



Massive and Opaque U.S. Private Investment Industry Presents Major National Security and Corruption Threats

Joint Report from FACT Coalition, Global Financial Integrity, and Transparency International-U.S. Calls for U.S. Reforms

December 2, 2021

WASHINGTON, DC – The \$11 trillion U.S. private investment industry represents a gaping hole in the U.S. anti-money laundering framework and makes the U.S. an attractive destination for illicit financial flows, according to a joint report released today by the Financial Accountability and Corporate Transparency (FACT) Coalition, Global Financial Integrity, and the Transparency International U.S. Office.

“We need to make sure the ill-gotten gains of kleptocrats, autocrats, and criminals do not find shelter in our rule of law institutions,” **said U.S. Senator Sheldon Whitehouse**, speaking at the report launch today. “Without strong anti-money laundering protections, private equity and hedge funds can help kleptocrats and criminals stash their ill-gotten gains.”

The private investment industry, which targets high-net worth investors, does not have the same reporting requirements and anti-money laundering obligations as banks, broker-dealers, or retail funds marketed to ordinary investors. According to the new report, [“Private Investments, Public Harm”](#), there are nearly 13,000 investment advisers with little or no anti-money laundering due diligence responsibilities.

“On the eve of the Summit for Democracy, the glaring problems with money laundering risks in the private investment industry must be urgently addressed by

the Biden administration,” **said Ian Gary, executive director of the FACT Coalition.** “The money laundering risks in this massive, opaque, and complex sector jeopardize the world’s democracies, harm U.S. national security and touch the lives of ordinary Americans.”

The report released today describes several cases emblematic of the national security and corruption risks posed by the private investment industry. For example, Russian and Chinese interests have sought sensitive U.S. technology through private investment vehicles. The opaque nature of private equity also obscured the fact that a Russian oligarch owned the majority stake in a U.S. voting management firm active in Maryland.

“Given that the Treasury Department identified the anti-money laundering risk associated with private equity funds 20 years ago, it is long past the time when the industry should be required to conduct due diligence on the origins of the money they invest,” **said Tom Cardamone, president and CEO of Global Financial Integrity.** “With some \$11 trillion under management, the private equity sector is at great risk of being used to launder illicit proceeds.”

The joint report recommends that the Biden administration act independently through the Treasury Department to bring investment advisers and unregistered investment companies under anti-money laundering obligations. The Treasury Department can issue regulations to close the dangerous gaps in the U.S. anti-money laundering framework without any new action by Congress.

“While the stories in the report may be Hollywood quality with plenty of high finance and deception, the risks and harms to society are quite real. The secrecy around private equity and similar markets allows for corrupt and criminal actors to steal and launder money through their investments,” **said Gary Kalman, director of the Transparency International U.S. Office.** “Common sense suggests that investment advisers should ensure their investors aren't criminals. This report provides the evidence. It helps us better understand the risks of an opaque market and the need for rules to help keep illicit funds out of our financial system.”

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Related Resources

- [“Private Investments, Public Harm: How the Opacity of the Massive U.S. Private Investment Industry Fuels Corruption and Threatens National](#)

[Security](#)” is a joint report of the [FACT Coalition](#), [Global Financial Integrity](#), and the [Transparency International U.S. Office](#).

- In June, the Biden administration elevated the [fight against corruption](#) to a core “U.S. national security interest.” The results of an inter-agency process to develop a whole-of-government approach to combating corruption are expected this month.
- The [Summit for Democracy](#) on December 9th and 10th focuses on three themes: defending against authoritarianism; addressing and fighting corruption; and promoting respect for human rights.

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