets, and/or repatriate the proceeds of crime?
  - b. How is beneficial ownership information being used to investigate illicit networks and the financial enablers tied to transnational criminal organizations?
  - c. Please explain how the Trump Administration’s plans to gut the Corporate Transparency Act will not make it easier for Chinese money launderers, Mexican drug traffickers, and Russian oligarchs, among other criminals, to threaten America’s national security?
  - d. How will the gutting of the CTA help FinCEN and its partner law enforcement and national security agencies to detect and disrupt drug trafficking, human trafficking, terrorist activities, and other criminal operations?
  - e. In terms of illicit financial flows, what will be the likely result if the U.S. is the only nation among most other developed countries and economies to fail to establish safeguards against the abuse of anonymous (domestically registered) shell companies?

**Answer:** As Secretary Bessent has said, “Malicious use of multijurisdictional corporate structuring is a tool that malign actors have employed to obscure their illicit activities.” The United States remains a global leader in combatting illicit finance. Treasury works with law enforcement and interagency partners to investigate money laundering and complex financial crimes, including using existing resources to obtain beneficial ownership information when necessary. To that end, Treasury is focused—through amending beneficial ownership information reporting requirements—on countering higher-risk threats posed by foreign companies and will ensure that the final reporting rule is appropriately tailored to address those illicit finance risks, while ensuring beneficial ownership reporting requirements appropriately balance supporting American taxpayers and small businesses with addressing illicit finance risks and advancing the public interest.

3. Investment advisers manage trillions of dollars, yet they are not currently required to adopt anti-money laundering protections. Treasury, in its own 2024 risk assessment, demonstrated how the investment adviser industry is abused to commit financial crimes. Designed to address this issue, the FinCEN investment adviser rule was supposed to go into effect on January 1, 2026. Recently, however, the Trump Administration halted that implementation and declared that FinCEN would reopen the rulemaking process.

- a. How long do you expect the investment adviser rule to be delayed?
- b. Please describe the potential national security consequences of such a delay.

**Answer:** Treasury has delayed the effective date of the Investment Adviser Rule by two years to assess and appropriately balance the costs and benefits of that rule. Through this process, Treasury seeks to ensure that the Investment Adviser Rule is effectively tailored to the diverse business models and risk profiles of the covered investment advisers within this sector. Indeed, as set forth in both the Investment Adviser Rule and Treasury's investment adviser sectoral risk assessment, the investment adviser sector includes a diverse array of business models, from private fund advisers exempt from registration with the Securities and Exchange Commission (SEC) to larger registered investment advisers that are part of a bank or financial holding company. Treasury anticipates any changes to the scope of the rule will occur through additional rulemakings that will provide opportunities for public comment to inform the identification of unnecessary or duplicative burdens, while improving the rule's effectiveness to combat illicit finance.

- 4. Treasury has acknowledged that criminals have laundered billions of dollars through U.S. real estate, often by using anonymous shell companies and all-cash deals to hide their identities. For instance, Mexican drug cartel figures used luxury homes in South Florida and Texas as safe havens for illicit proceeds, while sanctioned Russian elites turned to high-end Manhattan condos to store wealth beyond the reach of U.S. authorities. By allowing these sanctioned individuals to invest in our real estate markets, we allow them to destabilize and disrupt U.S. housing markets and take advantage of our financial systems to park their illicit funds in the secure U.S. economy. Not only does this damage our national security, but it exacerbates ongoing housing shortages in my district and across the nation.
  - a. How will FinCEN's new real estate transparency rule, scheduled to go into effect on December 1st, improve law enforcement's ability to track illicit finance, and when can we expect FinCEN to extend similar protections to commercial real estate?

