

Opening Statement of Jonathan H. Burke
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Before the United States House of Representatives Committee on Financial Services
Subcommittee on National Security, Illicit Finance, and International Financial Institutions
April 22, 2026

Good afternoon, Chairman Davidson, Ranking Member Beatty, Chairman Hill, Ranking Member Waters, and distinguished Members of the Committee, thank you for the opportunity to appear before you today. My name is Jonathan Burke and I serve as Assistant Secretary of the Treasury for Terrorist Financing. I look forward to engaging with you all this afternoon to discuss how under the leadership of President Trump and Secretary Bessent, the Treasury Department is safeguarding the United States and its financial system from abuse by illicit actors.

I'd like to focus my testimony today on three areas: (1) providing a brief background on the role of the Office of Terrorist Financing and Financial Crimes, which I lead; (2) highlighting what I see as the most potent vulnerabilities threatening the integrity of the U.S. financial system; and (3) discussing President Trump's core policy priorities for countering illicit finance.

While this is my first time addressing this committee, I am no stranger to its vital work, the Treasury Department, or public service. I previously served in this same office, from 2008–2012 as a career policy advisor. During that time, my work focused on identifying, disrupting, and preventing financial activity linked to Iran—and maximizing the impact of Treasury's economic measures against the regime. Much of that same work continues today, with even greater urgency and consequence.

Fourteen years later, it is an honor and privilege to return to Treasury to lead this office as Assistant Secretary, after more than a decade working in the banking and financial services sector on sanctions and illicit finance issues.

By statute, TFFC is responsible for formulating and coordinating comprehensive anti-money laundering and counter-terrorism financing policies on behalf of the Treasury Department. We are the policy office for Treasury's national security functions, working across the interagency and our sister offices, which include the Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN), among others. We identify how to best leverage Treasury's financial tools and authorities to respond to illicit finance threats, ranging from cartels and cybercriminals to terrorist financiers and transnational fraud rings. TFFC also leads Treasury's foreign and private sector outreach on national security issues, engaging with foreign governments, international organizations such as the Financial Action Task Force (FATF), financial institutions, and other stakeholders to address financial vulnerabilities around the world.

Threats and Vulnerabilities

Returning to the Department late last year, I was struck not only by how some of the illicit finance challenges facing the United States have endured—including Iran, drug cartels, and terrorist financing—but also by the sobering array of new and emerging threats and issues.

Fraud—enabled by social media, AI, and rapid payments systems—is wreaking havoc across society. Rampant organized criminal groups have built massive scam centers overseas for the sole purpose of pillaging Americans’ lifesavings at scale, while fraudsters at home rip off American taxpayers to the tune of \$500 billion dollars annually. Fraud has emerged as a defining challenge in the United States. President Trump and Secretary Bessent have been clear that we will not tolerate the egregious, unchecked fraud occurring in our borders and against our citizens.

U.S. adversaries are also employing increasingly sophisticated ways to access funds and evade U.S. sanctions. Through shadow fleets and shell companies, digital assets, proxy accounts and new payment systems, their financial wherewithal has become significantly more advanced. As a result, there is a strong need for all of us—both in government and in the private sector—to be more proactive, attentive, and vigilant in the face of these risks.

As cartels and drug traffickers have peddled narcotics and caused violence across American communities, their financial sophistication has similarly kept pace. Their activities are enabled by symbiotic partnerships with Chinese Money Laundering Networks that move billions of dollars across borders, both in and outside the bounds of the formal financial system.

The proliferation of new payments systems and financial products has been a revolution—upending the roles that banks have traditionally played and creating countless new channels for individuals, businesses, and illicit actors all to transact and move funds.

Both President Trump and Secretary Bessent have underscored that economic security is national security. We recognize that illicit finance threats jeopardize not only our economic security, but also the integrity of the U.S. and global financial systems. Preventing and disrupting these threats is an urgent priority for us.

Priorities for Countering Illicit Finance

Addressing these varied threats requires that we effectively align our resources and capabilities to the greatest risks that we face. I would like to highlight three priorities in particular: (1) countering fraud; (2) combatting the threats posed by Iran; and (3) modernizing our illicit finance regulatory regime.

Secretary Bessent is following through on President Trump’s pledge to eliminate fraud nationwide. Treasury is working with the Task Force to Eliminate Fraud—led by Vice President Vance—to find and stop fraud across the country. Over the last several months, Secretary Bessent announced several initiatives to safeguard taxpayer dollars against fraud. We are mobilizing a whole-of-government effort—leveraging financial intelligence, interagency coordination, asset seizure and forfeiture authorities, and law enforcement partnerships—to disrupt the networks, recover funds, and hold those responsible accountable. To support financial institution and law enforcement’s understanding of and interdiction of fraud, my office on behalf of Treasury issued in March the National Money Laundering Risk Assessment, which profiles how different types of fraud dwarf all other financial crimes. As follow-up, we are engaging financial institutions, social media firms, and other stakeholders on specific steps they and the

U.S. government can take to identify and stop fraud. My team is hard at work drafting a National Illicit Finance Strategy to be published in the coming months and countering fraud will be a centerpiece. On the international front, we lead engagement on fraud both at the Financial Action Task Force, whose Ministers just endorsed a two-year sprint on combating fraud, and with individual countries, like Cambodia, where criminals perpetrate massive online scams ripping off Americas, to push them to clean up their financial sectors, improve their AML/CFT systems, and shut down scam centers.

