Congressional Research Service
Informing the legislative debate since 1914

IN FOCUS

Updated February 4, 2025

U.S. Efforts to Combat Money Laundering, Terrorist Financing, and Other Illicit Financial Threats

The United States maintains a multifaceted policy regime for tackling anti-money laundering (AML), combating the financing of terrorism (CFT), and countering illicit financial threats. The 119th Congress may focus on oversight of the U.S. government's legal, regulatory, enforcement, and diplomatic AML/CFT efforts—with possible emphasis on how to mitigate potential AML/CFT threats posed by cryptocurrencies and implementation of the Corporate Transparency Act (CTA; Title LXIV, Division F of P.L. 116-283).

Background

Misuse of the international financial system, including for purposes of money laundering and terrorist financing, can result in significant economic, political, and security consequences at both national and international levels. *Money laundering* refers to the process of disguising financial assets so they can be used without revealing their underlying illicit source or nature (e.g., proceeds of fraud, corruption, and contraband trafficking). *Terrorist financing* refers to the process of fundraising, through both licit and illicit means, and financially sustaining terrorist groups. Other illicit financial threats span a wide range of global concerns, including proliferation finance, tax evasion, sanctions evasion, and the financial facilitation of other state or nonstate threat actors.

Despite ongoing AML efforts in the United States, policymakers face challenges in their ability to counter money laundering effectively. Challenges include the diversity of illicit methods to move and store ill-gotten proceeds through the international financial system (e.g., trade-based money laundering and misuse of anonymous shell companies), as well as the mix of addressing both newer money laundering concerns (e.g., cyber-enabled financial crimes and misuse of new payment technologies) and well-established methods (e.g., bulk cash smuggling). Challenges also include ongoing gaps in legal, regulatory, and enforcement regimes, as well as costs associated with financial institution compliance with global AML laws.

International Framework

Given the global nature of the international financial system and the transnational criminal activity that attempts to exploit it, the United States and other countries have engaged in a variety of international efforts designed to improve global AML responses and build international cooperation and information sharing on AML issues, including through formal bilateral requests for mutual legal assistance on financial crime investigative matters. Multiple international organizations contribute to international AML cooperation through global standard setting, cross-border information sharing, AML assessment and monitoring, and AML technical assistance.

Some entities, such as the Financial Action Task Force and the Basel Committee on Banking Supervision, provide standard-setting guidance relevant to AML matters. Others, such as the Egmont Group of Financial Intelligence Units and the International Criminal Police Organization, contribute to the implementation of such standards through information sharing. The United Nations Office of Drugs and Crime, the World Bank, and the International Monetary Fund also maintain capabilities to monitor and assess national AML policies and provide technical assistance on AML capacity-building priorities. Other international and regional organizations—including the Organisation for Economic Co-operation and Development, the G-20, and the Organization of American States—have working groups and initiatives focused on various AML matters.

Statutory Framework

In the United States, the legislative foundation for domestic AML regulation originated in 1970 with the Bank Secrecy Act (BSA; P.L. 91-508) and its major component, the Currency and Foreign Transactions Reporting Act. Amendments to the BSA and related provisions in the 1980s and 1990s expanded AML policy tools available to combat crime—particularly drug trafficking—and prevent criminals from laundering their illicitly derived profits.

Key elements to the BSA's AML framework, which are codified in Titles 12 (Banks and Banking) and 31 (Money and Finance) of the *U.S. Code*, include requirements for customer identification, recordkeeping, reporting, and compliance programs intended to identify and prevent money laundering. Substantive criminal statutes in Titles 31 and 18 (Crimes and Criminal Procedures) of the *U.S. Code* prohibit money laundering and related activities and establish civil and criminal penalties and forfeiture provisions. Federal authorities have also applied administrative forfeiture, nonconviction-based forfeiture, and criminal forfeiture tools to combat money laundering.

In response to the September 11, 2001, terrorist attacks, Congress expanded the BSA's AML framework to add provisions to combat the financing of terrorism through the USA PATRIOT Act (P.L. 107-56). This provided the executive branch with greater authority and additional tools to counter the convergence of illicit threats, including the financial dimensions of organized crime, corruption, and terrorism. Two decades later, the Anti-Money Laundering Act of 2020 (AMLA, Division F of the William M. [Mac] Thornberry National Defense Authorization Act for

FY2021; P.L. 116-283), provided for wide-ranging updates to the BSA.

