

Statement by
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United States Department of the Treasury
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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; Intercam 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.