

Treasury releases 2024 national illicit finance strategy

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The U.S. Treasury Department released its 2024 national illicit finance strategy, which outlines the U.S. government's goals, objectives, and priorities to disrupt and prevent illicit financial activities.

On May 16, the U.S. Department of the Treasury (Treasury) released its [2024 National Strategy for Combatting Terrorist and Other Illicit Financing](#) (2024 Strategy), which sets out Treasury's priorities and objectives to combat illicit financial activities. The 2024 Strategy follows Treasury's February 2024 [Illicit Finance Risk Assessments](#) (discussed in this [client update](#)), which provided Treasury's assessment of the key illicit finance vulnerabilities facing the United States through money laundering, terrorist financing, and proliferation financing. The 2024 Strategy builds on Treasury's 2022 Illicit Finance Strategy (discussed in this [client update](#)) and, among other things, describes Treasury's proposed regulatory and policy initiatives to address illicit finance threats, including enhancements to the U.S. anti-money laundering and countering the financing of terrorism (AML/CFT) regime.

The goals and priorities identified in the 2024 Strategy are consistent with those identified in the 2022 Illicit Finance Strategy, and many revolve around the continued implementation of the Anti-Money Laundering Act of 2020 (the AML Act), which required Treasury's Financial Crimes Enforcement Network (FinCEN) to issue a number of rules updating the Bank Secrecy Act (BSA). FinCEN has taken a number of steps since 2022 to address many of the priorities identified in the 2022 Illicit Finance Strategy. For example, FinCEN has issued two of three final rules to implement the Corporate Transparency Act (CTA).¹ FinCEN has also issued proposed rules that would impose AML/CFT compliance requirements on certain investment advisers, including those registered with the Securities and Exchange Commission (RIAs),² and establish reporting requirements for certain non-financed real estate transactions.³ Notably – and consistent with the 2024 Illicit Finance Risk Assessments – Treasury emphasized the need to expand the scope of AML/CFT compliance obligations to sectors that are not currently subject to the BSA in order to “close regulatory gaps.”

We provide below a summary of the 2024 Strategy and the key priorities and objectives identified by Treasury.

Priorities to address illicit finance threats

According to Treasury, “[t]he overall goals of the 2024 Strategy are (1) to maintain momentum in modernizing the U.S. AML/CFT regime...; (2) to enhance the effectiveness in combating illicit finance...; and (3) to deny criminals and those who threaten U.S. national security access to the U.S. financial system and hold them accountable for the harm they inflict.” To accomplish these goals, the 2024 Strategy is organized around four priorities, which remain the same as those identified in the 2022 Illicit Finance Strategy: (1) assess and address legal and regulatory gaps in the U.S. AML/CFT regimes (Priority 1); (2) make the U.S. AML/CFT regulatory and supervisory framework for financial institutions more risk-focused and effective (Priority 2); (3) enhance the operational effectiveness of law enforcement and other U.S. government agencies in combating illicit finance (Priority 3); and (4) support responsible technological innovation and harness technology to mitigate illicit finance risks (Priority 4).

The 2024 Strategy provides 15 supporting actions, which also broadly align with 2022 Illicit Finance Strategy, that will advance the 2024 Strategy's four priorities. According to the 2024 Strategy, Treasury and other relevant U.S. government stakeholders plan to implement the supporting actions by the release of the 2026 Illicit Finance Strategy.

Priority 1 – Assess and address legal and regulatory gaps in the U.S. AML/CFT regime.