Regulatory Framework

The BSA's AML framework is premised on banks and other covered financial entities filing a range of reports with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) when their clients engage in suspicious financial activity, large cash transactions, or certain other financial behavior. The accurate, timely, and complete reporting of such activity to FinCEN flags situations that may warrant further investigation by law enforcement. Other reports must be submitted to FinCEN by individuals transporting large amounts of cash internationally, persons with certain foreign financial accounts, and nonfinancial entities conducting large cash transactions.

Federal financial institution regulators—including the Federal Reserve, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency—conduct oversight and examine entities under their supervision for compliance with BSA/AML requirements. These regulators are responsible for the safety-and-soundness examinations of the institutions they supervise and generally conduct BSA examinations concurrently with those routine inspections. When there is cause to do so, any of the regulators may carry out a special BSA examination. Enforcement actions for AML violations may result in civil and/or criminal penalties. Other federal agencies with AML responsibilities include the Securities and Exchange Commission and the Commodity Futures Trading Commission. The Internal Revenue Service also enforces BSA compliance, particularly for nonbank financial institutions not regulated by other federal agencies, such as money service businesses, casinos, and charities.

Selected Policy Developments

Corporate Transparency Act Implementation

A component of AMLA, the Corporate Transparency Act (CTA) sought to address perceived gaps in the U.S. AML framework related to the potential misuse of anonymous shell companies for money laundering (AMLA added 31 U.S.C. §5336). The CTA requires beneficial owners of certain legal entities to provide FinCEN with identifying information. (*Covered beneficial owners* is defined, in part, to mean persons who directly or indirectly own 25% or more of a legal entity or exercise "substantial control" over it.) Covered entities must update information as it changes. FinCEN must store the information in a nonpublic database for at least five years and allow various U.S. government entities and financial institutions to access the information, subject to certain terms. Under the act, unauthorized disclosure of this information to the public is subject to criminal and civil penalties. FinCEN began accepting beneficial ownership information (BOI) reports on January 1, 2024. However, the effective compliance date for the CTA's reporting requirements may hinge on the outcome of U.S. court litigation. Some Members of the 119th Congress have introduced bills in both the House and Senate to repeal the CTA (H.R. 425/S. 100).

Selected FinCEN Rulemakings

In addition to CTA-related rulemakings, FinCEN issued two rulemakings to expand the BSA's applicability to certain non-financed residential real estate transfers (August 2024) and investment advisors (September 2024). The Biden Administration portrayed the completion of these rules as achievements in furtherance of the *U.S. Strategy on Countering Corruption*, issued in December 2021. FinCEN also identified financial institutions as "of primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act (31 U.S.C. §5318A) or Section 9714 of the Combating Russian Money Laundering Act (P.L. 116-283), including Bitzlato (January 2023), Al-Huda Bank (July 2024), and PM2BTC (October 2024).

During the Biden Administration, FinCEN also contemplated, but did not finalize, further BSA/AML rulemakings—some of which were mandated by AMLA. Such proposed rules addressed: transactions involving convertible virtual currency (CVC) or digital assets (January 2021); dealers in antiquities (September 2021); a pilot program to permit U.S. financial institutions to share certain BSA/AML information with their foreign branches, subsidiaries, and affiliates (January 2022); a process for issuing "no-action letters" that indicated FinCEN's disinclination to pursue enforcement action (June 2022); CVC mixing (October 2023); customer identification programs for registered investment advisers and exempt reporting advisers (May 2024); and enhancements to AML/CFT program requirements (July 2024).

Cryptocurrency Regulation?

Whether (or to what extent) the digital asset industry requires enhanced AML regulation and how certain financial technology (fintech) falls within the scope of U.S. sanctions were issues contemplated by the 118th Congress and may be further addressed in the 119th Congress. In November 2023, Treasury submitted to Congress a request for legislative changes to existing AML and sanctions laws, claiming that the changes would strengthen U.S. CFT policy tools and shore up Treasury's authorities to reach across a potentially broader spectrum of digital asset industry participants. Several bills introduced in the 118th Congress would have addressed, at least in part, some of Treasury's proposals. The bills also raised complex policy questions regarding the desired scope of AML regulations for virtual asset service providers, anonymizing services, virtual currency or digital asset kiosks, and other decentralized service providers, such as unhosted wallet providers, digital asset mixers, miners, validators, and other nodes in the cryptocurrency-related ecosystem. Signaling a potential shift in U.S. policy in this area, President Trump issued Executive Order 14178 on January 23, 2025, Strengthening American Leadership in Digital Financial Technology. Among other instructions, the order revoked two Biden Administration policies on digital assets that referred in part to addressing illicit finance risks posed by misuse of digital assets.

Rena S. Miller, Specialist in Financial Economics
Liana W. Rosen, Specialist in International Sanctions and Financial Crimes

Disclaimer