



# Regulatory Alert

## Regulatory Insights

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## Countering financial crime: 2022 National Strategy for Combating Terrorist and Other Illicit Financing

*The priorities and supporting actions of the 2022 Strategy are intended to address “significant” illicit finance threats and vulnerabilities. Notably, they are very broad in scope covering issues/areas raised in FinCEN’s AML/CFT National Priorities, Treasury’s 2022 National Risk Assessments, and multiple executive orders related to corruption, cybersecurity, and digital assets. The unprecedented levels of economic and financial sanctions activity associated with the Russia-Ukraine war have served to punctuate AML/CFT risks. Financial institutions should look to the 2022 Strategy as a guide to assessing their illicit finance exposure as well as to the areas of regulatory focus over the next few years. In the near term, financial companies should expect both new rulemakings and increased regulatory attention on matters involving beneficial ownership, customer due diligence, SAR filings, anti-corruption compliance programs, cybercrime, and virtual assets (crypto and digital currencies.)*

The U.S. Department of the Treasury released the [2022 National Strategy for Combating Terrorist and Other Illicit Financing](#) (2022 Strategy), with the stated aim of strengthening the existing anti-money laundering and combating the financing of terrorism (AML/CFT) regulatory framework, and increasing the transparency of the U.S. financial system. Treasury adds that the U.S. AML/CFT framework “must stay ahead of evolving threats, vulnerabilities, and risks and adapt to structural and technological changes in financial services and financial crime.” The 2022 Strategy presents four key priority recommendations, fourteen supporting actions to achieve them, and benchmarks for measuring progress on the actions. Illicit finance threats and vulnerabilities are detailed in appendices.

The 2022 Strategy identifies these four priorities:

1. Increase transparency and close legal and regulatory gaps in the U.S. AML/CFT framework.
2. Make the AML/CFT regulatory framework for financial institutions more efficient and effective.

3. Enhance operational effectiveness in combating illicit finance.
4. Support technological innovation and harness technology to mitigate illicit finance risks.

Outlines of each of these priorities and the related supporting actions follow.

### 1. **Increase transparency and close legal and regulatory gaps in the U.S. AML/CFT framework.**

Treasury is seeking to prevent illicit exploitation of access to the U.S. financial system by means of shell companies and all-cash real estate purchases, which are described as “significant areas for improvement.” Supporting actions include:

- Finalizing rules implementing beneficial ownership information (BOI) reporting requirements (in December 2021, the Financial Crimes Enforcement Network (FinCEN) issued a [proposed rule](#)) as well as establishing a beneficial ownership registry.



- Finalizing rules to address non-financed real estate transactions, in both the residential and commercial sectors.
- Furthering efforts to assess whether comprehensive and uniform AML/CFT obligations should be applied to “certain types of financial intermediaries, gatekeepers, and other professions or sectors” that are not currently subject to comprehensive AML/CFT measures. This might include investment advisers, lawyers, accountants, trust or company service providers, art and antiquities dealers, and dealers in precious metals, stones, and jewels.
- Monitoring, pursuant to Executive Order 14067, [Ensuring Responsible Development of Digital Assets](#), the extent to which digital assets are used for illicit activities and exploring opportunities to mitigate these risks through regulation, supervision, public-private engagement, oversight, and enforcement.

## 2. **Make the AML/CFT regulatory framework for financial institutions more efficient and effective.**

Treasury plans to achieve this by providing clear compliance guidance, sharing information appropriately, and fully funding supervision and enforcement. Supporting actions include:

- Public and private sector exploration of modifications and updates to AML/CFT reporting requirements, such as automating certain suspicious activity reports (SARs) and currency transaction reports (CTRs).
- Enhancing risk- and outcome-focused supervision, including updating the AML program rules (following a September 2020 ANPR) consistent with the AML/CFT National Priorities (released June 2021).
- Resourcing supervision for certain nonbank financial institutions or providers of certain higher risk financial services (such as virtual asset-focused financial institutions) across Treasury and certain other federal, state, and territorial regulators.

## 3. **Enhance operational effectiveness in combating illicit finance.**

Treasury aims to support enhancing the efficacy of law enforcement, other U.S. government agencies, and international partnerships in combating illicit finance. Supporting actions include:

- Regularly updating and communicating illicit finance risks and AML/CFT national priorities.

(Treasury published National Risk Assessments for Money Laundering Terrorist Financing, and Proliferation Financing in March 2022, and AML/CFT National Priorities in June 2021.)

- Prioritizing targeted measures and interagency coordination to disrupt illicit finance activity, including 1) empowering and optimizing law enforcement, 2) modernizing the U.S. financial sanctions architecture, and 3) improving the efficiency and effectiveness of asset recovery programs.
- Expanding government engagement on information sharing beyond the largest financial institutions to include companies “at the intersection of payments and merchandise purchases,” including incorporating certain money services businesses providing virtual (digital) asset services (VASPs) into FinCEN’s 314(a) program, which allows them to locate accounts and transactions for individuals identified in illicit finance.
- Strengthening implementation of global AML/CFT standards by 1) supporting FATF’s efforts, 2) providing partner countries with technical assistance, 3) coordinating information sharing and collaboration with foreign partners, and 4) strengthening the risk-based approach to supervision, especially of those businesses that provide critical products and services to customers at risk of exclusion.

## 4. **Support technological innovation and harness technology to mitigate illicit finance risks.**

Treasury aims to promote the use of new technologies to keep advancing the AML/CFT supervisory and regulatory framework while maintaining the capabilities to identify and address new technology-enabled vulnerabilities, including regulatory gaps, that could be exploited. Supporting actions include:

- Using technology to improve private sector AML/CFT compliance, including development of digital identity solutions, updated customer identification programs, and incentivizing the use of AI for transaction monitoring.
- Enhancing the use of AI and data analytics in government efforts to combat illicit finance, employing advanced tools and processes to operationalize bulk datasets and optimize the use of SARs in trend analysis and lead generation, and encouraging financial institutions to adopt

and leverage similar capabilities, particularly with regard to virtual assets and ransomware.

- Promoting U.S. leadership in financial and payments technology through modernization of the payments infrastructure (including FRB’s FedNow service), pursuing a regulatory

framework for stablecoins, and considering the potential development of a U.S. central bank digital currency (CBDC).

**For additional information**, please contact [John Caruso](#).

**See below for more information:**

- Treasury Press Release: [Treasury Announces 2022 National Illicit Finance Strategy](#)
- [2022 National Strategy for Combating Terrorist and Other Illicit Financing](#)
- Treasury Press Release: [Treasury Publishes National Risk Assessments for Money Laundering, Terrorist Financing, and Proliferation Financing](#)
- [KPMG Regulatory Alert | U.S. actions to Russia-Ukraine war: Sanctions, prohibitions, virtual currency exchanges](#)
- [KPMG Regulatory Alert | Countering corruption: Beneficial ownership, Real-estate transactions](#)
- [KPMG Special Alert | AML/CFT priorities](#)

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