Consistent with the 2022 Illicit Finance Strategy, the 2024 Strategy states that Treasury will continue to “assess and address legal and regulatory gaps in the U.S. AML/CFT regime” in order to support U.S. national security, bolster law enforcement investigations and prosecutions, inform targeted actions such as sanctions, and create economic benefits. To accomplish Priority 1, the 2024 Strategy provides the following supporting actions:

- **Supporting action 1.** *Implement the CTA, provide authorized access to BOI, protect data, and promote compliance.* Since 2022, FinCEN has finalized two of the CTA’s three mandatory rulemakings intended to establish the national beneficial ownership registry, including a [final rule](#) requiring certain companies to report information related to their beneficial owners and company applicants (the BOI Reporting Rule) and a [final rule](#) that establishes the requirements that will govern how financial institutions and government entities will access beneficial ownership information (BOI) reported to FinCEN and stored in the national beneficial ownership registry (the Access Rule). The 2024 Strategy states that Treasury will continue its efforts to operationalize user access to BOI, pursuant to the Access Rule, and will propose and finalize a rule that will amend FinCEN’s existing Customer Due Diligence Rule (CDD Rule), which is the CTA’s third mandatory rulemaking. The 2024 Strategy did not provide a timeline for either measure.
- **Supporting action 2.** *Bring greater transparency to real estate transactions.* As discussed in our [client update](#), in February 2024, Treasury issued a [proposed rule](#) that would enhance the transparency and regulation of the domestic real estate market, specifically by imposing reporting requirements on certain non-financed (i.e., all cash) residential real estate transactions. The 2024 Strategy states that Treasury will continue to study and address the vulnerability of non-financed real estate purchases and will “consider comments” received in response to the proposed rule. Treasury did not provide an estimated date for the publication of the final rule.
- **Supporting action 3.** *Assess the need for additional action on sectors not subject to comprehensive AML/CFL Measures.* Consistent with the 2024 Illicit Finance Risk Assessments and prior statements by Treasury, the 2024 Strategy emphasized the need to “close regulatory gaps” by extending AML/CFT compliance obligations under the BSA to certain sectors that are not currently subject to comprehensive AML/CFT measures. Notably, over the past year, FinCEN published a [proposed rule](#) that would apply AML/CFT program, suspicious activity reporting (SAR) and customer identification program (CIP) requirements to certain investment advisers (as discussed in our client updates [here](#) and [here](#)). Treasury will continue to assess AML/CFT risks related to other sectors, including third-party payment processors, the art and antiquities markets, attorneys, accountants, and trust service providers, which are not currently subject to the BSA. Treasury also plans to support efforts by the American Bar Association and the legal sector to adopt ethics rules that institute AML/CFT measures for attorneys. Although the 2024 Strategy did not announce concrete plans or rulemakings to expand the BSA to other sectors, Treasury noted that it will “assess” the need for further regulation.
- **Supporting action 4.** *Consider updates to the regulatory requirements and supervisory framework for virtual asset activities.* The 2024 Strategy repeats Treasury’s view (expressed on many occasions) that AML/CFT compliance obligations and standards should be applied more uniformly with respect to virtual assets and virtual asset service providers (VASPs). As discussed in our [client update](#), in October 2023, FinCEN issued a [proposed rule](#) “that identified international Convertible Virtual Currency Mixing (CVC mixing) as a class of transactions of primary money laundering concern.” Similarly, in 2023, Treasury published its “Illicit Finance Risk Assessment on Decentralized Finance (DeFi),” which recommended evaluating AML/CFT regulations, as applied to DeFi services. The 2024 Strategy states that Treasury plans to ensure federal regulators are sufficiently resourced to supervise those engaged in virtual asset activities and effectively enforce AML/CFT and sanctions violations. The 2024 Strategy also signals Treasury’s intent to continue to take a proactive enforcement posture with respect to AML/CFT and sanctions compliance in the virtual asset sector.

Priority 2 – Make the U.S. AML/CFT regulatory and supervisory framework for financial institutions more risk-focused and effective.