On Iran, the regime in Tehran has posed one of the most longstanding and significant threats to the integrity of the international financial system. For decades, the Treasury Department has consistently taken targeted action to address these risks and counter Iran's use of sanctions evasion and illicit finance to fund its nuclear and missile programs, stoke violence across the region through its terrorist proxies, prop up the regime, and repress the Iranian people. We regularly engage partner nations to crack down on Iranian illicit finance in foreign jurisdictions. We also regularly share information with financial institutions regarding Iran's terrorist financing and money laundering activities to support effective risk management within the private sector. That is why, last month, we convened a group of global financial institutions to alert them to potential exposure to risks from Iranian shadow banking networks potentially operating through correspondent banking channels. To be truly effective, we must leverage the capabilities of both our governmental authorities and responsible industry participants jointly focused on the same risks. These sustained efforts, particularly following President Trump's National Security Presidential Memorandum (NSPM) 2, which reimposed maximum pressure on Iran, have degraded its economic and military capabilities in support of President Trump's vision of compelling change in the Iranian regime's behavior to achieve lasting peace and security in the region.

Third, our ability to counter illicit finance threats depends on having a regulatory regime that is forward-looking, risk-based, and that prioritizes true *effectiveness* by financial institutions in their efforts to counter illicit finance, rather than procedural burden. Secretary Bessent has stressed that regulation must be fit for purpose, deriving from a clear statutory mandate with the distinct target of mitigating material risks without impeding economic growth. Regulation should also incentivize the right risk management behaviors—empowering financial institutions to focus on high-risk actors and activities as opposed to lower-risk areas. These changes will continue to result in stronger financial intelligence, more effective enforcement, reduced burden on industry, and improved national security outcomes.

I would like to highlight a few areas of modernization in particular:

A key focus for us—in partnership with FinCEN and OFAC—is implementation of the GENIUS Act. Earlier this month, FinCEN and OFAC proposed rules implementing key pieces of the GENIUS Act's anti-money laundering and sanctions program compliance framework for stablecoin issuers. More broadly, the Trump Administration has continued to champion financial innovation and digital assets, and we just issued a report to Congress under the GENIUS Act last month on innovative tools that can be leveraged by financial institutions to improve risk management practices, like AI and digital identity. Implementation of the GENIUS Act's provisions relating to illicit finance will help safeguard

the digital asset ecosystem from abuse while responsibly supporting the economic and technological promise of this sector.

Relatedly, we are focused on ensuring that the core anti-money laundering and counter-terrorist financing regulations, for all financial institutions, are more risk-based and effective. Earlier this month, FinCEN proposed new AML/CFT obligations for financial institutions, designed to fundamentally modernize their controls to be oriented around their biggest risk areas. This will not just affect how banks implement AML/CFT controls, but it will also ensure that bank regulation, supervision, and enforcement likewise focus on the biggest illicit finance and national security threats and vulnerabilities that we face.

Another area involves increasing the effectiveness of U.S. sanctions by revisiting and removing certain sanctions compliance burdens that are inefficient or not aligned with top national security risks. I know well from my years working in sanctions compliance at a bank that screening OFAC's SDN List is incredibly resource-intensive, yet the vast majority of screening matches are false positives. As a result, banks are forced to expend significant resources and attention to screen for low-risk matches, at the expense of focusing on high-risk, sophisticated sanctions compliance and evasion issues. This is not consistent with Treasury's goal of promoting risk-based compliance.

To address this imbalance, we are undertaking a systematic review of our sanctions programs to sharpen the focus of active sanctions, including by identifying OFAC designations that no longer serve a purpose, and are developing additional guidance to help banks focus their resources on high-value activities. We should not measure the success of our sanctions by how many names we have on a list, but rather by its effectiveness in alignment with our objectives. We should also not risk the devaluing of sanctions as an important tool with their overuse and disruption to legitimate commerce and economic growth. Our goal here is to focus on our biggest national security risks, and to help financial institutions do the same.

In closing, I would like to emphasize that the Treasury Department's work to safeguard the U.S. financial system is predicated on several vital partnerships:

We depend on partnerships with the financial services sector, which identifies and reports suspicious or illicit activity.

We depend on partnerships with law enforcement, which investigates and prosecutes financial crime.

We depend on partnerships with foreign governments, with whom we work to address global illicit finance risks.

And we depend on partnership with Congress, both through its support for Treasury's mission and for the authorities that we use to safeguard the United States. I look forward to continuing that partnership, and to engaging with you today and going forward.