



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C.

March 12, 2024

The Honorable Sherrod Brown
Chairman, Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Tim Scott
Ranking Member, Committee
on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Brown and Ranking Member Scott:

I wanted to follow up on the proposal the Treasury Department sent to the Committee late last year requesting a set of new authorities to protect against the national security risks created by virtual assets. Over the course of the first two months of 2024, Treasury designated Islamic State of Iraq and Syria (ISIS) targets for enabling the group's use of virtual assets¹ and Gaza-based virtual asset service providers (VASPs) involved in transferring funds for Hamas,² among other actions.

Treasury's ongoing analysis in the virtual asset space continues to identify risks presented by different virtual assets and services. (b)(3):31 U.S.C. § 5319 (Bank Secrecy Act)

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(b)(3):31 U.S.C. § 5319 (Bank Secrecy Act) Given that filing institutions may have attributed the full value of a customer's transactions—including both fiat and digital assets activity—to Hamas, while only a portion of the reported activity may have constituted such activity, there is a great deal we do not know about the about the activity. We continue to assess that Hamas and other terrorists have a preference for the use of traditional financial products and services, but I remain concerned that as we cut off their access to traditional finance these groups will increasingly turn to virtual assets.

In addition to supporting investigations and actions by Treasury and law enforcement, Treasury's work and analysis informed the set of high-level legislative proposals that I sent to the Committee in November. These proposals are intended to modernize Treasury's tools and authorities to meet current and future challenges in the virtual asset ecosystem. Several of these proposals are designed to strengthen our ability to meet the challenges presented by VASPs that are operating in jurisdictions with weak or non-existent AML/CFT or sanctions frameworks, but which continue to offer services in the United States. Other proposals are intended to update our

¹ [Treasury Designates ISIS Cyber Facilitators and Trainers | U.S. Department of the Treasury.](#)

² [U.S., UK, and Australia Target Additional Hamas Financial Networks and Facilitators of Virtual Currency Transfers | U.S. Department of the Treasury.](#)

BSA and sanctions frameworks to clarify how they apply in the virtual asset ecosystem to drive compliance and enhance enforcement efforts. These updates could clarify, and potentially expand, coverage of new entities in the virtual asset ecosystem that may be operating in areas of actual or perceived ambiguity with respect to their BSA obligations. A final proposal would explicitly provide Treasury's Office of Foreign Assets Control the authority to deploy secondary sanctions, an impactful and flexible tool, against virtual asset firms doing business with sanctioned entities.

I know that my team has been discussing these proposals with Committee staff. I hope that we can work together to translate the proposals into legislative text and, ultimately, into new authorities that we can use to protect our national security and the U.S. financial system.

Sincerely,

(b)(6)

Wally Adeyemo



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C.

March 12, 2024

The Honorable Patrick McHenry
Chairman, Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, Committee on
Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman McHenry and Ranking Member Waters:

I wanted to follow up on the proposal the Treasury Department sent to the Committee late last year requesting a set of new authorities to protect against the national security risks created by virtual assets. Over the course of the first two months of 2024, Treasury designated Islamic State of Iraq and Syria (ISIS) targets for enabling the group's use of virtual assets¹ and Gaza-based virtual asset service providers (VASPs) involved in transferring funds for Hamas,² among other actions.

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