**Answer:** The Residential Real Estate Rule will combat and detect money laundering in the residential real estate sector by increasing transparency and providing highly useful information about certain non-financed residential real estate transfers to law enforcement. This Rule was drafted to reflect FinCEN's experience with its long-running geographic targeting orders (GTOs), which demonstrated both the need for increased transparency and effectiveness of such a reporting requirement. FinCEN delayed the rule's requirements until March 1, 2026, to ensure that businesses have sufficient time to understand and are equipped to abide by their compliance obligations.

- 5. Treasury has long flagged professional enablers as being under-regulated for AML/CFT activities. Similarly, the Financial Action Task Force (FATF) and the Government

Accountability Office (GAO) highlight enablers as a key vulnerability in the U.S. AML system.

- a. Can you please discuss how these gatekeepers are essential to money laundering and sanctions evasion, and how these financial facilitators are regulated in the U.S. and abroad?
- b. How is FinCEN working across the interagency and with industry to ensure that professional enablers cannot act as safe havens for illicit finance?

**Answer:** Treasury conducts risk assessments to identify and understand the most significant threats to the U.S. financial system, including money laundering (ML), terrorist financing (TF), and proliferation financing (PF). In particular, the 2024 risk assessments highlighted risks like drug trafficking and fraud. Treasury uses these assessments to inform its National Illicit Finance Strategy, which guides efforts to close regulatory gaps, promote effective risk-focused frameworks, enhance law enforcement, and leverage technology to combat illicit finance.

On the basis of these risk assessments, the United States has made significant efforts to strengthen AML/CFT supervision and preventative measures for gatekeepers and other designated non-financial businesses and professions, in line with identified risks. For instance, the Residential Real Estate Rule, effective March 1, 2026, requires “reporting persons,” which includes a variety of professionals performing specified closing or settlement functions, to report to FinCEN beneficial ownership information, amongst other pertinent information, when: (1) the property is residential real property; (2) the transfer is non-financed; (3) the property is transferred to a legal entity or trust, and (4) an exemption does not apply. The implementation of this rule is critical to addressing a gap in a sector that is particularly vulnerable to money laundering.

6. As required by the Anti-Money Laundering Act of 2020, FinCEN issued the National AML/CFT Priorities almost four years ago. FinCEN was expected to issue the mandated rulemaking to specify how financial institutions should incorporate these priorities into their risk-based AML programs, but that has yet to happen.
  - a. Do you expect the priorities to be changed by the Trump Administration, and if so, when?
  - b. Either way, when do you expect to issue the proposed rule governing the application of those priorities?

**Answer:** Treasury is committed to ensuring that financial institutions focus on the highest-priority threats to U.S. national security. In June 2024, FinCEN issued a Notice of Proposed Rulemaking (NPRM) to strengthen and modernize anti-money laundering/countering the financing of terrorism (AML/CFT) program requirements, including a proposed requirement for financial institutions to incorporate FinCEN’s AML/CFT National Priorities into these

**risk-based programs. FinCEN is considering next steps in light of the comments received on that NPRM.**

7. One of the key areas of the Anti-Money Laundering Act of 2020 (AMLA) is reform of the Suspicious Activity Report (SAR). Congress aimed to streamline the SAR form, especially for the most common SARs, such as those for structuring, which may not need a detailed narrative. *The goal was not a simple change of threshold numbers; it was intended that FinCEN would re-evaluate the format and function for SARs and Currency Transaction Reports (CTRs), to reduce burden to financial institutions while maintaining the efficacy for law enforcement and other agencies.* Unfortunately, there has been no resolution of these questions in the four years since we passed AMLA into law.
  - a. Is FinCEN planning to take the mandated steps, as required by the AML Act, thus enhancing the effectiveness of SARs and CTRs and alleviating some of the regulatory burden on banks and other financial institutions? If yes, when?
  - b. Related to the SARs issue, what's being done to encourage BSA-related technological innovation and the adoption of new technologies, given the risks to FIs of being perceived by bank regulators as straying from the norm? This might include, for example, the use of artificial intelligence for detection of anomalies that would generate a SAR or zero knowledge proofs in the application of identity to convertible virtual currency transactions? In your response, please include when exactly FinCEN expects to begin the overdue technology testing rulemaking that's mandated by the AML Act of 2020.