The AML Act’s overhaul of the BSA was intended, among other things, to update outdated requirements and better incorporate risk-based principles into the U.S. AML/CFT regulatory regime. The 2024 Strategy acknowledges that that an effective AML/CFT regulatory regime enables financial institutions to focus on high-risk customers and activities, and it proposes a number of actions to “make the U.S. AML/CFT regulatory and supervisory framework for financial institutions more risk-focused and effective.” To accomplish Priority 2, the 2024 Strategy provides the following supporting actions:

- **Supporting action 5.** *Assess the potential need to revise recordkeeping and reporting requirements and thresholds.* Under sections 6204, 6205, and 6216 of the AML Act, Congress directed FinCEN to review current BSA regulations, guidance, recordkeeping and reporting requirements, and dollar thresholds for certain reporting requirements. FinCEN will use these reviews to consider whether regulatory changes would better enable financial institutions to focus on higher risk customers and activities. The 2024 Strategy's priority areas are to “complete AML Act-mandated reports related to (1) streamlining requirements and assessing dollar thresholds for certain reporting requirements and (2) reviewing implementing regulations...that may be outdated, redundant, or otherwise do not promote a risk-based AML/CFT regime, or do not conform with international standards to combat...financial crimes.”
- **Supporting action 6.** *Enhance risk-focused supervision and enforcement.* The 2024 Strategy highlights the value of a risk-focused approach to AML/CFT supervision and compliance. Accordingly, FinCEN plans to issue a proposed rule to revise AML program requirements to further incorporate a risk-based approach, and the Federal Financial Institutions Examination Council (FFIEC) continues to update its BSA/AML Examination Manual to ensure examiners evaluate financial institutions on a risk-basis. In July 2022, FinCEN issued a [statement](#) reminding banks to “apply a risk-based approach to customer due diligence when developing their customers’ risk profiles.”
- **Supporting action 7.** *Appropriately resource AML/CFT supervision and enforcement for certain non-bank financial institutions.* The 2024 Strategy recognizes that a lack of supervisory resources can delay and inhibit the effectiveness of AML/CFT regulations, and resource constraints present an ongoing challenge for FinCEN, the IRS, and state and territorial financial regulators with respect to non-bank financial institutions, such as money services businesses (MSBs). Treasury stated that supervisory resources and attention are increasingly at a premium following the growth of new payment channels and VASPs, which has shifted resources and attention away from traditional MSBs. The 2024 Strategy reiterates that efficient MSB supervision depends on reporting systems and state-federal cooperation, and that additional resources at the federal level may be required. To that end, the 2024 Strategy proposes a number of potential actions, including the development of a sustainable funding model for supervision and enforcement of non-bank financial institutions and increased supervisory cooperation through multistate exams.

Priority 3 – Enhance the operational effectiveness of law enforcement and other U.S. government agencies in combating illicit finance.

Acknowledging that illicit actors exploit jurisdictions with weaker AML/CFT regulatory regimes, the 2024 Strategy commits to communicating efficiently with the private sector and international partners to strengthen global effectiveness of AML/CFT measures. To accomplish Priority 3, the 2024 Strategy provides the following supporting actions:

- **Supporting action 8.** *Regularly update and communicate illicit finance risks and National AML/CFT Priorities.* The 2024 Strategy emphasizes the need for greater communication between the public and private sectors and underscores that a “shared understanding between the public and private sectors on the most significant illicit finance risks...remains foundational” to applying a risk-based approach to AML/CFT compliance. According to the 2024 Strategy, Treasury will continue to promote regulatory guidance and communication (e.g., through National Risk Assessments and advisories). FinCEN highlights the AML/CFT National Priorities – which were published in 2021 – as one example of the U.S. government’s efforts to assist financial institutions in meeting their AML/CFT compliance obligations. Notably, though, FinCEN has yet to publish a proposed rule that would establish how the AML/CFT National Priorities should be implemented into financial institutions’ AML/CFT compliance programs, and the 2024 Strategy does not discuss the timeline for that rulemaking.
- **Supporting action 9.** *Prioritize targeting measures and interagency and multilateral coordination to disrupt illicit finance activity.* The 2024 Strategy highlighted the importance of interagency and international coordination in targeting illicit financial activities, including money laundering, sanctions evasion, and corruption. To that end, the 2024 Strategy highlighted a number of actions to increase cooperation at an international level – including participation in global asset recover efforts and increased international coordination in sanctions designations. Treasury also signaled its intent to mitigate the challenges that sanctions can raise for humanitarian efforts by issuing and amending new general licenses for humanitarian-related activities. The 2024 Strategy also noted that FinCEN intends to issue a proposed rule to govern a formal FinCEN whistleblower program.
- **Supporting action 10.** *Expand and enhance public-private information sharing.* The 2024 Strategy confirms that private-public partnerships will continue to be a key aspect of Treasury’s AML/CFT initiatives moving forward. Among other things, Treasury intends to support continued coordination between public and private entities to “convene operational private-public exchanges, including FinCEN Exchanges, to share information on specific threats, typologies, and targets.” Most notably, however, Treasury states that FinCEN’s Section 314(a) program will be expanded to include additional MSBs, including VASPs.
- **Supporting action 11.** *Strengthen implementation of global AML/CFT standards.* In light of increased integration of the international financial system, the U.S. government intends to (1) take an active leadership role in the Financial