**Answer: FinCEN is carefully reviewing CTR and SAR reporting requirements to minimize unnecessary regulatory burdens while ensuring that financial institutions focus their resources on reporting vital information to law enforcement and national security agencies. CTRs and SARs provide critical intelligence to law enforcement and national security agencies to protect national security by combatting cartels, drug traffickers, human traffickers and smugglers, fraudsters, and terrorists.**

**However, FinCEN recognizes the substantial burden this reporting imposes on industry and that it is critical for institutions to have the ability to direct their compliance resources towards the most significant threats to national security. As part of the CTR and SAR reviews and its general innovation efforts, FinCEN is considering how it can support financial institutions' efforts to use innovative technologies and tools to improve illicit finance detection and reporting. FinCEN is working with current Treasury leadership to inform the recommendations that will be set out in the reports required under sections 6204 and 6205 of the Anti-Money Laundering Act of 2020.**

**Further, FinCEN supports financial institutions' efforts to responsibly innovate and use emerging technologies to meet their AML/CFT compliance obligations. FinCEN is considering how it can further these efforts as part of the CTR and**

**SAR reviews, as well pursuant to the GENIUS Act, which directs Treasury to evaluate how technologies, such as artificial intelligence and digital identity, can improve illicit finance detection associated with digital assets.**

8. The Anti-Money Laundering Whistleblower Improvement Act, enacted as part of the FY2023 Omnibus, made further amendments to the whistleblower provisions in the Anti-Money Laundering Act of 2020. Together, they established a statutory minimum for awards and a Financial Integrity Fund from which reward payments may be drawn, and they expanded the scope of reportable violations to include U.S. sanctions violations.
  - a. What steps are being taken to implement the whistleblower program and ensure that prospective whistleblowers are incentivized to report on violations?

**Answer: FinCEN is working to fully implement a whistleblower program that will bolster Treasury and Department of Justice (DOJ) enforcement of anti-money laundering and economic sanctions laws. Although this implementation process remains ongoing, the program is already actively contributing to national security priorities.**

Since FinCEN began accepting whistleblower information in May 2021, it has already received over 500 initial tips and over 300 follow-up submissions. The information FinCEN has received to date has contributed to investigations (both pre-existing and matters opened in response to a tip) conducted by FinCEN, the Office of Foreign Assets Control (OFAC), and DOJ.

FinCEN is actively working to fully implement the whistleblower program through the following steps:

- FinCEN is drafting a Notice of Proposed Rulemaking (NPRM). The rule, if finalized, would establish a framework for the adjudication and payment of awards.
  - FinCEN is building a public-facing online portal that individuals can use to submit tips and, later, applications for monetary awards.
  - FinCEN is enhancing its data analytics capabilities to apply them to the analysis of incoming tips and preparation of high-level reports for internal and external audiences, including FinCEN leadership, Treasury leadership, and other government stakeholders.
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**Questions for Director Gacki from Subcommittee Ranking Member Beatty:**

1. Director Gacki, can you describe how FBAR information has been used to aid investigations into financial crimes, such as money laundering or terrorist financing, excluding simple reporting failures?

**Answer:** U.S. persons must file an FBAR to report a financial interest in, or signature or other authority over, at least one financial account located outside the United States if the aggregate value of the foreign financial account(s) exceeded \$10,000 at any time during the calendar year reported. FBARs have been instrumental in identifying foreign financial institutions providing financial services wholly or in part to U.S. citizens and in identifying the accounts associated with these foreign-provided services. This has provided valuable information in connection with law enforcement and other investigations, including offering important indicia for unregistered foreign MSBs, some of which were involved in defrauding U.S. citizens of their foreign-held funds.