Action Task Force to ensure it can continue to address illicit finance risks and challenges; (2) support and develop partner governments' capacity to combat corruption; and (3) continue its robust information sharing and joint action with foreign partners to improve individual and collective actions against illicit finance networks.

- **Supporting action 12.** *Implement treasury's strategy to combat de-risking and improve financial inclusion.* Acknowledging that financial institutions' efforts to mitigate AML/CFT risk exposure can have an adverse effect on financial inclusion, the 2024 Strategy commits to strengthening the risk-based approach to AML/CFT compliance while minimizing the potential adverse effects of de-risking. The U.S. government intends to continue to advance the Treasury Department's 2023 De-risking Strategy's recommendations (discussed in our [client update](#)) by supporting international efforts on de-risking and exploring ways to track and measure de-risking on domestically unbanked and underbanked communities.

Priority 4 – Support responsible technological innovation and harness technology to mitigate illicit finance risks.

Recognizing that financial technology has significantly evolved since 2022, the 2024 Strategy states that the U.S. government will continue to promote the benefits of technological innovation while tracking and mitigating illicit finance vulnerabilities. To accomplish Priority 4, the 2024 Strategy provides the following supporting actions:

- **Supporting action 13.** *Support U.S. leadership in financial and payments technology.* The U.S. government is committed to preserving its global financial leadership, maintaining its economic and national security tools, advancing financial inclusion and privacy, and combating illicit finance. Treasury intends to influence new payment technologies to promote privacy, minimize the risk of illicit financial transactions, and promote inclusion. The 2024 Strategy also notes that the Federal Reserve will continue to modernize the U.S. payments infrastructure, including FedNow.
- **Supporting action 14.** *Encourage private sector use of technology to improve AML/CFT programs and compliance.* The 2024 Strategy recognizes the need to provide additional clarity to financial institutions in accepting new digital forms of identification and preventing fraud. It advises the U.S. government to encourage the development of compliance solutions for the virtual assets ecosystem and engage with financial institutions on how to incorporate these products into their AML/CFT compliance programs. Moreover, the 2024 Strategy indicates that there will be a proposed rule under section 6209 of the AML Act to specify standards on how financial institutions should test technology.
- **Supporting action 15.** *Continue to enhance use of AI, data analytics, and additional technological innovations in government efforts to combat illicit finance.* The 2024 Strategy notes that data analytics and artificial intelligence (AI) continue to play an increasingly important role in informing policymakers of illicit finance threats and vulnerabilities. To harness these benefits, the 2024 Strategy proposes a number of measures to leverage AI and related technologies for regulatory and law enforcement purposes, including the development of an AI-enabled Treasury data platform and interagency collaboration to define identity adversarial tactics, techniques, and procedures that target the U.S. financial system.

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- ¹ FinCEN's final rule governing reporting of beneficial ownership information is described in our October 6, 2022, [client update](#), and the final rule governing access to beneficial ownership information by financial institutions, regulators, and law enforcement is discussed in our December 28, 2023, [client update](#).
- ² FinCEN's proposed rules on AML/CFT program, customer identification, and suspicious activity reporting requirements are discussed in our February 21, 2024 [client update](#), and May 21, 2024, [client update](#).
- ³ FinCEN's proposed rule on real estate transactions is discussed in our February 15, 2024, [client update](#).