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**Questions for Director Gacki from Rep. Gonzalez:**

1. Director Gacki, what steps is Treasury taking to ensure that the special measures against CIBanco, Intercam, and Vector Casa de Bolsa target cartel activity without destabilizing legitimate cross-border banking? And will Treasury commit to greater transparency and clear guidance so border communities know how these measures will impact their local economies?

**Answer:** CIBanco S.A., Institución de Banca Múltiple (CIBanco), Intercam Banco S.A., Institución de Banca Múltiple (Intercam), and Vector Casa de Bolsa, S.A. de C.V. (Vector) have played vital roles in facilitating money laundering activities associated with Mexico-based cartels engaging in illicit opioid trafficking, including facilitating payments for the procurement of precursor chemicals essential for the production of illicit opioids. As set out in the relevant orders, FinCEN determined that, in light of these financial institutions' respective roles, the most appropriate means to adequately address illicit finance risks that CIBanco, Intercam and Vector pose was to impose a special measure prohibiting certain transmittals of funds involving each financial institution.

2. I was disappointed to see that the Southwest Border Geographic Targeting Order has been extended. Can you explain the reasoning behind FinCEN's decision to renew the initiative, and specifically why it chose to expand its geographic scope.

**Answer:** The Southwest Border Geographic Targeting Order (GTO), first issued in March and reissued in September, is designed to combat illicit cartel and other criminal activity, including money laundering, along the southwest border of the United States. President Trump has been clear that he will Make America Safe Again and secure the border. The GTO was issued with the support of law enforcement and will assist both FinCEN and law enforcement in identifying illicit actors exploiting money services businesses to launder the proceeds of narcotics trafficking and other crimes.

The geographic scope of the GTO was expanded in the September reissuance to include certain counties in Texas and Arizona, based on FinCEN's assessment of the money laundering risks of ports of entry along the southwest border and with support from law enforcement. In parallel, to account for the burden on industry, FinCEN increased the reporting threshold from \$200 to \$1000.

3. What metrics has FinCEN used to evaluate whether the GTO has actually disrupted cartel activity, and how are those results being weighed against the significant compliance costs for small MSBs and their customers? Will you commit to working with us to strike a better balance?

**Answer:** The Southwest Border GTO is focused on collecting reporting on certain cash transactions expected to be highly useful to investigations relating to money laundering and related criminal activity, such as narcotics trafficking. FinCEN and law enforcement are taking concrete steps to utilize the resulting data. At the

same time, FinCEN remains committed to striking the appropriate balance between the significant law enforcement and national security value of this information and the burdens this reporting requirement imposes. FinCEN has publicly committed to continuing to assess that balance on an ongoing basis, as demonstrated by FinCEN's decision to raise the threshold for filing by a significant amount—from \$200 to \$1,000—when the GTO was renewed in September.

4. Director Gacki, I appreciate the need to combat money laundering in real estate, and I think the Residential Real Estate Reporting Rule is an important step in doing so. At the same time, I have heard from numerous small title insurance businesses in Texas that meeting the December 1st compliance deadline will be extremely challenging. Texas is the largest title insurance market in the country, with over 20,000 title insurance companies, roughly 90% of which are small businesses. Should Congress work with the Treasury Department to ensure community banks, credit unions, and small businesses can comply without disruption?

**Answer:** On September 30, 2025, FinCEN issued exemptive relief that postponed the reporting requirements of the Residential Real Estate Rule until March 1, 2026. As a result, reporting persons are exempt from the requirement to file reports for reportable transfers that close prior to March 1, 2026.

5. A growing number of foreign banks are now including Microsoft 365 tenant configuration drift in their internal security audits, given the significant number of breaches linked to misconfigured Microsoft 365 environments both in the United States and abroad. When does the FinCEN plan to require U.S. banks to include this as a mandatory item in their security checklist?

**Answer:** Treasury works closely with the Federal Banking Agencies — the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation — which review information security as part of their overall safety and soundness exams. We would encourage Congress to engage with those agencies on this matter.